



UNC

UNIVERSITY OF
**NORTHERN
COLORADO**

2016 Annual Financial Report

Page left intentionally blank

TABLE OF CONTENTS

| | |
|--|----|
| Message from President Norton | 1 |
| Management’s Responsibility for Financial Reporting | 2 |
| Independent Auditors’ Report | 3 |
| Management’s Discussion and Analysis | 6 |
| Financial Statements | |
| Statement of Net Position | 34 |
| Statement of Revenues, Expenses, and Changes in Net Position | 36 |
| Statement of Cash Flows | 38 |
| Notes to the Financial Statements | 40 |
| Supplemental Information | 84 |
| Other Budget, Financial and Enrollment Data | |
| Operating Budget Summary | 86 |
| Actual and Projected Net Revenues Available for Debt Service | 87 |
| General Financial Information and Operating Data..... | 88 |
| Enrollment, Admissions, Student Charges, and Faculty Data | 92 |
| University Administration | 96 |

Page left intentionally blank



UNIVERSITY OF NORTHERN COLORADO

Message from President Norton

The University of Northern Colorado provides opportunities for students to earn high-quality degrees that prepare them for work, life and responsible citizenship. UNC is uniquely positioned among Colorado's public research universities to provide transformative education to students through the intersection of our academic programs, research and community relationships.

We are taking an innovative and entrepreneurial approach to making our way in a changing world by focusing on innovation, developing programs to address the changing needs of society, and meeting the changing needs of students. We are making significant investments in academic quality and efforts to grow enrollment, and we are now seeing returns on those investments.

UNC offers students a unique public research university experience by purposefully connecting teaching and research. Our faculty are expert researchers and talented teachers who not only use their research to inform their courses, but also engage students in collaborative research. This access to faculty scholars opens up a world of learning opportunities for students. By working together with faculty researchers, students build on what they learn in class, put what they've learned to work, and become better critical thinkers, collaborators and problem solvers.

Our graduates are prepared not only with the baseline of knowledge in their chosen fields, but also with the ability to discover, create and incorporate new ideas into their thinking as they set out into the world. Many of our graduates are the first in their family to go to college. UNC is a critical access point for students whose educational opportunities historically have been limited by socio-economic status or other demographics, and we are committed to finding sustainable ways to educate these students even as the state funding landscape changes.

As we continue moving forward in the coming year, your interest and support are greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Kay Norton".

Kay Norton
President



Management's Responsibility for Financial Reporting

The accompanying financial statements of the University of Northern Colorado for the year ended June 30, 2016, 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 financial 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.



*Michelle F. Quinn
Senior Vice President
for Finance and Administration
and Chief Financial Officer*



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Members of the Legislative Audit Committee:

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities University of Northern Colorado (University) and its discretely presented component unit, collectively as an institution of higher education of the State of Colorado as and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated, (the Foundation) the University's discretely presented component unit, whose statements reflect total assets of \$114,797,082 and \$121,597,368 as of June 30, 2016 and 2015, respectively, and total revenues of \$5,134,586 and \$15,858,640, respectively for the years then ended. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2016 and 2015, and the changes in its financial position, and where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education in the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the University. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 31, the Schedules of the University's Proportionate Share of PERA Pension liability, and the Schedule of the University's Contributions to PERA on page 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

December 1, 2016

Overview

Management's 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 to 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 fiscal years ended June 30, 2016 and 2015, respectively, with comparative information for fiscal year 2014. 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 (UNC Foundation or the Foundation), a legally separate organization whose operations benefit the University, is discretely presented within the University'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 parts:

- **Independent Auditors' Report** presents an unmodified opinion prepared by the University's auditors (an independent certified public accounting firm, RubinBrown LLP) on the fairness, in all material respects, of the University and its discretely presented component unit's respective financial position.
- **Statement of Net Position** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2016 and 2015, respectively). 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 position and its availability for expenditure by the University.
- **Statement of Revenues, Expenses, and Changes in Net Position** 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, 2016 and 2015, respectively). 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, 2016 and 2015, respectively). 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 Notes. 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. University management suggests that the readers of this annual report 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.

Financial Highlights

In fiscal year 2015, the Government Accounting Standards Board (GASB) required the implementation of Statement No. 68, *Accounting and Financial Reporting of Pensions (GASB 68)*. This new standard requires a significant change in accounting for the Public Employees' Retirement Association of Colorado (PERA) pension plan. Under GASB 68, the University is required to recognize a liability for its proportionate share of the plan's underfunded status.

GASB 68 information was not available to re-state fiscal year 2014 financial statements on a comparative basis. Three years of information is included in the Management's Discussion and Analysis with adaptations to the presentation to point out the impact of GASB 68.

Selected financial highlights for the fiscal year ended June 30, 2016, include:

- University assets total \$320.2 million, deferred outflows of resources total \$18.4 million, liabilities total \$310.3 million, and deferred inflows of resources total \$6.2 million resulting in a net position of \$22.1 million. Of this amount, \$8.8 million is restricted for purposes for which the donor, grantor, or other external party intended and \$104.5 million is related to investments in capital assets. The remaining (\$91.2 million), which is unrestricted net position, is comprised of (\$124.2 million) from the implementation of *GASB 68: Accounting and Financial Reporting for Pensions* and \$33.0 million, which may be used to meet the University's ongoing obligations.
- Net position decreased \$9.6 million on the Statement of Revenues, Expenses, and Changes in Net Position. Of this current year decrease in net position, \$3.7 million was attributable to additional benefit expenses recognized as a result of the implementation of *GASB 68: Accounting and Financial Reporting for Pensions*. The remaining \$5.9 million resulted from normal operations of the institution.
 - Total operating revenues of \$195.1 million, less total operating expenses of \$214.9 million, resulted in a net operating loss of \$19.8 million. This operating loss was partially offset by net nonoperating revenues of \$6.7 million and other changes of \$3.5 million, resulting in the \$9.6 million decrease in net position.

