



2008-2009 Annual Report

UNIVERSITY of
NORTHERN COLORADO



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NORTHERN COLORADO



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UNIVERSITY *of* NORTHERN COLORADO

Message from President Norton

Annually reporting the University of Northern Colorado's finances is a reflection of our commitment as a public university. We are committed to preparing students for public service, to helping to build a strong northern Colorado community and economy, and to managing UNC's fiscal affairs with transparency and accountability.

UNC continued to be an active participant in state-level discussions about higher education policy and long-term funding in fiscal year 2009, making the case for state support while also recognizing the need to be entrepreneurial.

As a result of declining state support, our dependence on student tuition continued to grow, and we further refined our pricing and discounting strategies. Coupled with tuition and fee increases was a corresponding increase in financial aid designed to promote access and support recruitment efforts. The new fees that were implemented provided students with tangible benefits such as technology.

We continued to make targeted investments in fiscal year 2009 to support student recruitment and success, which resulted in enrollment growth for fall 2009. We also invested in retaining faculty and staff, with particular emphasis on improving parity in faculty compensation.

As we move forward in the coming year, we will continue to focus on making the University of Northern Colorado an exemplary teaching and learning community.

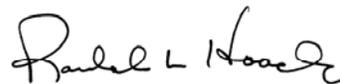


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the University of Northern Colorado for the year ended June 30, 2009, were prepared by management in conformity with generally accepted accounting principles.

The management of the University is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based upon judgment. Other financial information in the annual report is consistent with that in the financial statements. The system of internal accounting controls is designed to assure that the financial reports and the books of accounts properly reflect the transactions of the institution, in accordance with established policies and procedures as implemented by qualified personnel.

The Board of Trustees of the University of Northern Colorado monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets and the reporting of independent certified public accountants.



*Randal L. Haack
Senior Vice President
for Finance and Administration
and Chief Financial Officer*



*Michelle F. Quinn
Associate Vice President of Finance*



Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the University of Northern Colorado (the University) and its discretely presented component units, collectively a blended component unit of the State of Colorado, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University for the year ended June 30, 2008, were audited by other auditors whose report, dated November 25, 2008, expressed an unqualified opinion on those statements.

We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) or the University of Northern Colorado Foundation Student Housing, LLC I (the LLC), which collectively comprise the University's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion insofar as it relates to the amounts included for the Foundation and the LLC, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation and the LLC, which were audited by other accountants, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the 2009 financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units, as of June 30, 2009, and their respective changes in financial position and cash flows for the year then ended in conformity with accountant principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts,

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Anderson & Whitney, P.C.

November 16, 2009

5801 West 11th Street, Suite 300
Greeley, Colorado 80634-4813
(970) 352-7990
FAX (970) 352-1855

Overview

Management Discussion and Analysis

We are pleased to present this financial discussion and analysis of the University of Northern Colorado (the University or UNC). It is intended to make the University's financial statements easier to understand and communicate its financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position and results of operations as of and for the years ended June 30, 2009 and 2008 (fiscal year 2009 and 2008, respectively), with comparative information for fiscal year 2007. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the University, a public comprehensive baccalaureate and specialized graduate research university, and focuses on the financial condition and results of operations as a whole. The financial statements for the University of Northern Colorado Foundation, Incorporated, and the University of Northern Colorado Student Housing LLC I – legally separate organizations whose operations benefit the University – are discretely presented within UNC's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the University.

Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five other parts.

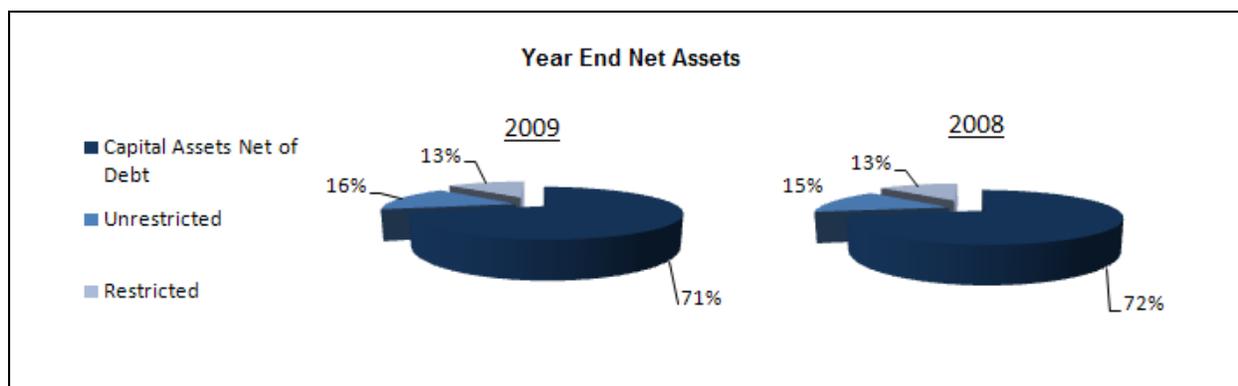
- **Report of Independent Auditors** presents an unqualified opinion prepared by the University's auditors (an independent certified public accounting firm, Anderson & Whitney, PC) on the fairness, in all material respects, of the University and its discretely presented component units' respective financial position.
- **Statement of Net Assets** presents the assets, liabilities, and net assets of the University at a point in time (June 30, 2009 and 2008). Its purpose is to present a financial snapshot of the University. This statement aids readers in determining the assets available to continue the University's operations; evaluating how much the University owes to vendors, investors, and lending institutions; and understanding the University's net assets and their availability for expenditure by the University.
- **Statement of Revenues, Expenses, and Changes in Net Assets** presents the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2009 and 2008). Its purpose is to assess the University's operating results.
- **Statement of Cash Flows** presents University cash receipts and payments during a period of time (the years ended June 30, 2009 and 2008). Its purpose is to assess the University's ability to generate net cash flows and meet its payment obligations as they come due.
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

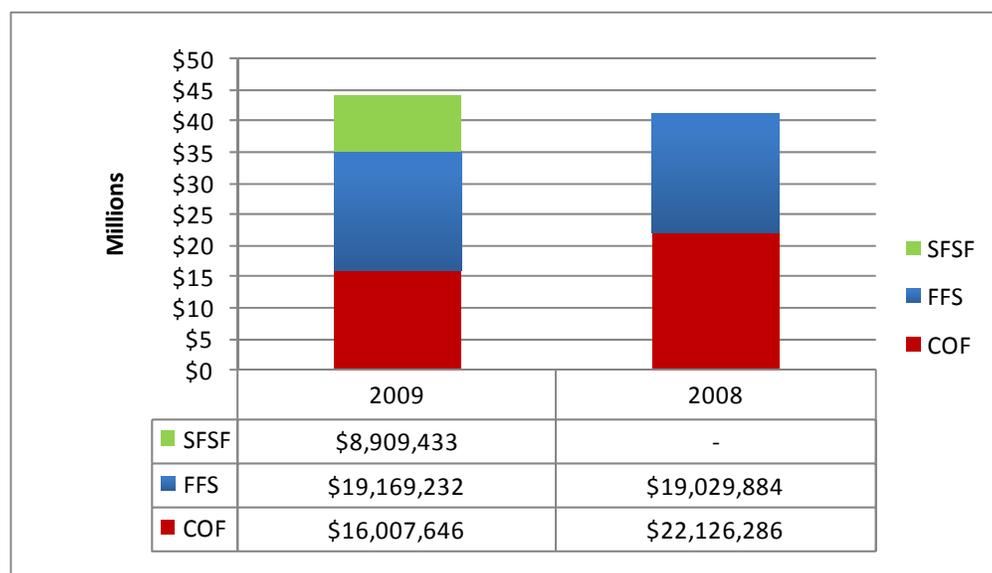
Selected financial highlights for the fiscal year ended June 30, 2009, include:

- University assets total \$335.6 million, with liabilities of \$174.0 million, resulting in net assets of \$161.6 million (net assets). Of this amount, \$20.7 million is restricted for purposes for which the donor, grantor or other external party intended and \$115.5 million is related to investments in capital assets, net of related debt. The remaining \$25.4 million is unrestricted and may be used to meet the University's ongoing obligations.



- Total operating revenues increased \$2.9 million while total operating expenses increased \$10.5 million. Net nonoperating and other revenues increased \$8.8 million. This resulted in an increase in net assets of \$0.8 million for fiscal year 2009.
- The largest increase in net assets is in unrestricted net assets of \$1.5 million. This is primarily due to the increase in operating revenues. The largest decrease in fiscal year 2009 is \$0.7 million in invested in capital assets net of related debt. This is primarily due to increased depreciation expense resulting from the completion of phase one of the new housing facility with a capitalized cost of \$37.6 million.
- The state provides support directly to students in the form of student tuition stipends paid by the College Opportunity Fund (COF). In fiscal year 2009 the amount of stipends decreased from \$92 to \$68 per credit hour because of budgetary cutbacks. In fiscal year 2009 UNC received \$16.0 million in stipends, which is a decrease of \$6.1 million from fiscal year 2008.
- The University receives support from the state for the delivery of graduate and high cost/demand programs through a “fee-for-service” (FFS) contract. In fiscal year 2009 UNC received \$19.2 million, which is an increase of \$0.1 million from fiscal year 2008.
- During fiscal year 2009 federal funds were provided to the state for higher education. This State Fiscal Stabilization Fund (SFSF) bridged a budget shortfall and provided UNC with \$8.9 million of funding.

MANAGEMENT DISCUSSION AND ANALYSIS



- Certificates of participation were issued by the state Treasury on November 6, 2008 (fiscal year 2009) to help fund capital construction for higher education. This lease purchase agreement will contribute \$11.6 million to UNC. During fiscal year 2009, \$1.2 million of these funds were received for the Butler Hancock interior restoration project.
- As noted above, the University's overall increase in net assets from both operating and nonoperating sources totaled \$0.8 million. Its change in net assets from operating sources alone, however, resulted in an operating loss of \$8.7 million. The combination of the reduction in student tuition stipends, which are classified as operating income, and the backfill of federal stabilization dollars, which are nonoperating revenues, accounts for the difference between the University's net operating loss and net increase to net assets.

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2009. It presents the fiscal resources of the University (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or noncurrent. Net assets are classified by the ways in which they may be used for future operations. The Statement of Net Assets presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

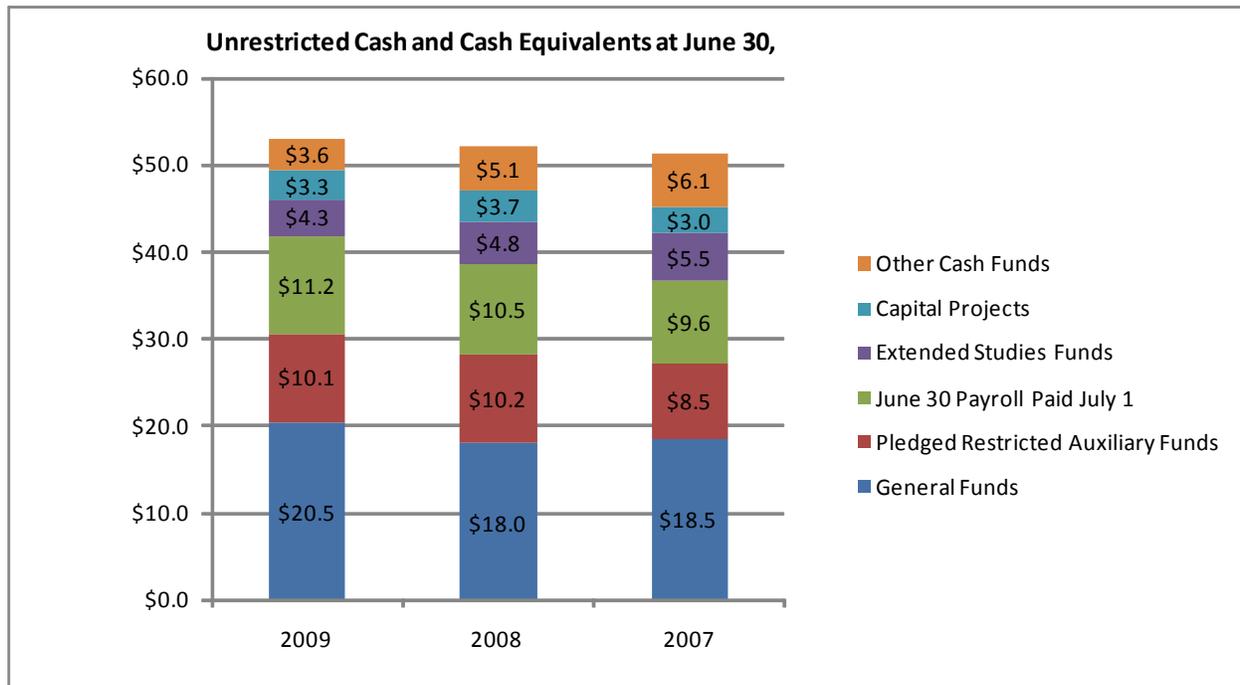
MANAGEMENT DISCUSSION AND ANALYSIS

University of Northern Colorado Condensed Statement of Net Assets At June 30,			
	2009	2008	2007
Assets			
Current Assets	\$ 63,320,454	\$ 61,585,596	\$ 60,300,567
Capital	249,934,914	225,690,418	201,023,064
Other Noncurrent Assets	22,382,144	49,921,412	76,360,075
Total Assets	\$ 335,637,512	\$ 337,197,426	\$ 337,683,706
Liabilities			
Current Liabilities	\$ 27,951,960	\$ 28,081,725	\$ 25,631,854
Bonds/Notes Payable, Noncurrent	136,778,501	138,821,062	140,651,092
Other Noncurrent Liabilities	9,317,127	9,550,449	10,317,877
Total Liabilities	\$ 174,047,588	\$ 176,453,236	\$ 176,600,823
Net Assets			
Invested in Capital Assets			
Net of Related Debt	\$ 115,452,637	\$ 116,118,813	\$ 118,272,373
Restricted - Nonexpendable	307,555	307,555	315,553
Restricted - Expendable	20,427,269	20,386,181	16,204,979
Unrestricted	25,402,463	23,931,641	26,289,978
Total Net Assets	\$ 161,589,924	\$ 160,744,190	\$ 161,082,883

Current Assets

Unrestricted cash and cash equivalents at June 30, 2009, 2008, and 2007 comprise 15.8%, 15.5%, and 15.2% of the University's total assets and totaled \$53.0, \$52.3, and \$51.4 million, respectively. The majority of the cash is held at the state Treasury and is comprised of general, self-supported, restricted, agency and other cash funds. Total cash and cash equivalents during fiscal year 2009, 2008, and 2007 increased \$0.8, \$0.9, and \$4.7 million, respectively. The cash flow statement presented with the financial statements provides additional information on how cash is received and used by the University.

MANAGEMENT DISCUSSION AND ANALYSIS



Student accounts receivable is the second largest (\$4.5 million) current asset and is presented net of allowance for doubtful accounts. This receivable has increased \$0.4 million over the previous three years. The University has been exploring ways to increase collections on accounts, including the use of private collection agencies that specialize in higher education.

Capital Assets

Capital assets are defined as any asset used in operations with an initial useful life extending beyond one year. UNC's single largest fiscal resource is its campus facility; therefore, University management has a duty to maintain capital assets under its control. As of June 30, 2009, capital assets, net of \$176.8 million accumulated depreciation, totaled \$249.9 million. This is a \$24.2 million increase from fiscal year 2008, when capital assets, net of \$163.1 million accumulated depreciation, totaled \$225.7 million. Capital assets, net of \$153.1 million accumulated depreciation, totaled \$201.0 million at June 30, 2007.