Summary of Changes in Net Position
as of June 30, 2016
(in millions)

| | |
|---|-----------------|
| Current year GASB 68 impact on net position | \$ (3.7) |
| Current year impact from University operations | (5.9) |
| Total change in net position | <u>\$ (9.6)</u> |
| <u>Detail of current year change in net position:</u> | |
| Decrease in cash used to cover operating deficits and capital construction | \$ (14.8) |
| Increase in accounts receivable primarily from the State of Colorado Fee-For-Service contract | 3.5 |
| Increase in restricted investments for energy performance lease funds | 8.8 |
| Decrease in capital assets net of depreciation | (0.4) |
| Net decrease in student accounts receivable, loans, inventory, other assets and accrued liabilities | (0.7) |
| Decrease in accounts payable and unearned revenues | 0.2 |
| Increase in bonds and capital leases payable | (2.3) |
| Increase in net pension liability (GASB 68) | (9.9) |
| Net increase in deferred outflows and inflows related to pension (GASB 68) | 6.2 |
| Net decrease in deferred outflows and inflows related to bond refundings | (0.2) |
| Total current year impact from University operations | <u>\$ (9.6)</u> |

Statement of Net Position

The Statement of Net Position is a financial snapshot of the University at June 30, 2016. It presents the fiscal resources of the University (assets), the consumption of net position that applies to future periods (deferred outflows of resources), the claims against those resources (liabilities), the acquisition of net position that applies to future periods (deferred inflows of resources), and the residual available for future operations (net position). Assets and liabilities are classified by liquidity as either current or noncurrent. Net Position is classified in three basic categories: net investment in capital assets, restricted, or unrestricted. The Statement of Net Position presents information on all of the University's assets, deferred outflows of resources, liabilities and deferred inflows of resources; with the difference between the financial statement elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the strength of the financial position of the University.

| Condensed Statement of Net Position | | | |
|--|----------------------|----------------------|-----------------------|
| as of June 30, | | | |
| | 2016 | 2015 | 2014 |
| Assets | | | |
| Current Assets | \$ 60,636,382 | \$ 71,693,447 | \$ 83,299,916 |
| Capital | 244,140,042 | 244,504,014 | 247,970,866 |
| Other Noncurrent Assets | 15,389,920 | 7,121,458 | 7,484,690 |
| Total Assets | <u>320,166,344</u> | <u>323,318,919</u> | <u>338,755,472</u> |
| Deferred Outflows of Resources | | | |
| Deferred Amounts on Debt Refundings | 3,055,605 | 3,279,368 | 3,503,130 |
| Deferred Amount on Pensions (GASB 68) | 15,347,693 | 5,570,712 | - |
| Total Deferred Outflows of Resources | <u>18,403,298</u> | <u>8,850,080</u> | <u>3,503,130</u> |
| Liabilities | | | |
| Current Liabilities | 31,207,571 | 30,936,397 | 30,062,061 |
| Bonds/Notes Payable, Noncurrent | 131,754,086 | 136,294,974 | 142,100,055 |
| Net Pension Liability (GASB 68) | 134,262,416 | 124,356,394 | - |
| Other Noncurrent Liabilities | 13,077,018 | 6,294,898 | 7,333,028 |
| Total Liabilities | <u>310,301,091</u> | <u>297,882,663</u> | <u>179,495,144</u> |
| Deferred Inflows of Resources | | | |
| Deferred Amounts on Debt Refundings | 897,375 | 934,896 | - |
| Deferred Amount on Pensions (GASB 68) | 5,308,778 | 1,711,348 | - |
| Total Deferred Inflows of Resources | <u>6,206,153</u> | <u>2,646,244</u> | <u>-</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 104,481,541 | 102,659,407 | 101,486,854 |
| Restricted - Nonexpendable | 307,555 | 307,555 | 307,555 |
| Restricted - Expendable | 8,453,136 | 9,922,568 | 9,617,606 |
| Unrestricted (GASB 68) | (124,223,501) | (120,497,030) | - |
| Unrestricted | 33,043,667 | 39,247,592 | 51,351,443 |
| Total Net Position | <u>\$ 22,062,398</u> | <u>\$ 31,640,092</u> | <u>\$ 162,763,458</u> |

Assets

Current Assets

Current assets decreased \$11.1, \$11.6, and \$9.1 million for fiscal years 2016, 2015, and 2014, respectively. Each year the primary factor for the decrease in current assets was the decrease of total cash including the timing of certain payments. In fiscal year 2016, there was a \$14.8 million dollar decrease in cash. Of this amount, \$4.1 million was due to a delay in the State of Colorado's final Fee-For-Service contract payment and \$4.0 million was due to the timing of cash drawn down from the escrow fund for the energy performance capital lease. Total cash decreased \$9.5 and \$9.9 million in fiscal years 2015 and 2014, respectively, and the remaining change in current assets in those two years was due to a timing difference between the fiscal years for cash collections from the University of Northern Colorado Foundation, Inc. for scholarship funds.

Unrestricted cash and cash equivalents and capital assets are the largest portions of the University's total assets. At June 30, 2016, 2015, and 2014, cash and cash equivalents were \$46.1, \$61.0, and \$69.5 million, which comprised 14.4%, 18.9%, and 20.5%, of the University's total assets, respectively. The majority of the cash is held in the State Treasury and is comprised of operating, restricted, agency, and other cash funds. Unrestricted cash and cash equivalents decreased \$14.8, \$8.5 and \$10.4 million in fiscal years 2016, 2015 and 2014, respectively. In all three fiscal years, management utilized reserves to cover deficits from operating activities and to invest in capital projects, which included addressing deferred maintenance.

At the end of fiscal year 2014, the capital projects included \$7.0 million that had been transferred from reserves to fund fiscal year 2015 capital projects. In fiscal year 2015, the University changed the timing of project cash transfer transactions. Therefore, the fiscal year 2015 balance reflects only the remaining cash expenditures expected to complete the projects approved in fiscal year 2015 and prior. On July 1, 2015, \$6.0 million was transferred from reserves to capital projects to fund the fiscal year 2016 Board-approved capital budget. The 2016 fiscal year end cash balance reflects the cash required to complete fiscal year 2016 and prior projects. On July 1, 2016, \$5.8 million was transferred from reserves to capital projects to fund the fiscal year 2017 Board-approved capital budget.

At June 30, 2016, the capital project cash was in deficit because the University expended \$4.0 million on the energy performance lease and did not draw down cash from the escrow fund until fiscal year 2017 in accordance with the contract. Operating cash was artificially low at June 30, 2016, because the State of Colorado did not remit the final Fee-For-Service contract payment of \$4.1 million until July 2016. This annual payment is normally received prior to fiscal year end.

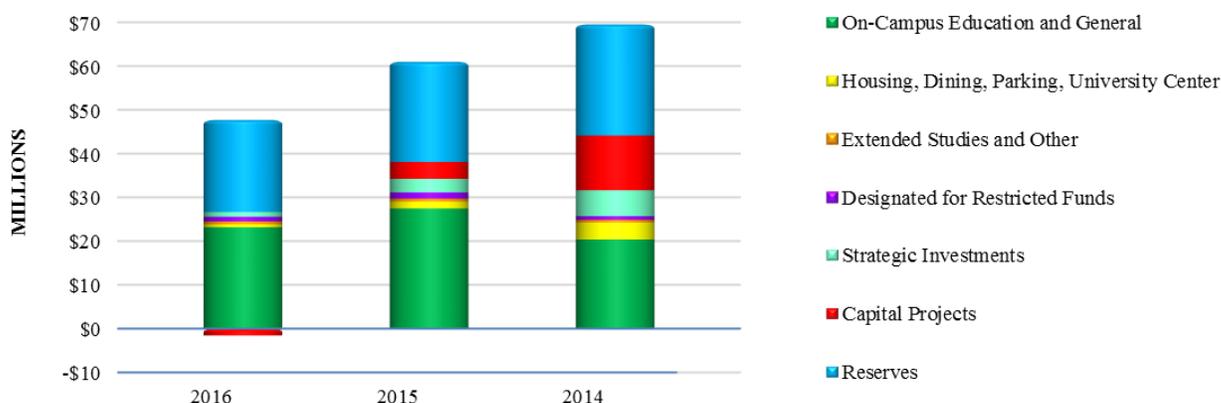
Strategic investments have been a combination of new cash invested and prior year cash balances committed to fund multi-year activities identified in UNC's nine core strategic plans. In fiscal years 2016, 2015, and 2014, the University added \$1.8, \$2.8, and \$2.8 million, respectively, to strategic investments, funded from a combination of operating cash and reserves. As the University has pursued strategic initiatives, the prior years' earmarks of cash have been gradually expended, as is seen by the downward trend in the Unrestricted Cash and Cash Equivalents table. Strategic investment cash has historically been transferred to the appropriate funds at the beginning of each fiscal year, as necessary, to meet the budgeted requirements of that fiscal year. That practice remains consistent through the three fiscal years disclosed in the Unrestricted Cash and Cash Equivalents table.

The University also holds \$750,000 in restricted cash for bond covenants as a noncurrent asset in reserves.

The following table indicates the expected uses of unrestricted cash and cash equivalents:

| Unrestricted Cash and Cash Equivalents as of June 30, | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Operating | | | |
| On-Campus Education and General | \$ 23,169,985 | \$ 27,442,528 | \$ 20,368,379 |
| Housing, Dining, Parking, University Center | 690,551 | 1,598,874 | 3,888,123 |
| Extended Studies and Other | 632,467 | 676,033 | 605,882 |
| Designated for Restricted Funds | 1,075,681 | 1,381,190 | 826,824 |
| Strategic Investments | 1,069,277 | 3,125,383 | 5,953,716 |
| Capital Projects | (1,558,286) | 3,865,202 | 12,470,925 |
| Reserves | 21,043,795 | 22,882,187 | 25,377,418 |
| Total Cash and Cash Equivalents | <u>\$ 46,123,470</u> | <u>\$ 60,971,397</u> | <u>\$ 69,491,267</u> |

Unrestricted Cash and Cash Equivalents



Student accounts receivable is the second largest current asset and is presented net of allowance for doubtful accounts. Net student accounts receivable as of June 30, 2016, 2015, and 2014, was \$6.2, \$6.1, and \$6.4 million, respectively. The net student accounts receivable increased \$0.1 million, or 1.6%, from fiscal year 2015 to 2016, and decreased \$0.3 million, or 5.0%, from fiscal year 2014 to 2015. These changes reflect the application of the reserve policy, which is a graduated increase in the reserve for uncollectible accounts based on the age of the outstanding account balance.

Inventories, loans to students, and other assets remained essentially the same amount between fiscal year 2014 and fiscal year 2016.

Other receivables consist primarily of amounts due to the University from reimbursable grants and contracts. The majority of these are federal, state, or UNC Foundation agreements that have a very high probability of collection. The University spends the money first and then bills the sponsoring agency for reimbursement. Other receivables were \$6.2 million in fiscal year 2016, \$2.6 million in fiscal year 2015, and \$4.3 million in fiscal year 2014. In fiscal year 2014, the University ended the year with a large accounts receivable balance of \$2.4 million from the Foundation.

This was a deliberate decision to keep the funds invested at the Foundation for the longest amount of time possible for a maximum return. In fiscal year 2015, the majority of the Foundation cash was collected prior to June 30, 2015. In fiscal year 2016, the University ended the year with \$4.1 million in accounts receivable from the State of Colorado for the June 2016 Fee-For-Service contract payment, which was the primary reason for the large increase between fiscal years 2015 and 2016.

Capital Assets

Capital assets are defined as any asset used in operations with an initial useful life extending beyond one year. The University's single largest fiscal resource is its campus facilities. As of June 30, 2016, capital assets of \$521.5 million, net of \$277.4 million accumulated depreciation, totaled \$244.1 million. This is a \$0.4 million decrease from fiscal year 2015, when capital assets of \$505.5 million, net of \$261.0 million accumulated depreciation, totaled \$244.5 million. Capital assets of \$493.4 million, net of \$245.5 million accumulated depreciation, totaled \$247.9 million at June 30, 2014. The capital assets decrease of \$3.8 million from fiscal year 2014 to 2016 is primarily because depreciation expense has been greater than additions for the past two fiscal years.

In fiscal year 2016, there were \$6.4 million of capital projects completed; \$6.0 million was reclassified from construction in progress to building and improvements, \$0.4 million was reclassified to equipment, vehicles, and land improvements. The building improvements included the Lawrenson apartment restroom renovation, the Gray Hall gym performance space renovation, campus wireless upgrades, the Frasier Hall stage lift, Campus Recreation Center women's locker room renovation, McKee and Holmes chillers, acoustical improvements to the Frasier Hall Theater, and various room renovations in Candelaria, Bond, Michener, Harrison, Cassidy and Carter Halls. The equipment and vehicles include clinic equipment in McKee Hall, Campus Recreation Center fans, and a water heater in the University Center. The land improvement was a regrade of the Doubenmier Field.

The University ended the fiscal year with \$14.2 million in construction in progress. The larger projects in progress at year end, that will be completed and capitalized in fiscal year 2017, include energy performance upgrades across campus, Lawrenson carpet replacement, Michener transformer replacement, seal coating for multiple parking lots, window replacement in Carter Hall, and the University Center ballroom upgrades.