The University opened phase one of a new housing complex to students during August 2008. Construction in progress expenditures for phase two of this project plus other building improvement projects totaled \$27.1 million at the end of fiscal year 2009.

A summary of the capital assets balance is reflected in the table below. Additional information on additions, disposals, and transfers of capital assets can be found in Note 6.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets Net of Accumulated Depreciation						
	<u>June 30, 2009</u>		<u>June 30, 2008</u>		<u>June 30, 2007</u>	
Land and Improvements	\$ 27,925,708	11.2%	\$ 28,026,150	12.4%	\$ 25,260,995	12.6%
Buildings and Improvements	180,348,712	72.2%	140,181,602	62.1%	144,417,684	71.8%
Construction In Progress	27,123,941	10.9%	43,301,126	19.2%	16,912,456	8.4%
Library Books	8,783,295	3.5%	8,552,125	3.8%	8,217,848	4.1%
Equipment	4,910,628	1.9%	4,786,785	2.1%	5,371,451	2.7%
Art and Historical Treasures	842,630	0.3%	842,630	0.4%	842,630	0.4%
Total Capital Assets	\$ 249,934,914	100.0%	\$ 225,690,418	100.0%	\$ 201,023,064	100.0%

Other Noncurrent Assets

Noncurrent assets primarily consist of restricted investments and loans to students. Proceeds from the 2005 auxiliary bond issuance of \$85.0 million (fiscal year 2006), described in Note 7, were invested in a guaranteed investment contract and are drawn down on a monthly basis for use on bond funded campus construction projects. This restricted investment has decreased \$27.2, \$26.7, and \$17.1 million in fiscal years 2009, 2008, and 2007, respectively. As noted in the Capital Assets section above, capital assets net of debt have increased in a corresponding amount for the past three years, as the cash held by the guaranteed investment contract has been used for the construction and remodeling of University housing facilities.

Loans to students are primarily Perkins loans and are managed, under the appropriate federal guidelines, through a third party loan processor. Loans to students net of allowance for doubtful accounts, which are greater than one year, totaled \$7,056,275, \$7,304,448, and \$7,118,682 at June 30, 2009, 2008, and 2007, respectively.

Liabilities

Non-Debt Related Liabilities

The University's non-debt obligations and commitments arising from past events that are expected to result in an outflow of resources include: amounts owed to vendors, personnel commitments, and deferred revenue. Note 7 provides more detailed information for current liabilities expected to be paid within one year, and noncurrent liabilities expected to be paid after one year.

In fiscal year 2003, the state of Colorado moved the June 30 pay date to July 1. Salaries and benefits payable in fiscal years 2009, 2008, and 2007 of \$11.2, \$10.5, and \$9.6 million, respectively, were considered a commitment in the current fiscal year even though they were not paid until the next fiscal year.

Compensated absences estimate the amount payable to employees in the future for their vested rights under the various leave and retirement programs. This estimate is based on personnel policies that define vacation and sick leave that employees may be entitled (see Note 1). The amount of compensated absences for fiscal year 2009, 2008, and 2007 are \$4.3, \$3.8, and \$3.5 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2009, but related to services to be provided in fiscal year 2010, plus amounts received from grant and contract sponsors that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

University Debt

The single largest liability for the University is outstanding bonds payable.

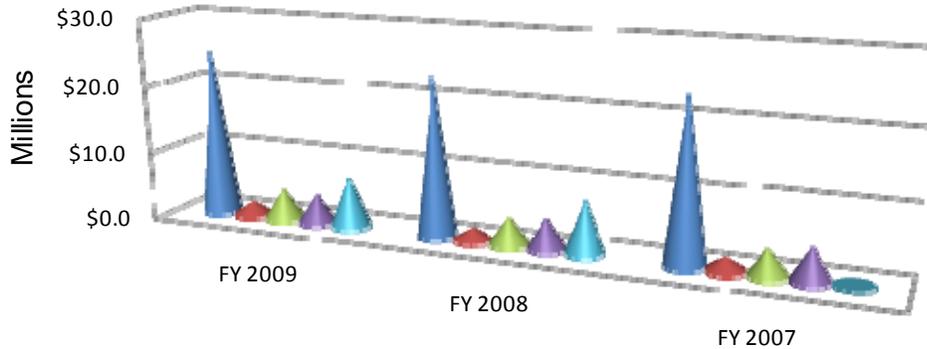
- In July 2001, the University issued bonds totaling \$50.0 million par. These bonds advance refunded the previously issued 1997 bonds and provided funding for west campus dining improvements, parking and additional auxiliary facility improvements.
- In July 2005, the University issued an additional \$85.0 million in bonds with maturities from 2006 through 2040. These bonds provided funding for the west campus housing project, parking and athletics facility improvements.
- In May 2008, the University issued \$9.1 million in bonds for the purpose of currently refunding \$9.1 million of then-outstanding Series 1998 Auxiliary Refunding Revenue bonds. This current refunding was undertaken to reduce the total debt service payments and resulted in an economic gain of \$0.5 million.

All the above bond issuances were insured with ratings of Aaa by Moody's and AAA by Standard and Poor's. The underlying ratings have remained unchanged with a stable outlook. A summary of University debt is shown in the table below.

	Summary of Debt June 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Outstanding:			
Revenue Bonds	\$ 138,788,501	\$ 140,736,062	\$ 142,301,092
Capital Lease Obligations	3,935,745	4,601,815	5,202,331
	<u>\$ 142,724,246</u>	<u>\$ 145,337,877</u>	<u>\$ 147,503,423</u>
Less Current Portion	\$ (2,712,486)	\$ (2,587,020)	\$ (2,289,290)
Long-Term Debt	<u>\$ 140,011,760</u>	<u>\$ 142,750,857</u>	<u>\$ 145,214,133</u>

The bond debt payments are made from pledged revenues comprised of auxiliary housing, food service, parking and other sales, plus selected student fees and 10% of student tuition revenues. A detailed schedule of actual and estimated revenues and expenses is included in the Other Financial, Enrollment and Budget Data section of the annual report.

Restricted Auxiliary Pledged Revenues



	FY 2009	FY 2008	FY 2007
■ Housing and Food Sales	\$24,908,191	\$23,621,903	\$23,642,445
■ Parking Fees	1,852,231	1,798,152	1,788,140
■ Other Auxiliary Sales and Services	4,274,069	4,055,029	3,652,516
■ Pledged Student Fees	4,193,446	4,548,963	4,614,132
■ Pledged Student Tuition	7,349,885	7,583,025	-

Net Assets

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment). To help understand the nature of the University's net assets, net assets are classified into the following categories.

- Invested in Capital Assets Net of Related Debt** – The University's largest class of net assets is its capital assets, net of related debt, which comprises 71.4%, 72.2%, and 73.4% of net assets for fiscal years 2009, 2008, and 2007. This net asset balance equals the cumulative amount expended for capital assets, less the outstanding debt incurred to finance those capital assets and the capital assets' related accumulated depreciation. These net capital assets represent the University's net investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics and other purposes.
- Restricted Nonexpendable** – The University's restricted nonexpendable net assets are endowment funds for which the donor has required that the original principal be set aside for perpetual investment. The University's restricted nonexpendable net assets have remained at \$0.3 million for the last three fiscal years and included only those endowment funds that cannot be legally transferred to the University of Northern Colorado Foundation, Incorporated (the Foundation).

The majority of the endowment assets benefiting the University are held by the Foundation, which is a discretely presented component unit in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

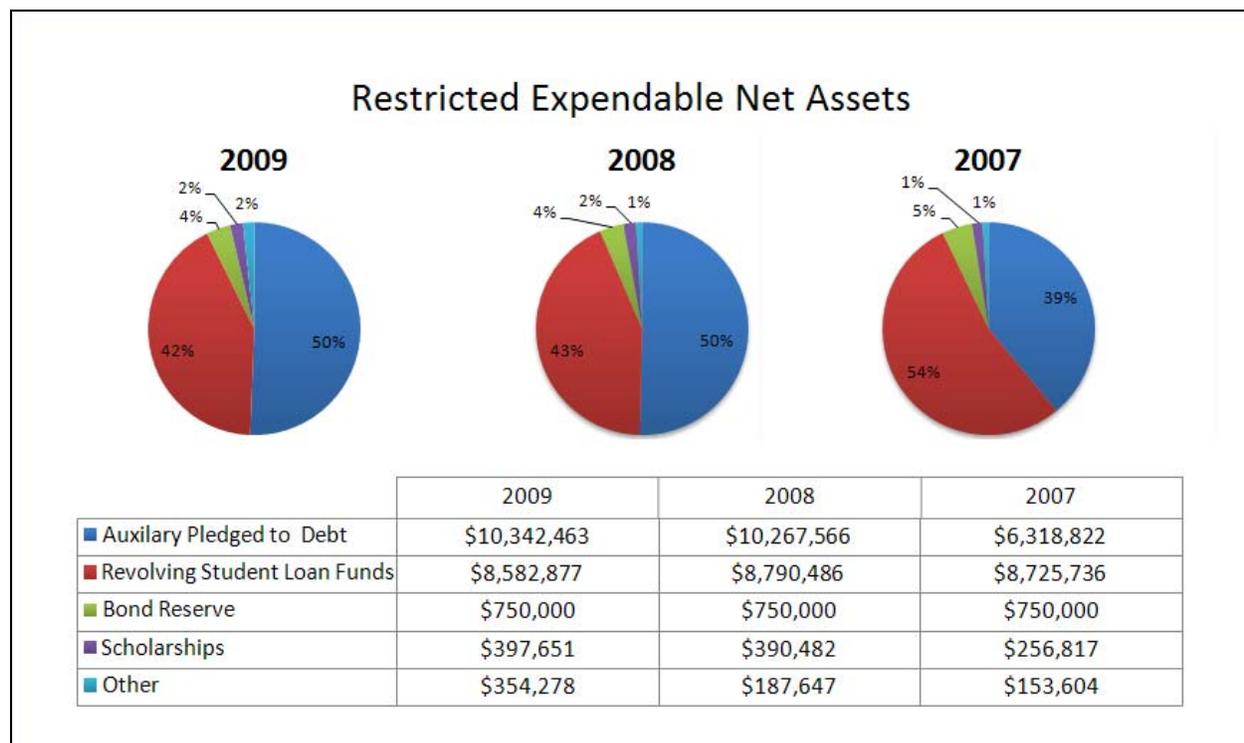
- Restricted Expendable** – The University’s restricted expendable net assets are assets that may be fully expended but only for specific purposes identified by the donor or entity originally providing the funds. Some net assets identified as restricted expendable are generated from investment earnings on restricted nonexpendable endowment net assets described above. Allowable expenditures for these funds are scholarships and other academic support expenditures.

The majority of restricted expendable net assets, however, include revolving Perkins loan funds, net auxiliary revenues pledged to outstanding bond debt and restricted bond reserves.

During fiscal year 2009, net assets related to the Arlington Park student housing project and auxiliary compensated absences were determined not to be restricted auxiliary expendable net assets and were reclassified to unrestricted net assets. These deficit net assets totaled \$2.2 million at the end of fiscal year 2008. The related reclassification of fiscal year 2008 net assets decreased unrestricted net assets and increased restricted auxiliary expendable net assets by a corresponding amount.

As restricted expendable net assets are often generated in one fiscal year and expended in the following year, this amount remains relatively stable from year to year. The University’s restricted expendable net assets at June 30, 2009, 2008, and 2007 were \$20.4, \$20.4, and \$16.2 million, respectively.

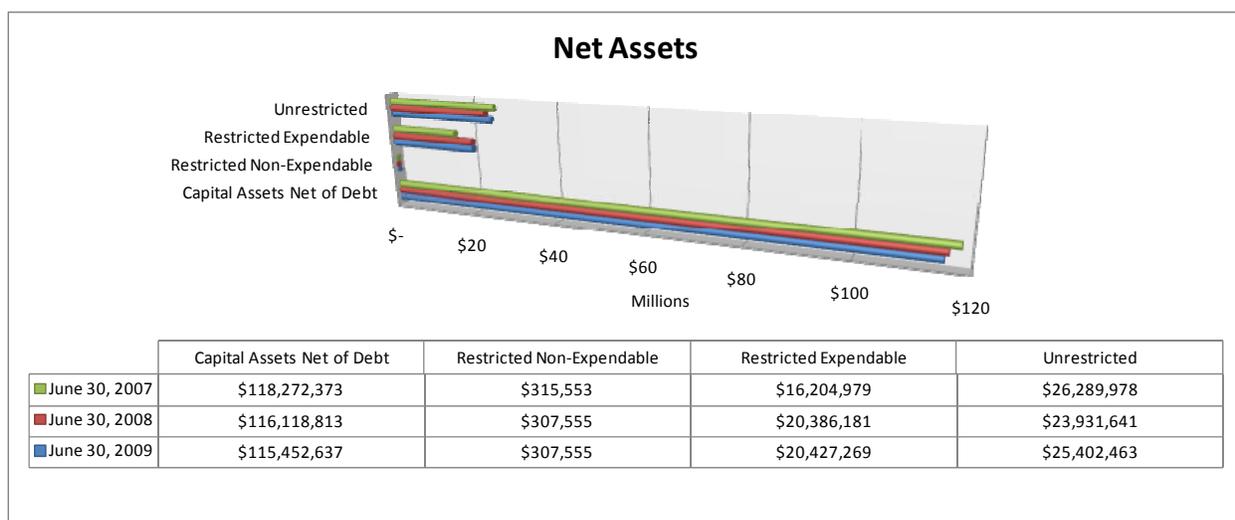
The Foundation’s restricted expendable net assets at June 30, 2009, 2008, and 2007 were \$24.4, \$43.7, and \$48.7 million, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

- Unrestricted** – Unrestricted net assets are usually available for spending for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net assets for certain purposes during the annual budget process. Unrestricted net assets of \$25.4 million include departmental operating funds, inventory, self-funded operation working capital, and reserves.

Total net assets increased by \$0.8 million during fiscal year 2009 and decreased \$0.3 million during fiscal year 2008. This \$0.5 million increase over a two year period represents 0.166% of total operating revenues for this period (FY 2009 \$155.3 and FY 2008 \$152.4 million). In fiscal year 2007 net assets increased by \$6.3 million.



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University of Northern Colorado over the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. A key component of this statement is the differentiation between operating and nonoperating activities.

Operating revenues are earned by providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the University for which the University earns operating revenues.

Nonoperating revenues include investment income, state appropriations, federal funds received from the State Fiscal Stabilization program and gains or losses on the disposal of assets. These revenues are not earned from the sale of goods and services, and are therefore, considered nonoperating.

MANAGEMENT DISCUSSION AND ANALYSIS

University of Northern Colorado Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30,			
	2009	2008	2007
Operating Revenues			
Net Tuition and Fees	\$ 79,206,461	\$ 80,379,211	\$ 78,912,114
Fee-for-Service	19,169,232	19,029,884	15,345,095
Grants and Contracts	24,326,681	22,184,709	19,630,426
Auxiliary	26,463,559	25,811,604	25,681,389
Other	6,146,136	5,002,104	4,796,630
Total Operating Revenues	<u>\$ 155,312,069</u>	<u>\$ 152,407,512</u>	<u>\$ 144,365,654</u>
Operating Expenses			
Education and General	\$ 126,867,818	\$ 118,748,349	\$ 109,687,620
Auxiliary	23,115,374	21,359,351	20,944,465
Depreciation	14,013,492	13,340,349	12,776,240
Total Operating Expenses	<u>\$ 163,996,684</u>	<u>\$ 153,448,049</u>	<u>\$ 143,408,325</u>
Operating Gain (Loss)	<u>\$ (8,684,615)</u>	<u>\$ (1,040,537)</u>	<u>\$ 957,329</u>
Nonoperating Revenues			
Other Revenues and Expenses	\$ 6,921,422	\$ (781,541)	\$ (256,880)
Gain/(Loss) before Other	<u>\$ (1,763,193)</u>	<u>\$ (1,822,078)</u>	<u>\$ 700,449</u>
Capital Appropriations & Contributions	2,608,927	1,697,154	5,593,925
Net Other Items	<u>-</u>	<u>(213,769)</u>	<u>22,702</u>
Increase in Net Assets	845,734	(338,693)	6,317,076
Net Assets- Beginning of Year	160,744,190	161,082,883	154,765,807
Net Assets- End of Year	<u>\$ 161,589,924</u>	<u>\$ 160,744,190</u>	<u>\$ 161,082,883</u>

Total Revenues

During fiscal years 2009, 2008, and 2007, revenue from all sources totaled \$169.5, \$157.2, and \$153.2 million. During fiscal year 2006, the state of Colorado discontinued direct state appropriations to public institutions of higher education, including UNC. Instead, state funds are being used to support Colorado students in several ways.

- The College Opportunity Fund (COF) – COF provides a stipend to eligible undergraduate residents. The state’s College Opportunity Fund provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In fiscal year 2009, 2008, and 2007, the University applied \$16.0, \$22.1, and \$22.6 million of College Opportunity Fund stipends against student tuition bills (as such this amount is included in tuition revenues).
- State Fee-for-Service (FFS) – During fiscal years 2009, 2008, and 2007, the Colorado Department of Higher Education (CDHE) contracted with UNC for \$19.2, \$19.0, and \$15.3 million to provide graduate and specialized education services. These are recognized as state fee-

MANAGEMENT DISCUSSION AND ANALYSIS

for-service revenue on the Statement of Revenues, Expenses and Changes in Net Assets. These funds received from the state are in addition to tuition paid by students.

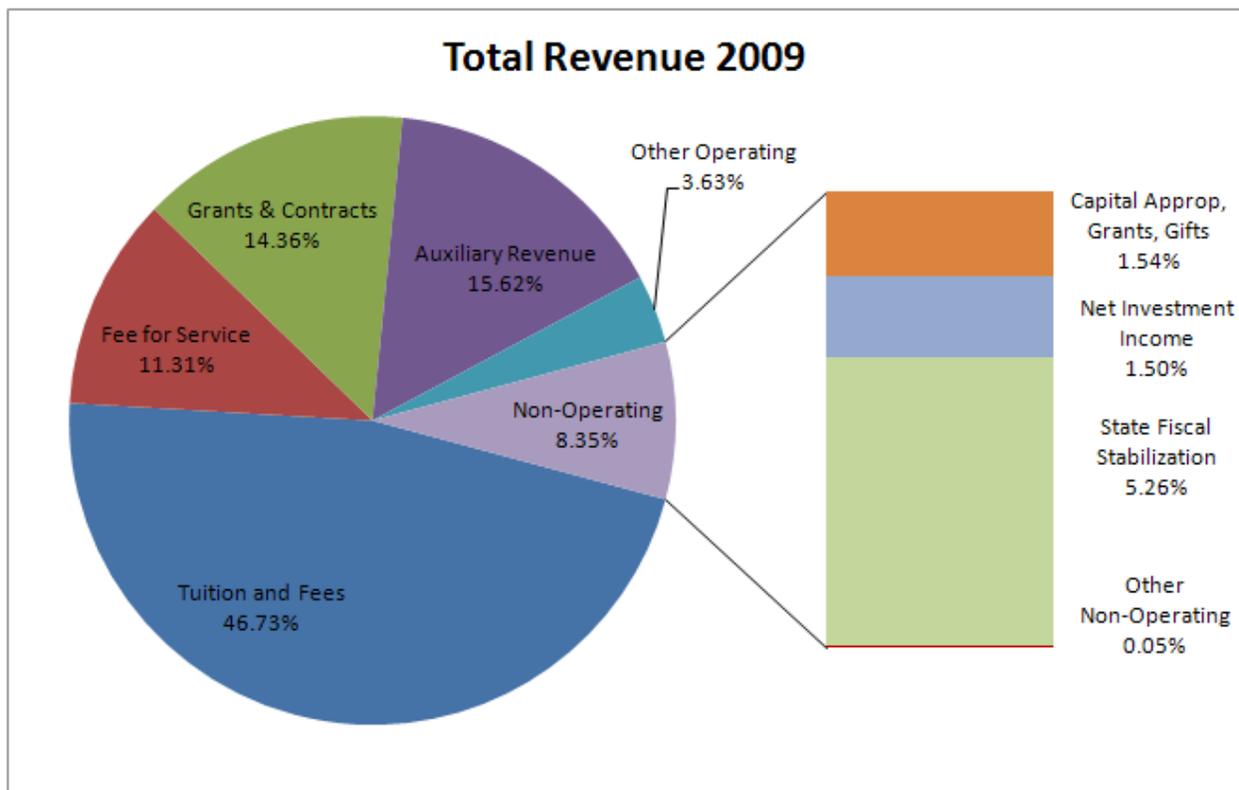
- State Fiscal Stabilization Funds (SFSF) – In fiscal year 2009 federal stimulus money commonly known as ARRA (American Recovery and Reinvestment Act) was granted to the Office of the Governor. One hundred and fifty million dollars of these funds were designated for use in higher education, of which UNC received \$8.9 million.

Availability of these funds is subject to legislative and the governor’s approval on bills. The primary appropriation bill is known as the “Appropriation Long Bill” and changes made are general “Supplemental Appropriation” bills.

In addition to the state support listed above, the University receives capital appropriations and contributions from a certificate of participation lease agreement.

Operating Revenues

Operating revenue for fiscal years 2009, 2008, and 2007 of \$155.3, \$152.4, and \$144.4 million is derived from tuition and fees, auxiliary activity, grants and contracts, state fee-for-service, and other operating revenues.



MANAGEMENT DISCUSSION AND ANALYSIS

Tuition and fees is the University's largest source of revenue and is shown net of \$9.8, \$7.8, and \$6.4 million in scholarship allowances for fiscal years 2009, 2008, and 2007, respectively. Auxiliary revenue for fiscal years 2009, 2008, and 2007 is net of \$2.8, \$2.4, and \$2.0 million in scholarship allowances. Scholarship allowances are those portions of UNC's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid, but also general institutional scholarships.

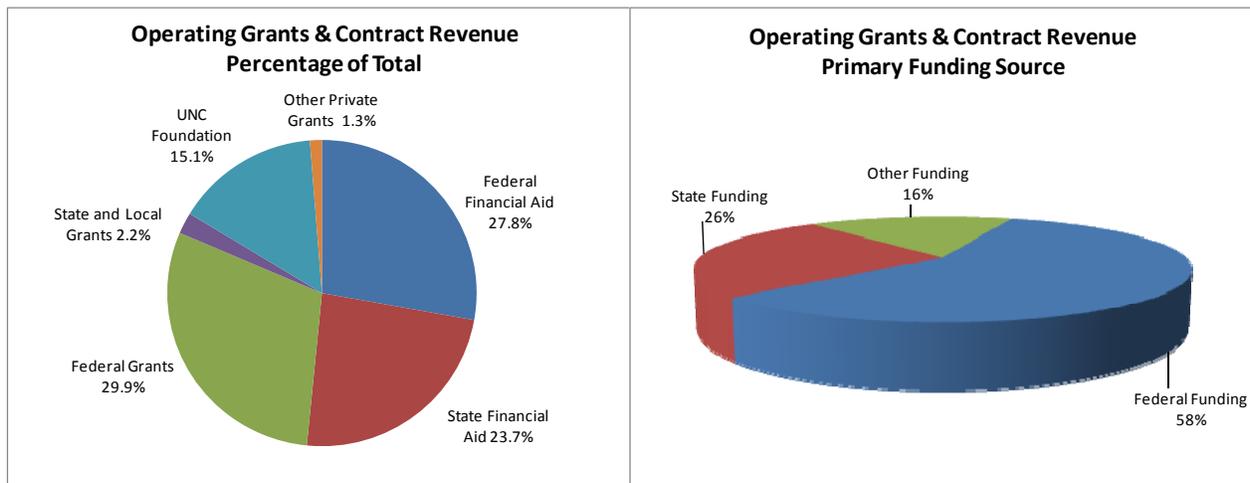
Tuition and fees revenue decreased \$1.2 million as a result of a slight reduction in student enrollment and the reduction in College Opportunity Funds provided for student tuition by the state. This reduction cut the amount of funding provided to students from \$92 to \$68 per credit hour.

Auxiliary revenues have increased slightly (\$0.7 million), primarily from housing and food contracts. Auxiliary revenues are a major source of support for the University's debt service payments. A detailed schedule of actual and estimated revenues and expenses is included in the Other Financial, Enrollment and Budget Data section of the annual report.

Operating grant and contract revenue comprises 15.7% of the operating revenue at the University. About 52% of this revenue is federal and state financial aid with an additional 30% coming from federal grants for research, training, and other.

Operating Grants & Contract Revenue				
		<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Federal Financial Aid	\$	6,768,050	\$	6,356,046
State Financial Aid		5,774,710		4,526,564
		<u>12,542,760</u>		<u>11,621,646</u>
				<u>10,641,610</u>
Federal Grants		7,267,583		6,230,824
State and Local Grants		543,090		531,424
UNC Foundation		3,666,700		3,191,929
Other Private Grants		306,548		608,886
	\$	<u>24,326,681</u>	\$	<u>22,184,709</u>
			\$	<u>19,630,426</u>

MANAGEMENT DISCUSSION AND ANALYSIS



Operating Expenses

For fiscal year 2009, total expenses of \$168.6 million included operating expenses of \$164.0 million and interest expenses of \$4.6 million.

Operating expenses have increased from fiscal year 2008 by \$10.5 million, and are the result of increased personnel costs across all functional areas, plus increased scholarship awards and depreciation expenses. Between fiscal year 2008 and 2007, operating expenses increased by \$10.0 million with significant increases in instruction, campus facilities, and depreciation expenses.

Operating Expenses by Function							
	2009		2008		2007		
Instruction	\$ 60,159,710	36.7%	\$ 56,988,926	37.1%	\$ 51,870,525	36.3%	
Research	3,034,464	1.9%	2,509,329	1.6%	2,189,973	1.5%	
Public Service	2,300,092	1.4%	2,044,167	1.3%	1,767,130	1.2%	
Academic Support	16,724,792	10.2%	15,121,652	9.9%	13,248,964	9.2%	
Student Services	18,285,114	11.1%	16,516,144	10.8%	15,105,402	10.5%	
Institutional Support	8,873,255	5.4%	8,576,536	5.6%	9,659,058	6.7%	
Operation of Plant	8,076,677	4.9%	8,458,736	5.5%	7,540,297	5.3%	
Scholarships and Fellowships	9,413,714	5.8%	8,532,859	5.6%	8,306,271	5.8%	
Auxiliary Operating Expenditures	23,115,374	14.1%	21,359,351	13.9%	20,944,465	14.6%	
Depreciation	14,013,492	8.5%	13,340,349	8.7%	12,776,240	8.9%	
Total Operating Expenses	\$ 163,996,684	100.0%	\$ 153,448,049	100.0%	\$ 143,408,325	100.0%	

The single largest category of expense across all University functions is personnel. These costs have steadily increased each year in both amounts and percent of total operating expenses. Note 13, "Operating Expenses by Function Compared with Operating Expenses by Natural Classification," provides additional information on wages and benefits by employee class.

MANAGEMENT DISCUSSION AND ANALYSIS

Faculty is the largest employee class and their related salaries account for the majority of the change in instruction expenses. Administrative salaries are the second largest employee group followed by classified personnel. The duties related to these job classifications fall into all functional categories. The increase for student services expenses is also a result of wage and benefit expenses.

A new technology fee adopted in fiscal year 2009 provided additional resources for general computer lab support. Expenses associated with lab support are allocated each year to the different functional areas. Approximately \$1.4 million of additional expenses in lab support are associated with the academic support function.

Operating Expenses by Natural Class							
	2009		2008		2007		
Personnel Costs	\$ 106,608,088	65.0%	\$ 98,187,644	64.0%	\$ 90,790,174	63.3%	
Cost of Goods Sold	9,337,807	5.7%	8,653,395	5.6%	8,989,034	6.3%	
Other Operating Expense	34,037,297	20.8%	33,266,661	21.7%	30,852,877	21.5%	
Depreciation	14,013,492	8.5%	13,340,349	8.7%	12,776,240	8.9%	
Total Operating Expenses	\$ 163,996,684	100.0%	\$ 153,448,049	100.0%	\$ 143,408,325	100.0%	

Nonoperating Revenues and Expenses

The University's nonoperating revenues and expenses are primarily investment income, interest on capital debt, and federal and state support. Investment income is primarily earned from interest proceeds on the cash held by the state Treasurer for University operations. The interest on capital debt represents the interest paid on capital bonds and leases payable.

State and federal funding is the largest portion of nonoperating revenue. As discussed earlier, UNC received State Fiscal Stabilization Funds of \$8.9 million. Capital appropriations of \$1.3 million were also received and were used for state appropriated building improvement projects, including replacement of buried high temperature hot water mains and updated electrical, HVAC and fire alarm systems. The state Treasury issued certificates of participation during November 2008, and UNC has received \$1.2 million for the interior renovation of the Butler Hancock athletic facility.

Economic Outlook

The University's financial (or economic) position is constrained by state legislation, including its ability to raise student tuition and fees, and is impacted by its ability to generate grants and contract revenue. With continued budgetary constraints, Colorado universities and the Department of Higher Education face many challenges. The national economic downturn continues to influence the Colorado economy. The forecast for the Colorado economy, like the forecast for the national economy, suggests continued weakness through 2009 with a base forming towards the end of 2009 for most variables and a modest recovery in 2010. The current recession has been deemed the longest and most severe recession in the post World War II era. Because of the significant financial contraction since December 2007, nearly all industrial countries have experienced declines in production and increasing rates of unemployment and demands on public assistance.

MANAGEMENT DISCUSSION AND ANALYSIS

With Colorado's implementation of the College Opportunity Fund and discontinuation of direct state appropriations, UNC's finances are more immediately impacted by changes in enrollment. The tables below and information contained in the Other Financial, Enrollment and Budget Data section of the annual report provide additional information on enrollment figures.

Student Enrollment				
Fall Final (for Fiscal Year)	Undergraduate	Graduate	Total	Percent Change
Fall 08 (FY 09)	10,109	2,389	12,498	-1.61%
Fall 07 (FY 08)	10,441	2,261	12,702	-4.95%
Fall 06 (FY 07)	10,823	2,541	13,364	-1.10%
Fall 05 (FY 06)	11,094	2,418	13,512	3.20%
Fall 04 (FY 05)	10,774	2,319	13,093	

Total Credit Hours		
Fiscal Year	Total	Percent Change
2009	317,779	-5.28%
2008	335,509	-2.43%
2007	343,868	-1.39%
2006	348,702	-0.39%
2005	350,077	

Over the last two years UNC has experienced enrollment declines. Beginning in fall 2007, the University engaged in a comprehensive review of recruitment and retention practices and key performance indicators. As previously shared, one clear issue that emerged was the need to actively recruit students in the early high school and middle school years. The results of these early recruitment initiatives are starting to bear fruit.