Additional information on additions, disposals, and transfers of capital assets can be found in *Note 6: Capital Assets*. A summary of the capital asset balances is reflected in the following table:

| Capital Assets Net of Accumulated Depreciation | | | | | | |
|---|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| as of June 30, | | | | | | |
| | 2016 | | 2015 | | 2014 | |
| Land and Improvements | \$ 23,388,336 | 9.6% | \$ 24,325,126 | 9.9% | \$ 24,229,821 | 9.8% |
| Buildings and Improvements | 186,670,199 | 76.5% | 193,330,246 | 79.1% | 197,809,145 | 79.8% |
| Construction In Progress | 14,209,319 | 5.8% | 6,814,502 | 2.8% | 6,532,413 | 2.6% |
| Library Books | 8,600,536 | 3.5% | 8,232,509 | 3.4% | 7,952,596 | 3.2% |
| Equipment | 9,546,164 | 3.9% | 10,076,143 | 4.1% | 9,741,646 | 3.9% |
| Art and Historical Treasures | 1,725,488 | 0.7% | 1,725,488 | 0.7% | 1,705,245 | 0.7% |
| Total Capital Assets | \$244,140,042 | 100.0% | \$244,504,014 | 100.0% | \$247,970,866 | 100.0% |

Other Noncurrent Assets

Other noncurrent assets consist of loans to students, restricted cash, and investments. The restricted cash is a reserve required by bond covenants and has not changed. The restricted investments are donated funds that were gifted directly to the University of Northern Colorado in the past and could not be legally transferred to the Foundation. The value of this portfolio changes minimally each year based on the market gains or losses on the investments. In fiscal year 2016, the University invested the proceeds that are held in escrow for the \$8.9 million energy performance contract capital lease. The funds will be drawn down as the individual projects are completed.

Loans to students are the largest portion of other noncurrent assets. These are primarily Perkins loans that are managed under the appropriate federal guidelines through a third party loan processor. Loans to students, net of allowance for doubtful accounts, that are due after June 30, totaled \$5.2, \$5.8, and \$6.1 million at June 30, 2016, 2015, and 2014, respectively. The Perkins loan program was given a two year continuation in the Federal 2016 omnibus spending bill, which was passed on December 18, 2015. New loans cannot be disbursed to students after October 1, 2017.

Liabilities

Non-Debt Related Liabilities

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

Accounts payable and accrued liabilities of \$16.1 million are the most significant non-debt related liabilities. They increased \$0.2 million in fiscal year 2016. The largest portion of this liability is \$12.8 million of payroll earned in June 2016, which is payable to employees on July 1, 2016; therefore, it is an accrued liability at fiscal year end. The payroll liability was \$12.4 million at June 30, 2015, and \$12.4 million at June 30, 2014.

Unearned revenue of \$7.3 million includes tuition and fees and certain auxiliary revenues received by June 30, 2016, which are for services to be provided in fiscal year 2017. It also includes revenues received from grant and contract sponsors and the UNC Foundation that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied. Unearned revenue fluctuations each year are attributable to summer tuition and other activities.

Compensated absences are an estimate of 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 to which the employees may be entitled (see *Note 1: Nature of Operations and Summary of Significant Accounting Policies*). The noncurrent liability for compensated absences was \$4.5, \$4.4, and \$4.4 million at June 30, 2016, 2015, and 2014, respectively.

University Debt

The largest liability for the University is outstanding bonds payable. The University has four fixed rate bond issues and one variable rate bond issue outstanding for a total principal of \$129.6 million. The carrying value of these bonds includes \$6.3 million in premiums that will be amortized over the remaining life of the bonds; consequently, the combined current and noncurrent liability on the Statement of Net Position is \$135.9 million.

In fiscal year 2016, the University entered into an \$8.9 million energy performance contract with McKinstry Essention, LLC. The projects under this contract were financed with a capital lease through Banc of America Public Capital Corporation in the amount of \$8.9 million for a term of 15 years with annual payments of \$0.7 million. The payback in utility savings is expected to be realized over 14 years. The funds are held in escrow with BOKF, N.A. and invested in the Cavanal Hill U.S. Treasury Fund. The escrow fund will be drawn down as the individual projects within the larger contract are completed.

In fiscal year 2014, *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities* was implemented, and the deferred amounts resulting from refunding of bonds payable were reclassified into two new financial statement elements: deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent the future consumption of net position and deferred inflows of resources represent the acquisition of net position that applies to future periods. The University has \$3.1 million of deferred outflows of resources and \$0.9 million of deferred inflows of resources from the refunding activities of bonds payable.

The deferred amounts resulting from refunding bonds payable originate from the difference in the carrying value of the bonds (principal plus unamortized discount or premium) and the amount it costs to retire or refinance the bonds. A book loss on refunding is classified as a deferred outflow of resources and a book gain is classified as a deferred inflow of resources. As each is amortized, the expense or reduction of expense is recognized over the same time period that the University is realizing the economic gain from reduced interest expense related to the refunding transactions.

On June 3, 2015, the University of Northern Colorado Board of Trustees issued the 2015A Institutional Enterprise Revenue Bonds at a total par amount of \$21.5 million bearing fixed interest rates of 4.0% to 5.0%, payable semiannually. Principal maturities begin June 1, 2036, and continue through June 1, 2040. Proceeds from the sale of these bonds were used to refund \$21.3 million of the remaining Series 2005 Auxiliary Revenue Refunding and Improvement bonds. This refunding will provide the University with an economic gain of \$2.2 million through future interest savings. The refunding also created a book gain of \$0.9 million, which is recorded as a deferred inflow of resources and will be amortized as a reduction to interest expense over the life of the 2015A issue.

Details of the individual bond issues of the University of Northern Colorado are included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

On July 1, 2014, the University of Northern Colorado Board of Trustees entered into an agreement with Wells Fargo Bank, N.A., to continue holding 100% of the Series 2011B variable rate bonds for a second three-year term, ending June 30, 2017. The agreement included the \$19.3 million of principal that remained outstanding at June 30, 2015. More specific information about the terms of the variable rate bonds is included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

Moody's Investor Service assigned an "A1" underlying rating with a negative outlook and an "Aa2" enhanced rating with a stable outlook to the Series 2015A Institutional Enterprise Revenue Refunding Bonds. Moody's affirmed the "A1" underlying and "Aa2" enhanced rating on the University's outstanding rated debt, but they revised the underlying outlook to negative. The outlook revision from stable to negative cited the University's declining liquidity and rising fixed costs associated with an aggressive plan to grow enrollment by 25% by fall 2018. The enhanced rating outlook, based on the University's participation in the Colorado Higher Education State Aid Intercept Program, remains stable, which is based on the State of Colorado's current rating and outlook.

Standard & Poor's was not consulted for a rating at the time the University issued the Series 2015A bonds. On March 5, 2014, Standard and Poor's assigned an "A" underlying rating (SPUR) to the Series 2014A Institutional Enterprise Revenue Refunding Bonds and affirmed its "A" long-term rating and SPUR on the University's outstanding bonds. The outlook on all ratings was stable. The "AA-" long-term rating from Standard and Poor's on UNC's bonds was an enhanced rating based upon the University's participation in the Colorado Higher Education State Aid Intercept Program.