The University is continuing to address recruitment and retention with the implementation of a phased comprehensive enrollment management plan. The strategic enrollment management plan encompasses collaborative efforts of traditional areas such as admissions, the registrar, and financial aid, as well as residence life, student advising, the dean of students, and academic areas. The goals of the plan focus on improving the effectiveness of undergraduate recruitment, increasing persistence toward completion, expanding community outreach, and embracing diversity and inclusiveness. Additional goals focus on fostering an environment that focuses on student success and rewarding staff contributions.

One specific step to address student success has been the creation of the University College to address retention of students who have not yet declared a major or who are pursuing an interdisciplinary degree.

MANAGEMENT DISCUSSION AND ANALYSIS

The Enrollment Management and Student Access (EMSA) division has been restructured for greater synergy and focus on student success. EMSA has developed ten Action Approaches that serve to guide the division strategically.

Enrollment data for fall 2009 reflect the success of these efforts. There has been a modest increase in overall campus enrollment for fall 2009, with strong gains in first-time freshmen and transfer enrollment.

UNC is currently developing graduate enrollment initiatives, including more strategic graduate student financial support and expansion of graduate programs in growth areas. Specific changes include the addition of an online master's degree in criminal justice, exploration of executive education, and expansion of off-campus locations.

For additional information regarding this report please contact:

Office of the Associate Vice President of Finance
University of Northern Colorado
501 20th Street
Campus Box 44
Greeley, CO 80639
(970) 351-2124
www.unco.edu

FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS JUNE 30, 2009

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 53,017,705	\$ 6,674,437	\$ 226,149
Funds held in trust	—	—	929,735
Student accounts receivable, net of allowance of \$3,181,116	4,477,168	—	—
Contributions receivable, net	—	1,165,190	—
Other receivables	3,837,467	439,784	—
Investments	—	21,280,881	—
Inventories	947,256	—	—
Loans to students, net	426,729	—	—
Other assets	614,129	113,828	16,767
Total Current Assets	<u>63,320,454</u>	<u>29,674,120</u>	<u>1,172,651</u>
Noncurrent Assets			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	12,054,256	—	—
Contributions receivable, net	—	1,149,778	—
Loans to students, net	7,056,275	—	—
Other noncurrent assets	2,521,613	—	6,078,631
Other long-term investments	—	—	—
Investments restricted for endowment	—	51,906,643	—
Capital assets, net	249,934,914	1,081,987	13,963,190
Total Noncurrent Assets	<u>272,317,058</u>	<u>54,138,408</u>	<u>20,041,821</u>
TOTAL ASSETS	<u>335,637,512</u>	<u>83,812,528</u>	<u>21,214,472</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	18,205,700	1,580,862	659,346
Deferred revenue	5,230,458	100,000	100,855
Bonds/notes payable, current portion	2,010,000	—	275,000
Capital leases payable, current portion	702,486	—	—
Annuity obligations, current portion	—	12,676	—
Funds held for the University of Northern Colorado	—	696,792	—
Other current liabilities	1,803,316	—	—
Total Current Liabilities	<u>27,951,960</u>	<u>2,390,330</u>	<u>1,035,201</u>
Noncurrent Liabilities			
Bonds/notes payable	136,778,501	—	23,513,022
Capital leases payable	3,233,259	—	—
Other long-term liabilities	2,169,419	—	—
Annuity obligations, noncurrent	—	143,077	—
Compensated absence liabilities	3,914,449	—	—
Total Noncurrent Liabilities	<u>146,095,628</u>	<u>143,077</u>	<u>23,513,022</u>
TOTAL LIABILITIES	<u>174,047,588</u>	<u>2,533,407</u>	<u>24,548,223</u>
NET ASSETS			
Invested in capital assets, net of related debt	115,452,637	1,081,987	—
Restricted for:			
Nonexpendable			
Scholarships and fellowships	306,155	51,913,173	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	10,342,463	—	—
Scholarships and fellowships	397,651	29,321,831	—
Loans	8,582,877	—	—
Bond reserve	750,000	—	—
Other	354,278	—	—
Unrestricted	25,402,463	(1,037,870)	(3,333,751)
TOTAL NET ASSETS (Deficit)	<u>\$ 161,589,924</u>	<u>\$ 81,279,121</u>	<u>\$ (3,333,751)</u>

See Notes to Financial Statements

STATEMENT OF NET ASSETS JUNE 30, 2008

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 52,251,870	\$ 5,425,608	\$ 72,939
Funds held in trust	—	—	1,247,122
Student accounts receivable, net of allowance of \$2,796,784	4,005,945	—	—
Contributions receivable, net	—	802,009	—
Other receivables	3,046,074	625,730	—
Investments	—	45,336,614	—
Inventories	933,076	—	—
Loans to students, net	426,479	—	—
Other assets	922,152	109,393	21,681
Total Current Assets	<u>61,585,596</u>	<u>52,299,354</u>	<u>1,341,742</u>
Noncurrent Assets			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	39,282,402	—	—
Contributions receivable, net	—	1,842,401	—
Loans to students, net	7,304,448	—	—
Other noncurrent assets	2,584,562	—	6,181,066
Other long-term investments	—	210,263	—
Investments restricted for endowment	—	51,491,341	—
Capital assets, net	225,690,418	1,152,754	14,297,438
Total Noncurrent Assets	<u>275,611,830</u>	<u>54,696,759</u>	<u>20,478,504</u>
TOTAL ASSETS	<u>337,197,426</u>	<u>106,996,113</u>	<u>21,820,246</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	17,759,881	913,816	631,130
Deferred revenue	5,668,294	90,107	42,684
Bonds/notes payable, current portion	1,915,000	—	225,000
Capital leases payable, current portion	672,020	—	—
Annuity obligations, current portion	—	24,971	—
Funds held for the University of Northern Colorado	—	702,409	—
Other current liabilities	2,066,530	89,602	—
Total Current Liabilities	<u>28,081,725</u>	<u>1,820,905</u>	<u>898,814</u>
Noncurrent Liabilities			
Bonds/notes payable	138,821,062	—	23,778,973
Capital leases payable	3,929,795	—	—
Other long-term liabilities	2,227,241	—	—
Annuity obligations, noncurrent	—	179,162	—
Compensated absence liabilities	3,393,413	—	—
Total Noncurrent Liabilities	<u>148,371,511</u>	<u>179,162</u>	<u>23,778,973</u>
TOTAL LIABILITIES	<u>176,453,236</u>	<u>2,000,067</u>	<u>24,677,787</u>
NET ASSETS			
Invested in capital assets, net of related debt	116,118,813	1,152,754	—
Restricted for:			
Nonexpendable			
Scholarships and fellowships	306,155	51,491,341	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	10,267,566	—	—
Scholarships and fellowships	390,482	43,700,276	—
Loans	8,790,486	—	—
Bond reserve	750,000	—	—
Other	187,647	—	—
Unrestricted	23,931,641	8,651,675	(2,857,541)
TOTAL NET ASSETS (Deficit)	<u>\$ 160,744,190</u>	<u>\$ 104,996,046</u>	<u>\$ (2,857,541)</u>

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Operating Revenues			
Student tuition and fees, net	\$ 79,206,461	\$ —	\$ —
Contributions	—	4,375,093	—
Contributed services	—	175,150	—
Rental income and fees	—	—	2,043,183
Federal grants and contracts	14,035,633	—	—
State and local grants and contracts	6,317,800	—	—
State fee-for-service	19,169,232	—	—
Nongovernmental grants and contracts	3,973,248	—	—
Sales and services of educational activities	409,572	—	—
Auxiliary operating revenue	26,463,559	—	—
Interest and dividends	—	2,461,047	—
Net realized and unrealized loss	—	(20,913,828)	—
Other operating revenue	5,736,564	1,077,062	—
Total Operating Revenues	<u>155,312,069</u>	<u>(12,825,476)</u>	<u>2,043,183</u>
Operating Expenses			
Educational and general			
Instruction	60,159,710	—	—
Research	3,034,464	—	—
Public service	2,300,092	—	—
Academic support	16,724,792	—	—
Student services	18,285,114	—	—
Institutional support	8,873,255	—	—
Operation of plant	8,076,677	—	—
Scholarships and fellowships	9,413,714	—	—
Program	—	8,078,303	—
Management and general	—	1,493,781	—
Fundraising	—	1,319,365	—
Auxiliary operating expenditures	23,115,374	—	—
Operating expenses	—	—	764,239
Ground lease with University of Northern Colorado	—	—	57,717
Depreciation and amortization	14,013,492	—	640,014
Total Operating Expenses	<u>163,996,684</u>	<u>10,891,449</u>	<u>1,461,970</u>
Operating Income (Loss)	<u>(8,684,615)</u>	<u>(23,716,925)</u>	<u>581,213</u>
Nonoperating Revenues (Expenses)			
Investment income, net of investment expense	2,544,467	—	119,070
State Fiscal Stabilization Fund	8,909,433	—	—
Interest on capital asset related debt	(4,615,082)	—	(1,176,493)
Other nonoperating revenue	82,604	—	—
Net Nonoperating Revenues (Expenses)	<u>6,921,422</u>	<u>—</u>	<u>(1,057,423)</u>
Income (Loss) Before Other Revenues (Expenses), Gains (Losses)	<u>(1,763,193)</u>	<u>(23,716,925)</u>	<u>(476,210)</u>
Capital appropriations	1,386,840	—	—
Capital contribution certificates of participation	1,222,087	—	—
Capital grants and gifts	—	—	—
Loss on disposal of capital assets	—	—	—
Total Other Charges	<u>2,608,927</u>	<u>—</u>	<u>—</u>
Increase in Net Assets	<u>845,734</u>	<u>(23,716,925)</u>	<u>(476,210)</u>
Net Assets (Deficit), Beginning of Year	<u>160,744,190</u>	<u>104,996,046</u>	<u>(2,857,541)</u>
Net Assets (Deficit), End of Year	<u>\$ 161,589,924</u>	<u>\$ 81,279,121</u>	<u>\$ (3,333,751)</u>

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Operating Revenues			
Student tuition and fees, net	\$ 80,379,211	\$ —	\$ —
Contributions	—	4,567,732	—
Contributed services	—	416,437	—
Rental income and fees	—	—	1,705,233
Federal grants and contracts	12,586,870	—	—
State and local grants and contracts	5,797,024	—	—
State fee-for-service	19,029,884	—	—
Nongovernmental grants and contracts	3,800,815	—	—
Sales and services of educational activities	413,669	—	—
Auxiliary operating revenue	25,811,604	—	—
Interest and dividends	—	3,320,640	—
Net realized and unrealized loss	—	(2,929,889)	—
Other operating revenue	4,588,435	1,059,552	—
Total Operating Revenues	<u>152,407,512</u>	<u>6,434,472</u>	<u>1,705,233</u>
Operating Expenses			
Educational and general			
Instruction	56,988,926	—	—
Research	2,509,329	—	—
Public service	2,044,167	—	—
Academic support	15,121,652	—	—
Student services	16,516,144	—	—
Institutional support	8,576,536	—	—
Operation of plant	8,458,736	—	—
Scholarships and fellowships	8,532,859	—	—
Program	—	7,812,202	—
Management and general	—	1,290,880	—
Fundraising	—	1,401,583	—
Auxiliary operating expenditures	21,359,351	—	—
Operating expenses	—	—	622,251
Ground lease with University of Northern Colorado	—	—	80,262
Depreciation and amortization	13,340,349	—	602,433
Total Operating Expenses	<u>153,448,049</u>	<u>10,504,665</u>	<u>1,304,946</u>
Operating Income (Loss)	<u>(1,040,537)</u>	<u>(4,070,193)</u>	<u>400,287</u>
Nonoperating Revenues (Expenses)			
Investment income, net of investment expense	2,999,020	—	181,868
State Fiscal Stabilization Fund	—	—	—
Interest on capital asset related debt	(3,883,133)	—	(1,185,267)
Other nonoperating revenue	102,572	—	—
Net Nonoperating Revenues (Expenses)	<u>(781,541)</u>	<u>—</u>	<u>(1,003,399)</u>
Income (Loss) Before Other Revenues (Expenses),			
Gains (Losses)	(1,822,078)	(4,070,193)	(603,112)
Capital appropriations	1,697,154	—	—
Capital contribution certificates of participation	—	—	—
Capital grants and gifts	24,500	—	—
Loss on disposal of capital assets	(238,269)	—	—
Total Other Charges	<u>1,483,385</u>	<u>—</u>	<u>—</u>
Decrease in Net Assets	(338,693)	(4,070,193)	(603,112)
Net Assets (Deficit), Beginning of Year	<u>161,082,883</u>	<u>109,066,239</u>	<u>(2,254,429)</u>
Net Assets (Deficit), End of Year	<u>\$ 160,744,190</u>	<u>\$ 104,996,046</u>	<u>\$ (2,857,541)</u>

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Cash received		
Tuition and fees	\$ 77,806,606	\$ 79,173,312
Colorado state fee-for-service	19,169,232	19,029,884
Sales and services of educational activities	354,829	422,639
Sales and services of auxiliary activities	26,486,110	25,733,682
Grants and contracts	22,710,970	21,761,352
Student loans collected	1,109,679	1,990,829
Real property rental receipts	55,210	53,167
Other receipts	5,718,529	5,523,619
Cash payments		
Payments to/for employees	(96,451,974)	(97,094,605)
Payments to/for employees – funded by State Fiscal Stabilization	(8,909,433)	—
Payments to suppliers	(32,733,734)	(31,489,726)
Scholarships disbursed	(9,734,320)	(8,844,700)
Student loans disbursed	(869,962)	(2,439,617)
Net cash provided by operating activities	<u>4,711,742</u>	<u>13,819,836</u>
Noncapital Financing Activities		
State Fiscal Stabilization nonoperating funds	8,909,433	—
Agency inflows – campus organizations and scholarships	8,154,731	8,111,272
Agency outflows – campus organizations and scholarships	(8,028,761)	(8,151,781)
Agency loan inflows – student loans	55,147,274	51,527,298
Agency loan outflows – student loans	(55,068,594)	(51,518,206)
Net cash provided by (used in) noncapital financing activities	<u>9,114,083</u>	<u>(31,417)</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(35,679,670)	(36,571,355)
Principal paid on capital leases	(674,784)	(642,611)
Principal paid on bonds payable	(1,915,000)	(1,650,000)
Interest paid on capital debt	(4,626,263)	(3,894,471)
Net cash used in capital and related financing activities	<u>(42,895,717)</u>	<u>(42,758,437)</u>
Investing Activities		
Investment earnings	2,608,722	3,059,391
Proceeds from sale and maturity of investments	27,235,377	26,678,295
Net proceeds from sale of student loans	(8,372)	103,584
Net cash provided by investing activities	<u>29,835,727</u>	<u>29,841,270</u>
Increase in Cash and Cash Equivalents	765,835	871,252
Cash and Cash Equivalents, Beginning of Year	<u>53,001,870</u>	<u>52,130,618</u>
Cash and Cash Equivalents, End of Year	<u>\$ 53,767,705</u>	<u>\$ 53,001,870</u>

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (8,684,615)	\$ (1,040,537)
Depreciation expense	14,013,492	13,340,349
Amortization expense	63,163	39,538
Student loan cancellations	112,177	113,470
Other revenues and additions	55,210	110,989
Changes in operating assets and liabilities		
Student accounts receivable, net	(460,294)	133,566
Other receivables, net	(847,015)	(443,658)
Loans to students, net	135,744	(341,484)
Inventories	(14,180)	95,882
Other current assets	306,428	(312,833)
Accounts payable	(312,712)	1,306,476
Accrued payroll	761,196	841,340
Deferred revenues	(437,836)	129,886
Other liabilities	(478,373)	(406,935)
Accrued compensated absences	499,357	253,787
Net cash provided by operating activities	<u>\$ 4,711,742</u>	<u>\$ 13,819,836</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	\$ 53,017,705	\$ 52,251,870
Restricted cash and cash equivalents	<u>750,000</u>	<u>750,000</u>
Total cash and cash equivalents	<u>\$ 53,767,705</u>	<u>\$ 53,001,870</u>
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchase	\$ 3,220,719	\$ 841,409
Capital assets financed by state capital contribution	\$ 1,386,840	\$ 1,697,154
Construction in progress financed by state COP	\$ 1,222,087	\$ —
Capitalized bond issue and premium costs	\$ 39,323	\$ 85,483
Capital lease incurred for purchase of capital assets	\$ 8,714	\$ 42,094
Capital debt refinanced	\$ —	\$ 9,065,000
Capital gifts	\$ —	\$ 24,500
Loss on disposal of assets	\$ —	\$ 317,589

See Notes to Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Governance

The University of Northern Colorado (the University or UNC) is a public institution of higher education with a broad general curriculum, as well as preparation for selected professions within the fields of business, education, health services, music and related areas; and pre-professions such as pre-law, pre-medicine and others. The University is an institution of the state of Colorado with operations funded largely through student tuition, fees and the state of Colorado College Opportunity Fund. The University also engages in research, offers student financial aid and provides other services which are funded through grants and contracts, including grants from the University of Northern Colorado Foundation, Incorporated (the Foundation).