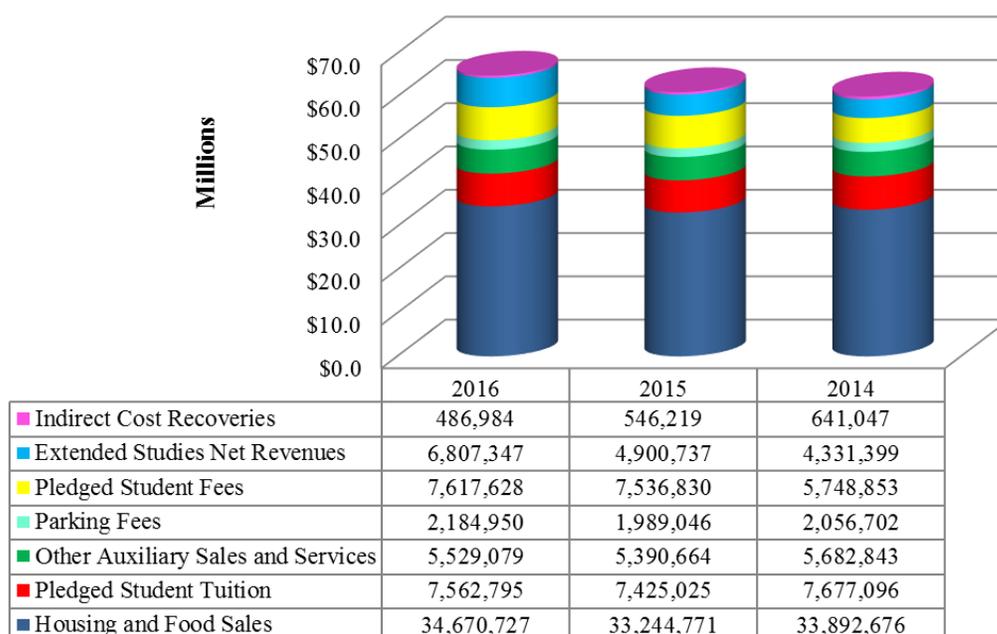
The 2011B variable rate bonds are not rated by either agency.

A summary of University debt and the related deferred outflows and inflows of resources is presented in the following table:

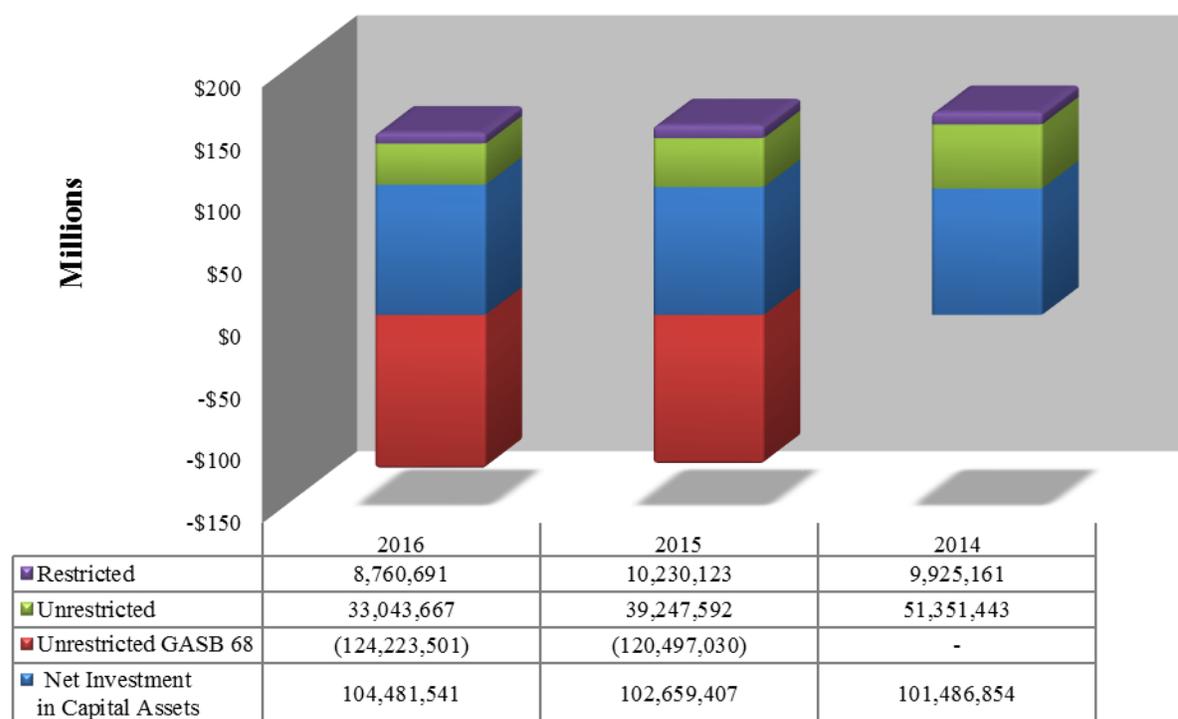
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|
| Revenue Bonds | \$ 135,929,086 | \$ 140,314,974 | \$ 145,326,818 |
| Deferred Outflows of Resources | (3,055,605) | (3,279,368) | (3,503,130) |
| Deferred Inflows of Resources | 897,375 | 934,896 | - |
| Notes Payable | - | - | 948,823 |
| Capital Lease Obligations | 10,210,194 | 3,489,566 | 4,210,893 |
| Total | <u>143,981,050</u> | <u>141,460,068</u> | <u>146,983,404</u> |
| Less Current Portion of Debt | (5,830,526) | (5,645,895) | (5,525,026) |
| Long-Term Debt and Deferred Outflows and Inflows of Resources | <u>\$ 138,150,524</u> | <u>\$ 135,814,173</u> | <u>\$ 141,458,378</u> |

The bond debt payments are made from pledged revenues comprised of auxiliary housing, food service, parking and other sales, plus identified pledged student fees, extended campus net revenues, and a portion of student tuition revenues. A more detailed schedule, including debt coverage ratios, is included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

Pledged Revenues for Bonds Payable



Year End Net Position



Net Position

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

Net Investment In Capital Assets

Net investment in capital assets is the gross cost of assets less accumulated depreciation and outstanding debt service related to the acquisition of the assets. It represents the University's investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics, and other purposes related to the mission of the institution. This is the University's largest class of net position, which comprises \$104.5, \$102.7, and \$101.5 million of the University's net position for fiscal years 2016, 2015, and 2014, respectively. In the past three years, the University management has allocated a significant portion of unrestricted cash reserves to capital projects, primarily to address deferred maintenance on campus. The University capitalized \$9.7, \$13.3, and \$14.0 million of new assets in fiscal years 2016, 2015, and 2014, respectively, and ended fiscal year 2016 with \$14.2 million in construction in progress. Depreciation expense has been greater than capital additions; therefore, the dollar value of net investment in capital assets is not changing substantially, but it is becoming a larger percentage of the net position portfolio.