The Board of Trustees is the governing body of the University and is comprised of seven members appointed by the Governor, plus one faculty member elected by the faculty and one student member elected by the student body.

As an institution of the state of Colorado, the University's operations and activities are funded in part through fee-for-service contracts with the state.

Reporting Entity and Component Units

The financial statements of the University include all of the integral parts of the University's operations. The University applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the University's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government) and its discretely presented component units. The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 14*. Financial statements of the discretely presented component units can be obtained from their respective administrative offices. The University has the following discretely presented component units:

The University of Northern Colorado Foundation, Incorporated

The University of Northern Colorado Foundation, Incorporated (the Foundation), is a legally separate, tax-exempt component unit of the University, incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1966 to promote the welfare, development and growth of the University, and also to permit the Foundation to engage in activities as may be beyond the scope of the Board of Trustees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the funds that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the

NOTES TO THE FINANCIAL STATEMENTS

Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

University of Northern Colorado Foundation Student Housing LLC I

The University of Northern Colorado Foundation Student Housing LLC I (the LLC) is a legally separate component unit of the University that was established as a Colorado limited liability company in May 2001 to construct and operate a 396-bed student housing facility for the University. The Foundation is the sole member of the LLC; however, the results of the LLC's operations do not accrue to the Foundation. The LLC has a 46-year ground lease with the University under which "net available cash flows" from the operations, as defined in the lease agreement, is paid to the University as rent (see Note 7). At the end of the ground lease in 2047, or upon earlier retirement of the bond issue, title to the housing facility is transferred to the University. As the majority of the LLC's available resources are paid to the University through the ground lease, the LLC is considered a component unit of the University and is discretely presented in the University's financial statements.

Basis of Accounting and Presentation

The basic financial statements of the University have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues from exchange transactions are recognized when earned and expenses from exchange transactions are recorded when an obligation is incurred. All significant intra-agency transactions are eliminated.

The University prepares its financial statements as a business-type activity in conformity with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has chosen to only apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Foundation and the LLC report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the LLC's financial information in the University's financial reporting for these differences.

Unrestricted Cash and Cash Equivalents

For purposes of reporting cash flows, the University defines cash and cash equivalents as cash on hand, demand deposit accounts with financial institutions, pooled cash with the state Treasurer, and all highly liquid investments with original maturities of three months or less. As of June 30, 2009 and 2008, cash equivalents consisted primarily of funds invested through the state Treasurer's Cash Management Program.

Restricted Cash and Cash Equivalents

Assets are reported as restricted when restrictions on asset use change the nature or normal understanding of the availability of the assets. For the University, restricted cash and cash equivalents include amounts restricted by bond covenants.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income plus the current year change in unrealized gain (loss) on the fair value of investments. The University's

NOTES TO THE FINANCIAL STATEMENTS

investments generally include direct obligations of the U.S. government and its agencies, money market funds, mutual funds and guaranteed investment contracts. Endowments are pooled to the extent possible under gift agreements. The Foundation manages certain endowments for the University in accordance with its investment policy.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third-parties that can be used to pay current obligations of the University. Noncurrent investments include restricted investments and those investments designated to be used for long-term obligations.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories consisting of computer products, books, food and other consumable supplies are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,889,316 and \$1,931,689 at June 30, 2009 and 2008, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation if acquired by gift. The University's capitalization policy includes items with a value of \$5,000 or more and an estimated useful life greater than one year.

Renovations to buildings and other improvements that significantly increase the value and extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to expenses. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. The University capitalizes interest costs as a component of construction in progress. Total interest capitalized is presented below:

<u>University interest capitalized and expensed</u>	<u>2009</u>	<u>2008</u>
Total interest expense incurred on borrowings for projects	\$ 1,794,360	\$ 3,163,188
Interest expense capitalized related to self-funded projects	52,532	0
Interest income from investment of bond proceeds for projects	(721,802)	(2,337,410)
Net interest cost capitalized	\$ <u>1,125,090</u>	\$ <u>825,778</u>
Interest capitalized	\$ 1,125,090	\$ 825,778
Interest charged to expense	<u>4,437,158</u>	<u>3,678,182</u>
Total interest incurred	\$ <u>5,562,248</u>	\$ <u>4,503,960</u>

NOTES TO THE FINANCIAL STATEMENTS

The University has capitalized collections, such as works of art and historical artifacts. The nature of certain collections is such that the value and usefulness of the collection does not change over time. These collections have not been depreciated in the University's financial statements.

Assets under capital leases are recorded at the present value of the future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset being leased. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements, 20 years for land improvements, 3 years for software, 10 years for library books and 3–10 years for equipment and vehicles. Depreciation expense is not allocated among functional categories.

Capital Lease Liabilities

Capital leases consist of various lease-purchase contracts and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being budgeted for such purposes by the Board of Trustees. It is reasonably assured that such leases will be renewed in the normal course of business and therefore, are treated as non-cancelable for financial reporting purposes.

Deferred Revenues

The University prorates the summer session revenues and expenses based upon the number of days between the first day of summer session and June 30 as a percentage of the total number of days in the summer session. Tuition, fees and certain auxiliary revenues received before June 30, but determined by this proration to be earned in the following year, are recorded as deferred revenues. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; (3) contracts and grants for research activities; (4) Pell grants of \$5,834,954 and \$5,252,520 at June 30, 2009 and 2008, respectively; and (5) interest on student loans.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, such as state appropriations and investment income.

Tax-Exempt Status and Income Taxes

As a Colorado state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, any income unrelated to the exempt purpose of the University is subject to tax under Section 511(a)(2)(B) of the Internal Revenue Code.

NOTES TO THE FINANCIAL STATEMENTS

The University had no income tax liability related to income generated from activities unrelated to the University's exempt purposes as of June 30, 2009 or 2008.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates. Significant estimates have been made regarding compensated absences expenses, scholarship allowances and accounts receivable bad debt allowances as described below.

Bad Debt Allowance

Bad debt expense and an allowance against receivables are estimated based upon the age of the receivables and historical collection rates.

Compensated Absences Accrued Liability

The University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Vacation and sick leave benefits taken as paid time off are recognized as an expense when the time off occurs.

Accrued compensated absences liabilities are recognized based upon estimated cash payments due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems of the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the financial statements date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third-parties making payments on behalf of the students. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately \$12.6 million and \$10.2 million for the years ended June 30, 2009 and 2008, respectively.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation.

NOTES TO THE FINANCIAL STATEMENTS

The restricted expendable auxiliary net asset deficit, relating to the deferred revenue liability on the 46-year ground lease between the University and the LLC, has been reclassified to unrestricted net assets. The net asset deficit balance of approximately \$1.8 million related to this lease is being supported with unrestricted net assets and is not pledged to UNC auxiliary debt. Approximately \$0.4 million of accrued compensated absences liabilities, previously recorded in restricted expendable auxiliary net assets, have been reclassified to unrestricted net assets since they are unfunded liabilities. Several other reclassifications were made to net assets to correct errors found during the fiscal year. These reclassifications had no overall effect on the change in total net assets.

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

The University deposits unrestricted cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The state Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Treasurer acts as a bank for all state agencies and most institutions of higher education, with the exception of the University of Colorado. Monies deposited in the state Treasury are invested until the cash is needed.

For financial reporting purposes, all of the state Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the state Treasurer's pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year. The state Treasurer does not invest any of the pooled resources in any external investment pool, and there is no assignment or income related to participation in the pool. Detailed information on the Treasurer's pool may be obtained in the state of Colorado's Comprehensive Annual Financial Report.

For operating purposes, the University holds unrestricted cash and cash equivalent deposits in several bank accounts at a U.S. financial institution. The University also maintains unrestricted cash on hand for petty cash and change fund daily operating purposes.

Unrestricted Cash and Cash Equivalents	2009	2008
The University		
Cash on hand	\$ 79,589	\$ 41,331
Cash with U.S. financial institutions	3,228,403	165,320
Cash with Colorado State Treasurer	49,350,633	52,548,375
Restricted cash with state Treasurer	(750,000)	(750,000)
Unrealized gain (loss) – cash with state Treasurer	<u>1,109,080</u>	<u>246,844</u>
Total unrestricted cash and cash equivalents	<u>\$ 53,017,705</u>	<u>\$ 52,251,870</u>

Restricted Cash and Cash Equivalents

The University holds restricted cash of \$750,000 at June 30, 2009 and 2008 with the state Treasurer to meet required bond covenants related to the Auxiliary Revenue Refunding and Improvement bonds.

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk – Cash and Cash Equivalents

Custodial credit risk for cash and cash equivalents exists when, in the event of the failure of a depository financial institution, the University may be unable to recover deposits or recover collateral securities that are in the possession of an outside party. Under GASB 40, *Deposit and Investment Risk Disclosures*, deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance and the deposits are (a) uncollateralized, or (b) collateralized, with securities held by the pledging financial institution or the pledging financial institution's trust department or agent, but not in the depositor-government's name. To manage custodial credit risk, unrestricted cash and cash equivalents with the state Treasury and U.S. financial institutions are made in accordance with University policy and state law, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102% of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2009 and 2008, all of the cash and cash equivalents held by the state Treasurer and U.S. financial institutions are, therefore, not subject to custodial credit risk.

Note 3: Investments

The University has authority to invest institutional funds in any investment deemed advisable by the governing board per Section 15-1-1106, CRS. The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest in, to a limited extent, equity securities and guaranteed investment contracts. The investments held by the University are restricted. Certain endowments held at the Foundation for the University are restricted by the donors. The 2005 bond proceeds are restricted under bond covenants.

During July 2005, the University issued \$85 million in Refunding and Improvement bonds. The bonds mature in varying annual amounts through June 1, 2040, at an interest rate ranging from 3.25% to 5.00%. The bond proceeds are to be used for the sports and recreation facility project, campus parking improvements, McCowen and Turner Hall and to refund a portion of the 1994 bonds. The bond proceeds were deposited on July 29, 2005, under a guaranteed investment contract (GIC) with Trinity Funding Company LLC (TFC). This investment contract is a secured obligation of the TFC and guarantees a 4.228% per annum rate of earnings. The termination date for this GIC is December 31, 2009; however, the University may make withdrawals for permitted withdrawal purposes on any business day after providing one business day's notice. The guaranteed investment contract is invested by TFC in contract permitted investments that are restricted to U.S. government securities; U.S. federal agency and set bond document securities that are not backed by the full faith and credit of the U.S. government; repurchase agreements and reverse repurchase agreements; corporate securities; taxable municipal securities; single-family residential mortgage-backed securities; commercial mortgage-backed securities; asset-backed securities; certain foreign sovereign and foreign corporate U.S. dollar denominated

NOTES TO THE FINANCIAL STATEMENTS

obligations and Deutsche Cash Reserve Institutional. The credit risk exposures of these permitted investments are managed within defined credit risk policy limits that are detailed in the investment contract agreement.

Fair value of investments held at June 30, 2009 and 2008 are detailed below:

Investment Types	2009	Maturity	2008	Maturity
<u>The University</u>				
Guaranteed Investment Contract Fixed Income U.S. Government Obligations	\$ 11,347,652	0.5 years to termination	\$ 38,583,030	1.5 years to termination
Fixed Income U.S. Government Obligations	154,235	1-5 years	407,680	1-5 years
Fixed Income U.S. Government Obligations	264,204	Less than 1 year	252,766	Less than 1 year
Money Market Funds	<u>288,165</u>	Less than 1 year	<u>38,926</u>	Less than 1 year
Total University Restricted Investments	<u>\$ 12,054,256</u>		<u>\$ 39,282,402</u>	

Investment Types	2009	2008
<u>The Foundation</u>		
Fixed Income U.S. Government Obligations	\$ 5,598,492	\$ 5,730,990
Fixed Income Corporate Notes	1,339,328	5,703,793
Fixed Income Corporate Notes	11,047,380	14,931,677
Equity Securities	45,723,438	54,239,951
Other Investments	<u>9,478,886</u>	<u>16,432,307</u>
Total Foundation Investments	<u>\$ 73,187,524</u>	<u>\$ 97,038,218</u>

The Foundation investments are presented in the Statement of Net Assets as follows:

	2009	2008
<u>The Foundation</u>		
Investments - Current	\$ 21,280,881	\$ 45,336,614
Investments - Other Long-Term Investments	—	210,263
Investments - Restricted for Endowment	<u>51,906,643</u>	<u>51,491,341</u>
Total Foundation Investments	<u>\$ 73,187,524</u>	<u>\$ 97,038,218</u>

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, are not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent, but not in the

NOTES TO THE FINANCIAL STATEMENTS

University's name. The University does not have a formal investment policy regarding custodial credit risk.

At June 30, 2009 and 2008, the guaranteed investment contract held by TFC was guaranteed by General Electric Capital Corporation. The balances of the University's investments are endowment funds managed by the Foundation according to the custodial agreement between the University and the Foundation approved on December 14, 1988. These securities are held in the Foundation's name as agent of the University and are not subject to custodial credit risk. Custodial credit risk categories are not available for the Foundation.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. Interest rate risk can be managed by managing the duration to effective maturity and/or the weighted-average maturity of the investments. The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The weighted-average maturity method measures the time to maturity in years weighted to reflect the dollar size of the individual investments within an investment type.

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The duration to effective maturity and weighted-average maturity of each investment type held by the University is identified in the investment risk schedule following. Interest rate risk is not available for the Foundation.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. Mutual funds and certain other investments are not categorized as to credit quality risk because ownership is not evidenced by a security. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments.

State law limits investments in securities, at the time of purchase, to securities with the top two ratings issued by nationally recognized statistical rating organizations. The University does not have a formal policy related to investment credit quality risk that would further limit its investment choices. All of the University's investments had a Moody's rating of Aaa and a Standard & Poor's rating of AAA at the time of purchase. Credit quality risk is not available for the Foundation.