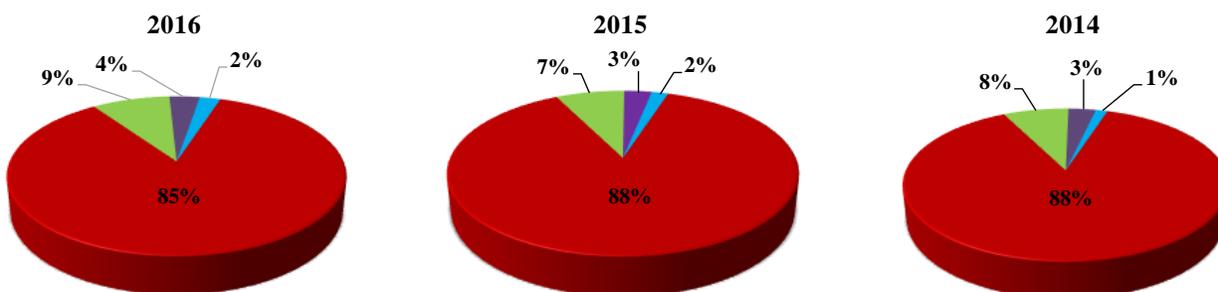
Restricted Nonexpendable

The University's restricted nonexpendable net position is comprised of endowment funds for which the donor has required that the original principal be set aside for perpetual investment. The University's restricted nonexpendable net position has remained at \$0.3 million for the last three fiscal years and includes only those endowment funds that cannot be legally transferred to the University of Northern Colorado Foundation, Inc. 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.

Restricted Expendable

The University's restricted expendable net position is comprised of resources that may be fully expended, but only for specific purposes identified by the donor or entity originally providing the funds. The majority of the restricted expendable net position category consists of revolving Perkins loan funds and restricted bond reserves. A very small portion of net position identified as restricted expendable is generated from investment earnings on the restricted nonexpendable endowment net position described above. Allowable expenditures for these funds are scholarships and other academic support expenditures.

Restricted Expendable Net Position



| | 2016 | 2015 | 2014 |
|--------------------------------|-----------|-----------|-----------|
| ■ Revolving Student Loan Funds | 7,211,775 | 8,690,538 | 8,417,699 |
| ■ Bond Reserve | 750,000 | 750,000 | 750,000 |
| ■ Scholarships | 290,430 | 300,497 | 315,193 |
| ■ Other | 200,931 | 181,533 | 134,714 |

The University's restricted expendable net position at June 30, 2016, 2015, and 2014 was \$8.5, \$9.9, and \$9.6 million, respectively. The majority of the revolving student loans are related to the Perkins Federal Loan Program.

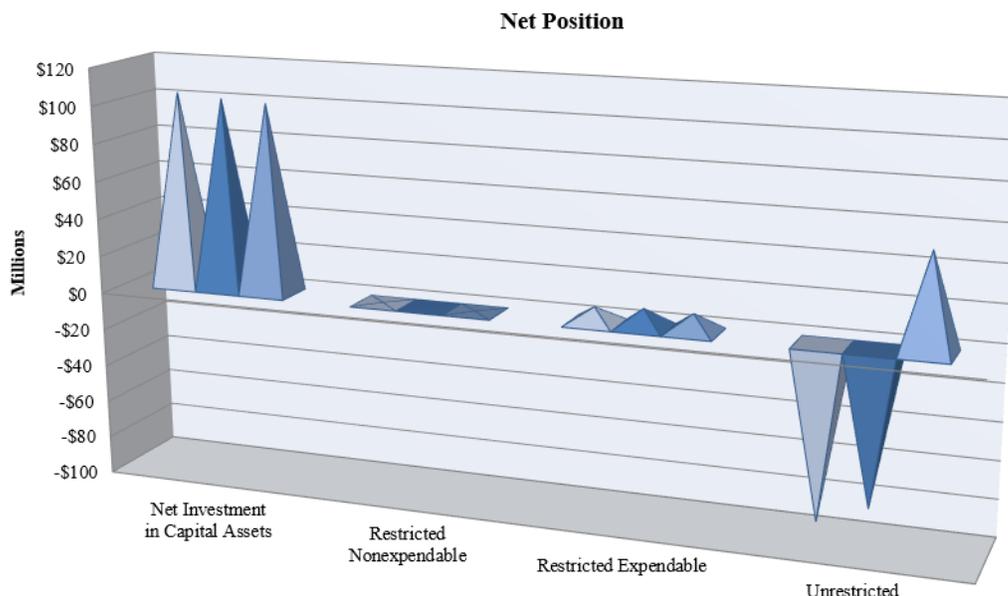
Unrestricted

Unrestricted net position is usually available to utilize for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net position for certain purposes during the annual budget process. Unrestricted net position of \$33.0 million includes operating funds and reserves. Unrestricted net position of (\$124.2) includes the PERA net pension liability and its related deferred outflows and inflows of resources.

The change in total net position resulting from the implementation of *GASB 68: Accounting and Financial Reporting of Pensions* is outlined in the following table:

| Summary of Changes in Net Position | |
|--|-----------------|
| <i>as of June 30, 2016</i> | |
| <i>(in millions)</i> | |
| Current year GASB 68 impact on net position | \$ (3.7) |
| Current year impact from University operations | <u>(5.9)</u> |
| Total change in Net Position | <u>\$ (9.6)</u> |
| <u>Detail of GASB 68 Impact to Statement of Net Position</u> | |
| Deferred outflows of resources | \$ 9.8 |
| Net pension liability | (9.9) |
| Deferred inflows of resources | <u>(3.6)</u> |
| GASB 68 impact on change in Net Position | <u>\$ (3.7)</u> |

The following graph depicts a three-year history of net position by category:



| | Net Investment in Capital Assets | Restricted Nonexpendable | Restricted Expendable | Unrestricted |
|---------------|----------------------------------|--------------------------|-----------------------|--------------|
| June 30, 2016 | 104,481,541 | 307,555 | 8,453,136 | (91,179,834) |
| June 30, 2015 | 102,659,407 | 307,555 | 9,922,568 | (81,249,438) |
| June 30, 2014 | 101,486,854 | 307,555 | 9,617,606 | 51,351,443 |

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the financial activity of the University over the fiscal year. All changes in net position 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 result in cash flows in future fiscal periods. A key component of this statement is the differentiation between operating and nonoperating activities. The tables and charts related to the Statement of Revenue, Expenses, and Changes in Net Position that follow have been adjusted, for comparative purposes, to include the impact of *GASB 68: Accounting and Financial Reporting of Pensions*, which was implemented in fiscal year 2015.

Operating revenues are earned by providing goods and services to the various customers of the University. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the University. They are directly related to generating operating revenues.

Nonoperating revenues include investment income, state appropriations, Pell grant revenue, capital grants and gifts, and gains or losses on the disposal of assets. These revenues are not earned from the sale of goods and services and are considered nonoperating. Nonoperating expenses include the refunds of the Federal Perkins Loan program Federal Capital Contributions, and bond issue costs when applicable.

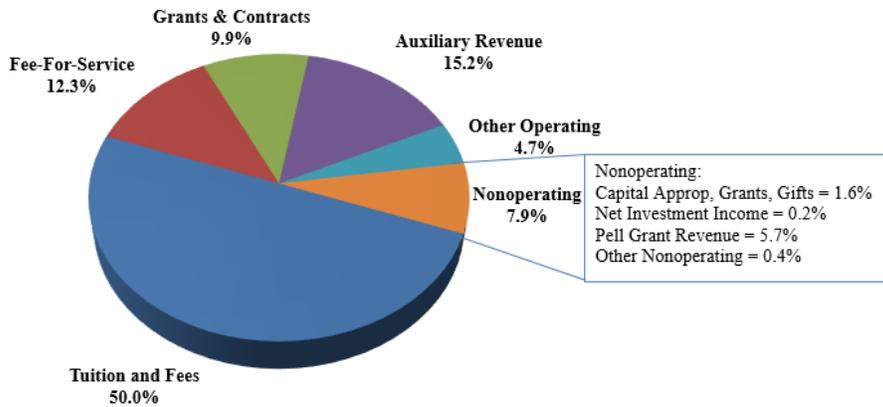
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30,

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|-----------------------|
| Operating Revenues | | | |
| Net Tuition and Fees | \$ 105,880,660 | \$ 102,175,619 | \$ 102,853,226 |
| Fee-For-Service | 26,017,614 | 21,916,149 | 19,782,469 |
| Grants and Contracts | 21,082,569 | 21,851,247 | 18,238,653 |
| Auxiliary | 32,178,117 | 31,272,265 | 33,213,951 |
| Other | 9,899,094 | 9,847,995 | 9,523,404 |
| Total Operating Revenues | <u>195,058,054</u> | <u>187,063,275</u> | <u>183,611,703</u> |
| Operating Expenses | | | |
| Education and General | 167,207,440 | 163,942,408 | 159,975,065 |
| Education and General (GASB 68) | 3,726,471 | 2,996,437 | - |
| Auxiliary | 26,482,487 | 27,209,745 | 26,810,670 |
| Depreciation | 17,454,932 | 17,069,138 | 16,592,499 |
| Total Operating Expenses | <u>214,871,330</u> | <u>211,217,728</u> | <u>203,378,234</u> |
| Operating Loss | (19,813,276) | (24,154,453) | (19,766,531) |
| Nonoperating Revenues & Expenses | | | |
| Federal Grants and Contracts | 12,071,525 | 12,732,959 | 13,024,992 |
| Other Nonoperating Revenue (Expense) | (195,726) | 1,322,240 | 1,207,412 |
| Nonoperating Capital Interest Expense | (5,121,899) | (5,295,433) | (5,749,898) |
| Gain (Loss) before Other Items | <u>(13,059,376)</u> | <u>(15,394,687)</u> | <u>(11,284,025)</u> |
| Capital Appropriations and Contributions | 2,380,995 | 616,702 | 1,701,412 |
| Capital Grants and Gifts | 1,105,316 | 1,156,264 | 207,400 |
| Loss on Disposal of Assets | (4,629) | (1,052) | (17,191) |
| Increase (Decrease) in Net Position | <u>(9,577,694)</u> | <u>(13,622,773)</u> | <u>(9,392,404)</u> |
| Net Position - Beginning of Year | 31,640,092 | 162,763,458 | 172,155,862 |
| GASB 68 Adjustment to Net Position | - | (117,500,593) | - |
| Net Position - End of Year | <u>\$ 22,062,398</u> | <u>\$ 31,640,092</u> | <u>\$ 162,763,458</u> |

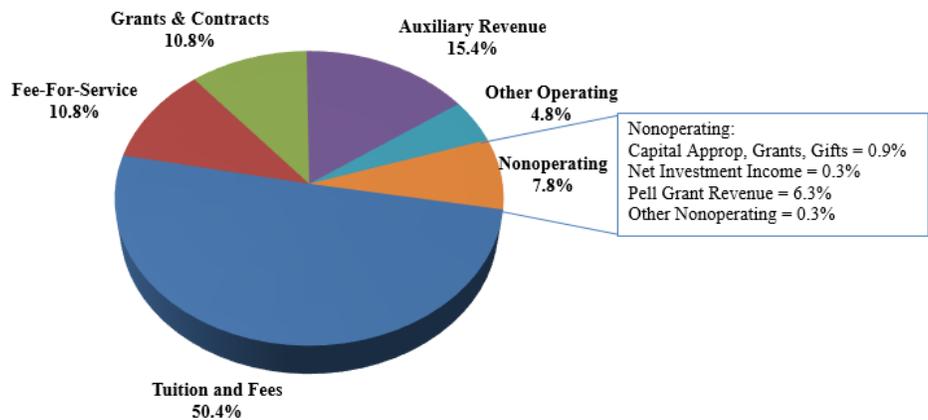
Total Revenues

Total University revenues of \$211.9, \$202.9, and \$199.7 million in fiscal years 2016, 2015, and 2014, respectively, consist of operating revenue, Pell grants, other nonoperating revenue, capital appropriations and contributions, and capital grants and gifts. Total revenues increased \$9.0 million, or 4.5%, between fiscal years 2015 and 2016 and increased \$3.2 million, or 1.6%, between fiscal years 2014 and 2015, respectively.