Maturities and credit ratings for the University's investments held at June 30, 2009 and 2008, are detailed below:

2009				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted- Average Maturity	S & P Credit Rating
The University				
Guaranteed Investment Contract	\$ 11,347,652	0.5 years	N/A	AA+
U.S. Government Obligations	418,439	1.6 years	1.7 years	AAA
Money Market Funds	<u>288,165</u>	N/A	N/A	N/A
Total Investments at June 30, 2009	<u>\$ 12,054,256</u>			

NOTES TO THE FINANCIAL STATEMENTS

2008				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted- Average Maturity	S & P Credit Rating
The University				
Guaranteed Investment Contract	\$ 38,583,030	1.5 years	N/A	AAA
U.S. Government Obligations	660,446	2.6 years	1.9 years	AAA
Money Market Funds	<u>38,926</u>	N/A	N/A	N/A
Total Investments at June 30, 2008	\$ <u>39,282,402</u>			

Note 4: Accounts, Contributions and Loans Receivable

Accounts and loans receivable are shown, net of allowances for doubtful accounts, in the accompanying Statement of Net Assets. Net receivables at June 30 are detailed below:

	2009	2008
The University		
Student accounts receivable – current	\$ 7,658,284	\$ 6,802,729
Allowance for doubtful accounts	<u>(3,181,116)</u>	<u>(2,796,784)</u>
Subtotal student accounts receivable – net	<u>4,477,168</u>	<u>4,005,945</u>
Student loans receivable – current	1,695,144	1,731,028
Allowance for doubtful accounts	<u>(1,268,415)</u>	<u>(1,304,549)</u>
Subtotal current student loans receivable – net	<u>426,729</u>	<u>426,479</u>
Student loans receivable – noncurrent	7,677,177	7,931,589
Allowance for doubtful accounts	<u>(620,902)</u>	<u>(627,141)</u>
Subtotal noncurrent student loans receivable – net	<u>7,056,275</u>	<u>7,304,448</u>
Other receivables – current		
Sponsored programs – federal grants receivable	1,270,525	1,136,939
Sponsored programs – nonfederal grants receivable	72,082	658,214
Student loans program – federal grants receivable	167,172	157,911
Interest receivable	50,419	137,991
Accounts receivable related party – the Foundation	1,357,946	581,782
Other accounts receivable	<u>919,323</u>	<u>373,237</u>
Subtotal other receivables – current	<u>3,837,467</u>	<u>3,046,074</u>
Total of the University's accounts, loans and other receivables	<u>\$ 15,797,639</u>	<u>\$ 14,782,946</u>

NOTES TO THE FINANCIAL STATEMENTS

Net receivables at June 30 (continued):

	<u>2009</u>	<u>2008</u>
The Foundation		
Contributions receivable in less than one year	\$ 1,165,190	\$ 802,009
Contributions receivable in one to five years	1,368,403	2,093,787
Contributions receivable in more than five years	<u>173,808</u>	<u>58,800</u>
Total contributions receivable	2,707,401	2,954,596
Less allowance for uncollectable pledges	(158,679)	—
Less present value discounting	<u>(233,754)</u>	<u>(310,186)</u>
Foundation's contributions receivable – net	<u>\$ 2,314,968</u>	<u>\$ 2,644,410</u>

Related Party Receivable

Grants receivable from the Foundation to the University were approximately \$1,357,946 and \$581,782 at June 30, 2009 and 2008, respectively.

Foundation Contributions Receivable

Foundation contributions receivable as of June 30, 2009 and 2008, are substantially restricted. These unconditional promises to give are to be received by the Foundation in future years. These receivables are reflected at the present value of estimated future cash flows, using a discount rate based on the five-year Treasury bond ranging from 2.71% to 5.07% as of June 30, 2009. Contributions receivable from three donors at June 30, 2009 represent approximately 65% of total contributions receivable.



NOTES TO THE FINANCIAL STATEMENTS

Note 5: Other Assets

Inventories and other current and noncurrent assets are shown in the accompanying Statement of Net Assets at June 30 and are detailed below:

	<u>2009</u>	<u>2008</u>
The University		
Inventories for supply use	\$ 172,846	\$ 170,243
Inventories for resale	<u>774,410</u>	<u>762,833</u>
Total inventories	<u>\$ 947,256</u>	<u>\$ 933,076</u>
Prepaid expenses	\$ 536,027	\$ 843,988
Current portion bond issuance costs	<u>78,102</u>	<u>78,164</u>
Total other current assets	<u>\$ 614,129</u>	<u>\$ 922,152</u>
Athletics conference surety deposit	\$ 250,000	\$ 250,000
Loan receivable related party – the LLC	449,062	432,976
Noncurrent portion bond issuance costs	<u>1,822,551</u>	<u>1,901,586</u>
Total other noncurrent assets	<u>\$ 2,521,613</u>	<u>\$ 2,584,562</u>
The Foundation		
Prepaid expenses and other current assets	<u>\$ 113,828</u>	<u>\$ 109,393</u>
The LLC		
Prepaid expenses and other current assets	<u>\$ 15,071</u>	<u>\$ 19,734</u>
Funds held in trust, net of current portion	\$ 2,767,830	\$ 2,749,469
Bond issuance costs	1,141,589	1,231,739
Prepaid ground lease, net of long-term loan payable	<u>2,169,212</u>	<u>2,199,858</u>
Total other noncurrent assets	<u>\$ 6,078,631</u>	<u>\$ 6,181,066</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 6: Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2009:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
The University					
Capital assets					
Land	\$ 9,953,567	\$ 316,631	\$ —	\$ —	\$ 10,270,198
Land improvements	20,139,268	—	—	127,304	20,266,572
Non-depreciable land improvements	4,264,026	—	—	—	4,264,026
Buildings and improvements	255,298,971	—	—	49,973,784	305,272,755
Equipment and vehicles	15,230,827	1,691,754	(143,667)	—	16,778,914
Software	2,434,074	90,106	—	—	2,524,180
Library materials	36,835,032	1,870,989	(220,091)	—	38,485,930
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	364,606	—	—	860,009
Construction in progress	<u>43,301,126</u>	<u>33,923,903</u>	<u>—</u>	<u>(50,101,088)</u>	<u>27,123,941</u>
Total capital assets	<u>388,794,924</u>	<u>38,257,989</u>	<u>(363,758)</u>	<u>—</u>	<u>426,689,155</u>
Less accumulated depreciation					
Land improvements	6,330,711	890,753	—	—	7,221,464
Buildings and improvements	115,117,369	9,806,674	—	—	124,924,043
Equipment and vehicles	10,665,168	1,498,282	(143,667)	—	12,019,783
Software	2,212,948	159,735	—	—	2,372,683
Library materials	28,282,907	1,639,819	(220,091)	—	29,702,635
Leasehold improvements	<u>495,403</u>	<u>18,230</u>	<u>—</u>	<u>—</u>	<u>513,633</u>
Total accumulated depreciation	<u>163,104,506</u>	<u>14,013,493</u>	<u>(363,758)</u>	<u>—</u>	<u>176,754,241</u>
Net capital assets	\$ <u>225,690,418</u>	\$ <u>24,244,496</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>249,934,914</u>

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of capital asset activity for the year ended June 30, 2008:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
The University					
Capital assets					
Land	\$ 9,832,608	\$ —	\$ —	\$ 120,959	\$ 9,953,567
Land improvements	16,662,420	54,111	(501,931)	3,924,668	20,139,268
Non-depreciable land improvements	4,466,239	—	(202,213)	—	4,264,026
Buildings and improvements	252,716,624	943,232	(2,172,373)	3,811,488	255,298,971
Equipment and vehicles	14,556,059	1,332,348	(657,580)	—	15,230,827
Software	2,359,077	74,997	—	—	2,434,074
Library materials	35,315,499	1,913,088	(393,555)	—	36,835,032
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	—	—	—	495,403
Construction in progress	<u>16,912,456</u>	<u>34,245,785</u>	<u>—</u>	<u>(7,857,115)</u>	<u>43,301,126</u>
Total capital assets	<u>354,159,015</u>	<u>38,563,561</u>	<u>(3,927,652)</u>	<u>—</u>	<u>388,794,924</u>
Less accumulated depreciation					
Land improvements	5,700,272	818,640	(188,201)	—	6,330,711
Buildings and improvements	108,298,940	8,988,958	(2,170,529)	—	115,117,369
Equipment and vehicles	9,815,452	1,469,225	(619,509)	—	10,665,168
Software	1,728,233	484,715	—	—	2,212,948
Library materials	27,097,651	1,578,811	(393,555)	—	28,282,907
Leasehold improvements	<u>495,403</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>495,403</u>
Total accumulated depreciation	<u>153,135,951</u>	<u>13,340,349</u>	<u>(3,371,794)</u>	<u>—</u>	<u>163,104,506</u>
Net capital assets	<u>\$ 201,023,064</u>	<u>\$ 25,223,212</u>	<u>\$ (555,858)</u>	<u>\$ 0</u>	<u>\$ 225,690,418</u>

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of capital asset activity for the years ended June 30:

	<u>2009</u>	<u>2008</u>
The Foundation		
Capital assets		
Buildings and improvements	\$ 1,137,742	\$ 1,137,742
Equipment and vehicles	<u>210,115</u>	<u>222,368</u>
Total capital assets	1,347,857	1,360,110
Less accumulated depreciation	<u>(265,870)</u>	<u>(207,356)</u>
Net capital assets	<u>\$ 1,081,987</u>	<u>\$ 1,152,754</u>
The LLC		
Capital assets		
Buildings and improvements	\$ 16,757,134	\$ 16,598,592
Equipment and vehicles	<u>959,172</u>	<u>884,076</u>
Total capital assets	17,716,306	17,482,668
Less accumulated depreciation	<u>(3,753,116)</u>	<u>(3,185,230)</u>
Net capital assets	<u>\$ 13,963,190</u>	<u>\$ 14,297,438</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 7: Liabilities

The following is a summary of liabilities for the years ended June 30:

	<u>2009</u>	<u>2008</u>
The University		
Accounts payable	\$ 4,424,515	\$ 5,028,416
Accrued salaries and benefits	11,241,344	10,482,276
Other accrued liabilities	<u>2,539,841</u>	<u>2,249,189</u>
Total accounts payable and accrued liabilities	<u>18,205,700</u>	<u>17,759,881</u>
Current deferred revenue		
Deferred revenue – summer student tuition and fees	4,941,883	4,676,513
Deferred revenue – restricted grants and contracts	230,753	933,959
Current portion deferred revenue of the LLC	<u>57,822</u>	<u>57,822</u>
Total current deferred revenue	<u>5,230,458</u>	<u>5,668,294</u>
Bonds, capital leases and notes payable		
Current bonds, capital leases and notes payable	2,712,486	2,587,020
Noncurrent bonds, capital leases and notes payable	<u>140,011,760</u>	<u>142,750,857</u>
Total bonds, capital leases and notes payable	<u>142,724,246</u>	<u>145,337,877</u>
Other liabilities		
Current		
Deposits held	764,256	965,502
Current insurance liability	23,926	75,242
Deposits held in custody for agency funds	663,259	652,233
Current portion of compensated absences liability	<u>351,875</u>	<u>373,553</u>
Subtotal other current liabilities	<u>1,803,316</u>	<u>2,066,530</u>
Noncurrent		
Long-term deposit liabilities held	30,000	30,000
Long-term deferred revenue of the LLC	<u>2,139,419</u>	<u>2,197,241</u>
Subtotal other noncurrent long-term liabilities	<u>2,169,419</u>	<u>2,227,241</u>
Noncurrent compensated absence liability	<u>3,914,449</u>	<u>3,393,413</u>
Total other liabilities	<u>7,887,184</u>	<u>7,687,184</u>
Total liabilities – the University	<u>\$ 174,047,588</u>	<u>\$ 176,453,236</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>2009</u>	<u>2008</u>
The Foundation		
Accounts payable and accrued liabilities	\$ <u>1,580,862</u>	\$ <u>913,816</u>
Deferred revenue	100,000	90,107
Funds held for the University	696,792	702,409
Current portion annuity obligations	12,676	24,971
Other (checks outstanding in excess of bank balance)	<u>—</u>	<u>89,602</u>
	<u>2,390,330</u>	<u>1,820,905</u>
Long-term debt		
Noncurrent portion annuity obligations	<u>143,077</u>	<u>179,162</u>
Total liabilities – the Foundation	<u>\$ 2,553,407</u>	<u>\$ 2,000,067</u>
The LLC		
Accounts payable and accrued liabilities	\$ <u>659,346</u>	\$ <u>631,130</u>
Unearned revenues	<u>100,855</u>	<u>42,684</u>
Notes payable – UNC	449,062	432,975
Bond payable		
Current portion bond payable	275,000	225,000
Noncurrent portion bond payable	<u>23,063,960</u>	<u>23,345,998</u>
Total long-term debt	<u>23,788,022</u>	<u>24,003,973</u>
Total liabilities – the LLC	<u>\$ 24,548,223</u>	<u>\$ 24,677,787</u>

Long-Term Liabilities

The following is a summary of long-term liability activity for the University for the years ended June 30, 2009 and 2008:

	<u>2009</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, notes and capital leases					
Bonds payable	\$ 140,736,062	\$ —	\$ (1,947,561)	\$ 138,788,501	\$ 2,010,000
Capital leases payable	<u>4,601,815</u>	<u>8,714</u>	<u>(674,784)</u>	<u>3,935,745</u>	<u>702,486</u>
Total	<u>145,337,877</u>	<u>8,714</u>	<u>(2,622,345)</u>	<u>142,724,246</u>	<u>2,712,486</u>
Other long-term liabilities	2,285,063	—	(57,822)	2,227,241	57,822
Accrued compensated absences	<u>3,766,967</u>	<u>521,956</u>	<u>(22,599)</u>	<u>4,266,324</u>	<u>351,875</u>
Total other liabilities	<u>6,052,030</u>	<u>521,956</u>	<u>(80,421)</u>	<u>6,493,565</u>	<u>409,697</u>
Total long-term liabilities	<u>\$ 151,389,907</u>	<u>\$ 530,670</u>	<u>\$ (2,702,766)</u>	<u>\$ 149,217,811</u>	<u>\$ 3,122,183</u>

NOTES TO THE FINANCIAL STATEMENTS

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Bonds payable	\$ 142,301,092	\$ 9,072,925	\$ (10,637,955)	\$ 140,736,062	\$ 1,915,000
Capital leases payable	<u>5,202,331</u>	<u>42,094</u>	<u>(642,610)</u>	<u>4,601,815</u>	<u>672,020</u>
Total	<u>147,503,423</u>	<u>9,115,019</u>	<u>(11,280,565)</u>	<u>145,337,877</u>	<u>2,587,020</u>
Other long-term liabilities	2,665,473	—	(380,410)	2,285,063	57,822
Accrued compensated absences	<u>3,513,181</u>	<u>277,645</u>	<u>(23,859)</u>	<u>3,766,967</u>	<u>373,553</u>
Total other liabilities	<u>6,178,654</u>	<u>277,645</u>	<u>(404,269)</u>	<u>6,052,030</u>	<u>431,375</u>
Total long-term liabilities	<u>\$ 153,682,077</u>	<u>\$ 9,392,664</u>	<u>\$ (11,684,834)</u>	<u>\$ 151,389,907</u>	<u>\$ 3,018,395</u>

Bonds Payable

Bonds payable are secured by certain student fees and a first lien on the University Auxiliary Facilities System (the Auxiliary), but not necessarily an exclusive first lien and a pledge of the net revenues derived from the Auxiliary. Bond provisions require the University to maintain compliance with certain rate covenants related to the bonds.

The following is a summary of bonds payable for the years ended June 30:

The University	2009	2008
3.0%-5.5%, Auxiliary Revenue Refunding and Improvement bonds, issued July 31, 2001, in the original amount of \$50,000,000, and maturing in varying amounts through June 1, 2031		
Outstanding bond principal	\$ 46,865,000	\$ 47,255,000
Less unamortized discount	(287,257)	(300,364)
Less unamortized loss on refunding	<u>(1,136,861)</u>	<u>(1,212,652)</u>
Subtotal net bonds payable 2001 issue	<u>45,440,882</u>	<u>45,741,984</u>
3.25%-5.00%, Auxiliary Revenue Refunding and Improvement bonds, issued July 28, 2005, in the original amount of \$85,000,000, and maturing in varying amounts through June 1, 2040		
Outstanding bond principal	81,480,000	82,055,000
Add unamortized premium	3,740,918	3,866,882
Less unamortized loss on refunding	<u>—</u>	<u>—</u>
Subtotal net bonds payable 2005 issue	<u>85,220,918</u>	<u>85,921,882</u>

NOTES TO THE FINANCIAL STATEMENTS

3.25%-5.00%, Auxiliary Revenue Refunding bonds, issued May 22, 2008, in the original amount of \$9,145,000, and maturing in varying amounts through June 1, 2024

Outstanding bond principal	8,195,000	9,145,000
Add unamortized premium	130,451	139,196
Less unamortized loss on refunding	<u>(198,750)</u>	<u>(212,000)</u>
Subtotal net bonds payable 2008 issue	<u>8,126,701</u>	<u>9,072,196</u>
Total outstanding bond principal	136,540,000	138,455,000
Add total unamortized premium (discount)	3,584,112	3,705,714
Less unamortized loss on refunding	<u>(1,335,611)</u>	<u>(1,424,652)</u>
	<u>\$ 138,788,501</u>	<u>\$ 140,736,062</u>

The University's debt service payments required for bonds payable as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,010,000	\$ 6,629,364	\$ 8,639,364
2011	2,740,000	6,556,441	9,296,441
2012	2,840,000	6,453,356	9,293,356
2013	2,965,000	6,335,731	9,300,731
2014	3,080,000	6,212,831	9,292,831
2015-2019	18,175,000	28,737,306	46,912,306
2020-2024	23,070,000	23,838,144	46,908,144
2025-2029	29,315,000	17,589,450	46,904,450
2030-2034	26,160,000	10,120,000	36,280,000
2035-2039	21,490,000	4,379,000	25,869,000
2040-2044	4,695,000	234,750	4,929,750
Total	\$ 136,540,000	\$ 117,086,373	\$ 253,626,373

Capital Lease Obligations

Assets under capital leases at June 30, 2009 and 2008 include equipment totaling \$6,255,124 and \$6,263,954, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

The University debt service payments, including interest, required for these capital leases payable as of June 30, 2009, are detailed below:

NOTES TO THE FINANCIAL STATEMENTS

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
The University	
2010	\$ 856,144
2011	856,144
2012	675,473
2013	493,600
2014	488,323
2015-2019	<u>1,137,591</u>
Total minimum lease payments	4,507,275
Less amount representing interest	<u>(571,530)</u>
Amount representing principal for future minimum lease payments	<u>\$ 3,935,745</u>

Other Long-Term Liabilities and Deferred Revenues

The University – Related Party Lease Agreement with the LLC

On August 1, 2001, the University entered into a ground lease agreement with the LLC for the site of a student housing facility. The lease period is for 46 years and total lease payments are \$2,655,000. The University received an advance lease payment of \$2,155,000 from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The advance was initially recorded as deferred revenue to the University and is amortized annually as lease revenue over the term of the ground lease.

The remaining \$500,000 was retained by the LLC for operating purposes and is identified as an other noncurrent asset - related party loan receivable in Note 5. Interest earnings are being imputed on these funds and full payment of the loan is expected in 2012.

The University recognized \$57,822 in rental revenue for fiscal years 2009 and 2008. The University will recognize an equal amount of rental income annually for the remaining 38 years of the ground lease agreement.

The University recognized \$16,086 of imputed interest revenue for fiscal years 2009 and 2008. This amount of interest will be recognized annually for the next three years when the loan becomes payable in 2012. The loan principal balance at June 30, 2009 and 2008 was approximately \$449,062 and \$432,976, respectively.

The Foundation – Annuity Obligations

The Foundation administers such life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

The Foundation has also been named irrevocable remainder beneficiary for trusts administered by third-party corporate trustees. For this arrangement, the assets are added to the Foundation's investment pool and a contribution is recorded at the estimated present value of the remainder interest. These life income arrangements are re-valued annually to reflect changes in the

NOTES TO THE FINANCIAL STATEMENTS

remainder interest estimates. The Foundation does not have use of the funds until the expiration of the lifetime recipient's interest. The Foundation's estimated future maturities of annuity obligations are detailed below:

Fiscal Years Ending June 30,	
2010	\$ 12,676
2011	12,676
2012	12,676
2013	12,676
2014	12,001
After 2014	<u>93,048</u>
	<u>\$ 155,753</u>

The LLC – Other Long-Term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority), a political subdivision of the state of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of a student housing facility. The loan is repayable in amounts sufficient to provide timely payment of the bond principal and interest. Interest rates on the bonds range from 3.375% to 5.375% and interest is payable semi-annually on January 1 and July 1. Bond principal is payable in annual installments beginning in July 2003. The loan is collateralized by the revenue generated from operation of the facility. At June 30, 2009, the balance outstanding on the loan was \$23,338,960, which is net of the unamortized discount of \$241,040.

The LLC debt service payments for long-term debt for each of the next five years and thereafter are detailed below:

Fiscal years ending June 30	Principal	Interest	Total
2010	\$ 275,000	\$ 1,170,992	\$ 1,445,992
2011	330,000	1,158,727	1,488,727
2012	385,000	1,143,877	1,528,877
2013	445,000	1,126,113	1,571,113
2014	465,000	1,106,089	1,571,089
2015-2019	2,690,000	5,153,778	7,843,778
2020-2024	3,430,000	4,385,690	7,815,690
2025-2029	4,385,000	3,413,312	7,798,312
2030-2034	5,585,000	2,170,100	7,755,100
2035-2039	5,590,000	590,911	6,180,911
Total	\$ 23,580,000	\$ 21,419,589	\$ 44,999,589

NOTES TO THE FINANCIAL STATEMENTS

Note 8: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2020. Rental expense under these agreements for the years ended June 30, 2009 and 2008 was \$79,725 and \$50,987, respectively.

The University's future minimum lease payments under non-cancelable operating leases as of June 30, 2009, are detailed below:

Fiscal Years Ending June 30,	
2010	\$ 682,854
2011	296,297
2012	296,361
2013	296,884
2014	303,516
2015-2019	1,404,317
2020-2024	<u>145,288</u>
	<u>\$ 3,425,517</u>

Note 9: Defined Benefit Pension Plan

Plan Description

A significant number of the University's employees participate in a defined benefit pension plan (the Plan). The Plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The Plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the Plan is placed with the Board of Trustees of PERA. Changes to the Plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado, 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

NOTES TO THE FINANCIAL STATEMENTS

Prior to legislation passed during the 2006 session, higher education employees may have participated in Social Security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service;
- Hired between July 1, 2005, and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service;
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with five years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 80 or more;
- Hired on or after January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15% increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

NOTES TO THE FINANCIAL STATEMENTS

- Hired before July 1, 2005 – 3.5%, compounded annually;
- Hired between July 1, 2005, and December 31, 2006 – the lesser of 3% or the actual increase in the national Consumer Price Index;
- Hired on or after January 1, 2007 – the lesser of 3% or the actual increase in the national Consumer Price Index, limited to a 10% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007).

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full-time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there are no eligible children or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy

The contribution requirements of Plan members and their employers are established and may be amended by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the Plan. The University contributed the following percentage of the employee's salary:

- Prior to January 1, 2006 – 10.15%;
- From January 1, 2006, to December 31, 2006 – 10.65%;
- From January 1, 2007, to December 31, 2007 – 11.15%;
- From January 1, 2008, to December 31, 2008 – 12.05%;
- From January 1, 2009, to June 30, 2009 – 12.95%.

During all of fiscal year 2008 - 2009, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three

NOTES TO THE FINANCIAL STATEMENTS

percentage points. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100%.

Historically, members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The University's contributions to PERA and the Health Care Trust Fund for the fiscal years ended June 30, 2009, 2008, and 2007, were \$4,484,963, \$4,036,217 and \$3,675,005, respectively. These contributions met the contribution requirement for each year.

Note 10: Optional Retirement Plan

On March 1, 1993, the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff. On the date of adoption, eligible University employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more of service credit with PERA at the date of hire.

The ORP is a defined contribution plan with three vendors: Travelers/CitiStreet, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal years 2009 and 2008, the employee contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the years ended June 30, 2009 and 2008 was \$4,401,301 and \$4,051,016, respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

The University provides a 403(b) deferred compensation plan to the University President. The Board of Trustees approved a contribution of \$46,000 for fiscal years 2009 and 2008.

Note 11: Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the State. The University also offers 403(b) or 401(a) plans.

Note 12: Postretirement Healthcare and Life Insurance Benefits

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its

NOTES TO THE FINANCIAL STATEMENTS

Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado, 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit and is subject to reduction by 5% for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9 – Funding Policy. Beginning July 1, 2004, state agencies and institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The University of Northern Colorado contributed \$365,992, \$354,973, and \$343,867 as required by statute in fiscal years 2008-2009, 2007-2008, and 2006-2007, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.11 billion, a funded ratio of 18.7% and a 39-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2009, there were 45 participants in post retirement coverage from the eight member higher education institutions, of which 13 are from UNC.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting, following governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the University's Human Resource Department at 970-351-2718. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of CHEIBA's investments is based on quoted market prices from national securities exchanges.

There are no long-term contracts for contributions to the plan. Participating schools can withdraw their position in the plan with at least one year's notice to the CHEIBA board.

NOTES TO THE FINANCIAL STATEMENTS

Note 13: Operating Expenses by Function Compared with Operating Expenses by Natural Classification

For the Years Ended June 30, 2009 and 2008

	2009		2008	
Functional Classification				
Instruction	\$ 60,159,710	36.7%	\$ 56,988,926	37.1%
Research	3,034,464	1.9%	2,509,329	1.6%
Public Service	2,300,092	1.4%	2,044,167	1.3%
Academic Support	16,724,792	10.2%	15,121,652	9.9%
Student Services	18,285,114	11.1%	16,516,144	10.8%
Institutional Support	8,873,255	5.4%	8,576,536	5.6%
Operation and Maintenance of Plant	8,076,677	4.9%	8,458,736	5.5%
Scholarships and Fellowships	9,413,714	5.8%	8,532,859	5.6%
Auxiliary	23,115,374	14.1%	21,359,351	13.9%
Depreciation	14,013,492	8.5%	13,340,349	8.7%
Total Operating Expenses	<u>\$ 163,996,684</u>	<u>100.0%</u>	<u>\$ 153,448,049</u>	<u>100.0%</u>
Natural Classification				
Wages and Benefits	\$ 106,608,088	65.0%	\$ 98,187,644	64.0%
Cost of Sales	9,337,807	5.7%	8,653,395	5.6%
Financial Aid	9,667,708	5.9%	8,835,103	5.8%
Purchased Services	5,404,579	3.3%	5,833,768	3.8%
Utilities	5,457,943	3.3%	5,651,801	3.7%
Travel	3,380,681	2.1%	2,867,851	1.9%
Other Operating	10,126,386	6.2%	10,078,138	6.5%
Depreciation	14,013,492	8.5%	13,340,349	8.7%
Total Operating Expenses	<u>\$ 163,996,684</u>	<u>100.0%</u>	<u>\$ 153,448,049</u>	<u>100.0%</u>
Wages and Benefits				
Faculty	\$ 37,995,563	35.6%	\$ 35,628,343	36.3%
Administrative	23,452,131	22.0%	20,942,590	21.3%
Classified	20,814,697	19.5%	19,734,856	20.1%
Student	5,200,238	4.9%	4,773,226	4.9%
Other	1,056,116	1.0%	1,093,248	1.1%
Benefits	18,089,343	17.0%	16,015,382	16.3%
Total Wages and Benefits	<u>\$ 106,608,088</u>	<u>100.0%</u>	<u>\$ 98,187,645</u>	<u>100.0%</u>

Note 14: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority for the University in its annual Long Bill.

For the years ended June 30, 2009 and 2008, appropriated expenditures were within the authorized spending authority of \$99,410,524 and \$92,835,637, respectively. Actual appropriated revenues earned totaled \$99,408,134 and \$92,681,278, respectively. Actual appropriated

NOTES TO THE FINANCIAL STATEMENTS

expenditures and transfers totaled \$99,408,134 and \$92,681,278, respectively. The net increase in appropriated fund balance was \$0 for both fiscal years.

Capital Construction State Appropriations

Capital construction state appropriations are recognized only to the extent of current expenditures of \$2,580,991. At June 30, 2009, there were unexpended capital construction state appropriations of \$10,609,011. State appropriations for capital construction include funding from the certificates of participation issued by the State Treasury.

Controlled Maintenance Projects

The University makes approved expenditures for various controlled maintenance projects. There were four controlled maintenance projects completed in the year ended June 30, 2009. These projects replaced and serviced electrical and fire alarms in several buildings and included the repair and replacement of heating and ventilation and air conditioning for McKee Hall. The University will begin reroofing several buildings in the fiscal year 2009 - 2010.

State Treasury Certificates of Participation

On November 6, 2008, the state Treasurer entered into a lease purchase agreement under which a Trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The certificates carried coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.38%. The certificate's proceeds will be used to fund renovations, additions, and new construction at 12 state institutions of higher education and were collateralized with existing properties at 11 of the 12 institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the certificates to fund the portion of their required project match that they elected to finance through the certificates.

The University of Northern Colorado's Butler Hancock interior renovation project will have the full cost of \$11,591,235 contributed to it from the lease purchase agreement as a state appropriation. The Parsons Hall was provided as collateral.

Note 15: Commitments and Contingencies

Construction Commitments

As of June 30, 2009, the University has construction commitments of \$9,198,319 for sports and recreation facilities, parking improvement and housing projects.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Note 16: Risk Management

The University is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the University has purchased the following insurance:

- General liability covered by Lexington for \$3,000,000 with a \$5,000 deductible;
- Professional liability covered by Lexington for \$3,000,000 with a \$25,000 deductible;
- Automobile liability covered by Fireman's Fund for \$1,000,000 with a N/A deductible;
- Errors and Omissions covered by Westchester for \$3,000,000 with a \$25,000 deductible;
- Employment Practices Liability covered by Westchester for \$3,000,000 with a \$50,000 deductible;
- Workers Compensation covered by Pinnacol Assurance for \$500,000/\$500,000/\$500,000 with a \$1,000 deductible;
- Fidelity (employee dishonesty) covered by Fireman's Fund for \$500,000 with a \$1,000 deductible;
- Other property covered by Lexington for \$500,000,000 with a \$25,000 deductible.

The University became fully insured through several insurance companies in 2006 and is covered by insurance for everything above its reserve and deductible. The coverage in fiscal year 2009 is consistent with the previous three years and there have been no significant reductions in coverage. There have been no settlements exceeding coverage.

The University uses a fringe benefit and risk management fund to pay expenses related to workers compensation and other liability insurance. The University's liability on June 30, 2009 and 2008 was \$23,296 and \$75,242, respectively.

Note 17: Other Disclosures

Multi-Year Employment Contracts

During 2009, the University maintained three multi-year employment contracts for coaches. The intent of the multi-year terms (either three or four years) is to allow the coaches sufficient time to recruit and build successful athletic teams. These contracts are subject to termination for just cause and fund availability.

OTHER FINANCIAL, ENROLLMENT AND BUDGET DATA

FISCAL YEAR 2010 BUDGET SUMMARY

REVENUE	Current	Recommended	Change	
	Budget FY 2009	Budget FY 2010	Amount	Percent
Resident Tuition (Gross)	\$ 39,046,922	\$ 43,170,034	\$ 4,123,112	10.56%
COF Stipend	16,116,000	15,754,920	(361,080)	-2.24%
Non-Resident Tuition (Gross)	14,311,298	16,063,369	1,752,071	12.24%
Fee-For-Service (COF)	19,060,878	19,421,958	361,080	1.89%
Federal Stimulus	8,909,433	8,909,433	0	
Long Bill Appropriated Fees	2,550,985	4,371,143	1,820,158	(1)
Sub Total Appropriated Revenue	\$ 99,995,516	\$ 107,690,857	\$ 7,695,341	7.70%
Extended Studies Tuition	5,898,050	6,124,050	226,000	3.83%
Extended Studies Fees	719,462	719,462	0	0.00%
Student Fees	7,668,000	8,303,437	635,437	8.29%
Grants and Contracts	22,626,200	22,662,200	36,000	0.16%
Room and Board	23,342,067	26,382,067	3,040,000	13.02%
Other Auxiliary Services Revenue	5,810,394	6,002,155	191,761	3.30%
Investment Income	885,866	883,810	(2,056)	-0.23%
Other Internal Income	6,541,932	6,545,382	3,450	0.05%
Other Revenue	6,028,327	6,253,672	225,345	3.74%
TOTAL OPERATING REVENUES	\$ 179,515,814	\$ 191,567,092	\$ 12,051,278	6.71%
EXPENDITURES				
PERSONNEL EXPENSES				
Faculty Salaries	38,192,207	38,790,641	598,434	1.57%
TA Salary and Scholarships	1,097,168	1,507,168	410,000	37.37%
Exempt Salaries	22,929,439	23,299,977	370,538	1.62%
GA Salary and Scholarships	908,961	908,961	0	0.00%
Classified Salaries	19,255,781	18,998,806	-256,975	-1.33%
Other Salaries	4,971,982	5,025,982	54,000	1.09%
Fringe Benefits	19,571,113	20,755,167	1,184,054	6.05%
Other	0	0	0	0.00%
Additional Salary Increase (Incl Benefits)		0	0	New
TOTAL PERSONNEL EXPENSES	\$ 106,926,651	\$ 109,286,702	\$ 2,360,051	2.21%
NONPERSONNEL EXPENSES				
Cost of Sales	9,752,865	10,096,724	343,859	3.53%
Other Current Expense	23,076,455	28,978,579	5,902,124	25.58%
Scholarships	21,269,140	22,458,682	1,189,542	5.59%
Utilities	7,619,099	8,016,566	397,467	5.22%
Travel	2,877,911	2,896,686	18,775	0.65%
Capital	3,161,605	3,161,605	0	0.00%
TOTAL NONPERSONNEL EXPENSES	\$ 67,757,075	\$ 75,608,842	\$ 7,851,767	11.59%
TRANSFERS				
Transfers	6,891,278	9,653,856	2,762,578	40.09%
TOTAL TRANSFERS	\$ 6,891,278	\$ 9,653,856	\$ 2,762,578	40.09%
TOTAL EXPENDITURES/TRANSFERS	\$ 181,575,004	\$ 194,549,400	\$ 12,974,396	7.15%
REVENUES LESS EXPENDITURES	\$ (2,059,190)	\$ (2,982,308)	\$ (923,118)	
Accumulated Balances		2,982,308	388,808	
TOTAL FUNDS LESS EXPENDITURES	\$ (2,059,190)	\$ -	\$ (534,310)	

(1) UNC has added fees that are anticipated to generate additional revenue in FY 2010.

Revised June 10, 2009

ACTUAL, BUDGETED AND PROJECTED NET REVENUES AVAILABLE FOR DEBT SERVICE

	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Budgeted FY 2010	Projected* FY 2011
Operating Revenues						
Housing and Food Contracts ¹	\$20,990,469	\$22,033,539	\$21,909,442	\$23,268,026	\$26,500,885	\$28,090,938
Short Term Room and Board ²	1,601,759	1,608,906	1,712,461	1,640,165	1,655,283	1,671,836
Student Fees ³	4,753,887	4,614,132	4,548,963	4,193,446	4,621,440	4,727,733
Parking Fees ³	1,638,690	1,788,140	1,798,152	1,852,231	1,975,901	2,021,347
Other Auxiliary Sales and Services ²	3,482,822	3,320,850	3,683,436	3,634,833	3,218,890	3,251,079
Other Auxiliary Investment and Grant Revenues ²	<u>287,008</u>	<u>331,666</u>	<u>371,593</u>	<u>639,237</u>	<u>295,000</u>	<u>297,950</u>
Gross Revenues	<u>32,754,635</u>	<u>33,697,233</u>	<u>34,024,047</u>	<u>35,227,937</u>	<u>38,267,399</u>	<u>40,060,883</u>
Operating Expenses						
Cost of Sales ⁴	3,371,869	3,449,605	3,304,518	3,657,275	4,066,082	4,269,386
Personal Services ⁵	8,381,452	8,306,538	8,768,537	9,145,117	10,632,546	10,738,871
Other General Expenses	8,378,846	8,095,223	8,286,613	8,873,795	8,833,113	8,833,113
Utilities ²	2,840,027	2,345,082	2,633,687	2,631,478	3,502,585	3,537,611
Travel and Subsistence	41,727	91,024	17,770	41,343	69,871	69,871
Capital Outlay, Operations	<u>92,304</u>	<u>180,717</u>	<u>146,344</u>	<u>62,529</u>	<u>82,000</u>	<u>82,000</u>
Total Operating Expenses	<u>23,106,225</u>	<u>22,468,189</u>	<u>23,157,469</u>	<u>24,411,536</u>	<u>27,186,197</u>	<u>27,530,852</u>
Net Auxiliary Revenues before Other Pledged Revenues	<u>9,648,410</u>	<u>11,229,044</u>	<u>10,866,578</u>	<u>10,816,401</u>	<u>11,081,202</u>	<u>12,530,030</u>
Pledged Student Tuition ^{6A}			7,583,025	6,783,904	6,744,694	7,351,717
Other Pledged Revenues						
Pledged Indirect Cost Recoveries ^{7B}					785,347	801,054
Pledged Extended Studies Net Revenues					877,873	877,873
Net Total Pledged Revenues	<u>\$ 9,648,410</u>	<u>\$11,229,044</u>	<u>\$18,449,603</u>	<u>\$17,600,305</u>	<u>\$19,489,116</u>	<u>\$21,560,674</u>
Transfers						
Mandatory Transfers for Debt Service ⁸	5,388,133	8,129,060	8,487,678	8,626,374	8,639,363	9,296,440
Less: Debt Service paid from interest revenues	<u> </u>	<u>(2,600,000)</u>	<u>(1,560,000)</u>	<u>(959,000)</u>	<u>(155,000)</u>	<u> 0</u>
Net Mandatory Transfers for Debt Service	<u>5,388,133</u>	<u>5,529,060</u>	<u>6,927,678</u>	<u>7,667,374</u>	<u>8,484,363</u>	<u>9,296,440</u>
Available for transfer for Capital Projects	2,210,410	4,228,835	2,135,450	1,598,085	901,849	1,450,530
Administrative Overhead Allocations	<u>2,049,867</u>	<u>1,471,149</u>	<u>1,803,450</u>	<u>1,550,942</u>	<u>1,694,990</u>	<u>1,783,060</u>
Net Total Transfers	<u>9,648,410</u>	<u>11,229,044</u>	<u>10,866,578</u>	<u>10,816,401</u>	<u>11,081,202</u>	<u>12,530,030</u>
Net Pledged Revenue After Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,583,025</u>	<u>\$ 6,783,904</u>	<u>\$ 8,407,914</u>	<u>\$ 9,030,644</u>
Net Revenue with Other Pledged Revenues/ Net Debt Service	1.79x	2.03x	2.66x	2.30x	2.30x	2.32x

* FY 2011 Assumptions

¹ 6% room and board increase

² 1% increase

³ 2.3% CPI increase

⁴ 5% increase

⁵ 1% fringe benefits increase

⁶ 9% tuition increase

⁷ 2% increase

⁸ Shows actual debt service on the Series 2001 Bonds, Series 2005 Bonds, Series 2008A Bonds for fiscal years 2006, 2007, 2008 and 2009 and estimated debt service on the remaining unrefunded Series 2001 Bonds, Series 2005 Bonds, Series 2008A Bonds and Series 2009 Bonds in fiscal years 2010 and 2011.

Other Notes:

^A FY 2008 and FY 2009 pledged tuition includes 10% of both regular and Extended Studies tuition. FY 2010 and FY 2011 pledged tuition includes only regular tuition because total Extended Studies net revenues are being pledged.

^B Indirect Cost Recoveries are also known as Grant Facilities and Administrative Costs.

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, HOUSING AND FACULTY DATA

Fall Final	2003	2004	2005	2006	2007	2008
Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
ENROLLMENT AND ADMISSIONS						
TOTAL ENROLLMENT						
Headcount	13,170	13,093	13,512	13,364	12,702	12,498
% Change Headcount		-0.6%	3.2%	-1.1%	-5.0%	-1.6%
FTE	10,571	10,970	11,113	10,944	10,383	10,050
% Change FTE		3.8%	1.3%	-1.5%	-5.1%	-3.2%
ENROLLMENT BREAKDOWNS*						
Undergraduate Headcount	10,647	10,774	11,094	10,823	10,441	10,109
% Change Undergraduate Headcount		1.2%	3.0%	-2.4%	-3.5%	-3.2%
% Undergraduate Headcount	80.8%	82.3%	82.1%	81.0%	82.2%	80.9%
Undergraduate FTE					9,376	8,989
% Change Undergraduate FTE						-4.1%
% Undergraduate FTE					89.8%	88.9%
Full-Time Undergraduate Headcount					9,248	8,868
% Change Headcount						-4.1%
% Full-Time Undergraduate					88.6%	87.7%
Part-Time Undergraduate Headcount					1,193	1,241
% Change						4.0%
% Part-Time Undergraduate					11.4%	12.3%
Graduate Headcount	2,523	2,319	2,418	2,541	2,261	2,389
% Change Graduate Headcount		-8.1%	4.3%	5.1%	-11.0%	5.7%
% Graduate Headcount	19.2%	17.7%	17.9%	19.0%	17.8%	19.1%
Graduate FTE					1,012	1,061
% Change Graduate FTE						4.8%
% Graduate FTE					9.7%	10.6%
*FTE and credit load breakdowns are not available before Fall 2007.						
NON-TRADITIONAL HEADCOUNT*						
Non-Traditional Headcount (off-campus cash-funded)				1,213	1,193	1,426
% Change Headcount					-1.6%	19.5%
Non-Traditional FTE				499	536	652
% Change FTE					7.5%	21.6%
*FTE and credit load breakdowns are not available before Fall 2007.						
NEW FRESHMEN ADMISSIONS INFORMATION*						
Freshman Applicants				6,790	6,127	5,609
% Change					-9.8%	-8.5%
Freshman Acceptances				6,074	5,576	5,189
% Accepted (selectivity)				89.5%	91.0%	92.5%
Freshman Matriculants				2,518	2,243	2,083
% Matriculated				41.5%	40.2%	40.1%
Yield (Matriculants/Applicants)				37.1%	36.6%	37.1%
% In-State Students				90.2%	90.1%	87.6%
*Beginning Fall 2006 only complete applications are included in the counts; therefore, information for prior years is excluded.						

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, HOUSING AND FACULTY DATA

Fall Final	2003	2004	2005	2006	2007	2008
Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
ENROLLMENT AND ADMISSIONS						
NEW FRESHMEN STUDENT QUALITY INDICATORS						
SAT Scores	1,048	1,035	1,052	1,049	1,045	1,051
ACT Scores	22.4	22.0	22.2	22.1	22.0	22.3
% Freshmen in Top 25% H.S.		29%	32%	31%	32%	33%
NEW FRESHMEN RETENTION AND GRADUATION RATES						
Cohort Year	2002	2003	2004	2005	2006	2007
Retention Rate (fresh to soph year)	71.9%	71.1%	70.0%	68.4%	66.2%	70.5%
Cohort Year		2000	2001	2002	2003	2004
Graduation Rate (within 4 years)		28.7%	29.4%	28.3%	28.1%	23.1%
Cohort Year			2000	2001	2002	2003
Graduation Rate (within 5 years)			46.1%	46.1%	46.3%	44.0%
NEW TRANSFER STUDENTS ADMISSIONS INFORMATION*						
Transfer Applicants				1,378	1,168	1,128
% Change					-15.2%	-3.4%
Transfer Acceptances				1,344	1,138	1,101
% Accepted (selectivity)				97.5%	97.4%	97.6%
Transfer Matriculants				764	667	648
% Matriculated				56.8%	58.6%	58.9%
Yield (Matriculants/Applicants)				55.4%	57.1%	57.4%
% In-State Students				82.5%	85.8%	81.6%
*Beginning Fall 2006 only complete applications are included in the counts; therefore, information for prior years is excluded.						
NEW GRADUATE STUDENTS ADMISSIONS INFORMATION						
Graduate Applicants	1,968	1,822	1,976	1,767	1,631	1,481
% Change		-7.4%	8.5%	-10.6%	-7.7%	-9.2%
Graduate Acceptances	1,358	1,327	1,328	1,055	1,286	1,139
% Accepted	69.0%	72.8%	67.2%	59.7%	78.8%	76.9%
Graduate Matriculants	931	858	908	759	916	818
% Matriculated	68.6%	64.7%	68.4%	71.9%	71.2%	71.8%
Yield (Matriculants/Applicants)	47.3%	47.1%	46.0%	43.0%	56.2%	55.2%
% In-State Students	81.2%	80.3%	78.6%	71.7%	76.7%	74.6%

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, HOUSING AND FACULTY DATA

Fall Final	2003	2004	2005	2006	2007	2008
Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
STUDENT CHARGES						
STUDENT CHARGES - UNDERGRADUATE						
Tuition-Resident	\$2,732	\$2,850	\$3,192	\$3,276	\$3,600	\$3,942
% Change		4.3%	12.0%	2.6%	9.9%	9.5%
Tuition-Nonresident	\$11,859	\$11,740	\$11,736	\$11,856	\$12,180	\$13,344
% Change		-1.0%	0.0%	1.0%	2.7%	9.6%
Room & Board (19 meals)	\$5,782	\$5,954	\$6,412	\$6,832	\$7,342	\$7,784
% Change		3.0%	7.7%	6.6%	7.5%	6.0%
Other Fees & Charges	\$509	\$520	\$645	\$674	\$713	\$975
Total Costs Charged - Resident	\$9,023	\$9,324	\$10,249	\$10,782	\$11,655	\$12,701
% Change		3.3%	9.9%	5.2%	8.1%	9.0%
Total Costs Charged - Nonresident	\$18,150	\$18,214	\$18,793	\$19,362	\$20,235	\$22,103
% Change		0.4%	3.2%	3.0%	4.5%	9.2%
STUDENT HOUSING DATA						
STUDENT HOUSING OCCUPANCY						
Design Capacity	3,101	3,100	3,134	3,186	3,060	3,030
Occupancy Rate	94.9%	98.0%	95.4%	92.7%	88.7%	87.8%
FACULTY DATA						
FACULTY						
Total Faculty		581	601	632	619	637
Full-Time Faculty		412	400	413	445	458
Part-Time Faculty		169	201	219	174	179
% Holding Doctorates		63.2%	61.2%	70.0%		
FTE Students to FTE Faculty Ratio		23:1	24:1	24:1	22:1	23:1

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AS OF JUNE 30, 2009**

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AS OF JUNE 30, 2009**

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Office of the Associate
Vice President of Finance
University of Northern Colorado
501 20th Street
Campus Box 44
Greeley, CO 80639
(970) 351-2124
www.unco.edu