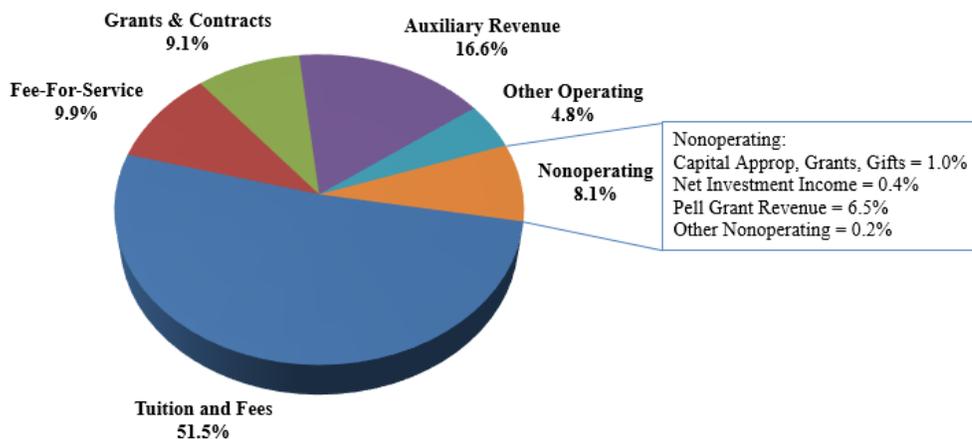
Total Revenue 2016



Total Revenue 2015



Total Revenue 2014



Operating Revenues

Operating revenue for fiscal years 2016, 2015, and 2014, of \$195.1, \$187.1, and \$183.6 million, respectively, is derived from tuition and fees, auxiliary activity, grants and contracts, the State Fee-For-Service contract, and other operating revenues. The proportion of operating revenue to total revenue has remained consistent at 92% over the past three fiscal years.

Tuition and fee revenue increased \$3.7 million between fiscal years 2015 and 2016 and decreased \$0.7 million between fiscal years 2014 and 2015. In fiscal year 2016, tuition rates increased and FTE enrollment held reasonably steady to fiscal year 2015. In fiscal year 2015, tuition rates increased but were offset by declines in enrollment and increases in scholarship allowance which reduces tuition revenue. Credit hours are the driving factor in revenue realization and total annual credit hours increased 0.2% in the academic year 2015-2016 and decreased 4.0%, and 5.4% in the academic years 2014-15, and 2013-14, respectively. Total credit hours for all terms (fall, interim, spring and summer) were 301,297, 300,647, and 313,335 for the academic years 2015-16, 2014-15, and 2013-14, respectively.

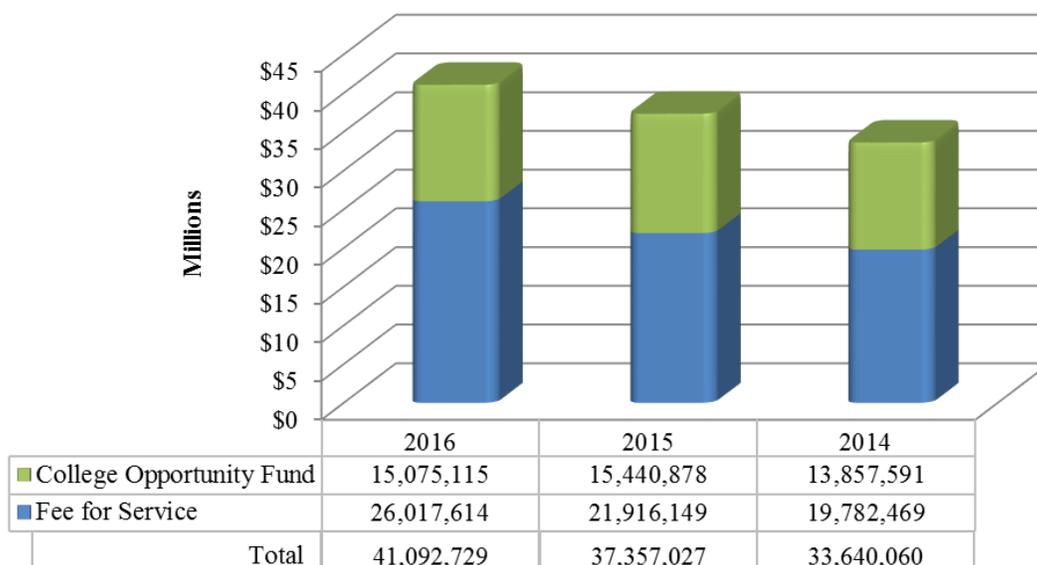
Tuition and fee revenue is shown net of \$23.4, \$22.1, and \$18.3 million in scholarship allowances for fiscal years 2016, 2015, and 2014, respectively. Auxiliary revenue for fiscal years 2016, 2015, and 2014 is net of \$6.6, \$6.3, and \$5.0 million in scholarship allowances, respectively. Scholarship allowances are those portions of the University's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid, and also general institutional scholarships. Approximately 69% of total financial aid is reclassified as a reduction to tuition and fees and auxiliary revenue because it is recognized in other revenue categories. Scholarship allowance increased significantly from fiscal year 2014 to 2015 due to increases of \$1.5 million in institutional scholarships, and \$1.7 million in financial aid from the State of Colorado. In previous years, named and endowed scholarships from the UNC Foundation were not recognized in revenues and expenses in the University of Northern Colorado financial statements. This was changed in fiscal year 2015 to better reflect the impact of the Foundation support to the University. As a result, \$3.4 million of named and endowed scholarships from the UNC Foundation were recognized as revenue and an equivalent amount of scholarship expense, thus impacting the calculation for scholarship allowance, but not impacting the University's net position.

During fiscal years 2016, 2015, and 2014, the Colorado Department of Higher Education (CDHE) provided the University \$41.1, \$37.3, and \$33.6 million, respectively, in College Opportunity Fund (COF) and Fee-For-Service (FFS) contract revenue. COF is included in tuition revenue and FFS has a separate line on the financial statements. COF and FFS are both classified as operating revenue.

- The College Opportunity Fund provides a stipend to qualified undergraduate students. The students use the stipend to pay a portion of their tuition. The COF stipend provided to students was \$75 per credit hour in fiscal year 2016, compared to \$75 and \$64 per credit hour in fiscal years 2015 and 2014, respectively. In fiscal years 2016, 2015, and 2014, the University applied \$15.1, \$15.4, and \$13.8 million of COF stipends against student tuition bills, respectively. This amount is included in tuition revenues.
- State FFS contract revenue helps support graduate and specialized undergraduate education services. These funds are in addition to tuition paid by students. During fiscal years 2016, 2015, and 2014, the Colorado Department of Higher Education provided the University \$26.0, \$21.9, and \$19.8 million, respectively.

The total amount of COF and FFS support has increased \$7.5 million since fiscal year 2014.

State Support



Auxiliary revenue increased \$0.9 million between fiscal years 2015 and 2016 and had previously decreased \$1.9 million between fiscal years 2014 and 2015. Fiscal year 2015 housing occupancy increased to 82.4% from 80.4% the prior year, but the related revenue increase was mostly offset by a decrease in meal plan revenue due to a rate restructure. The increase in auxiliary scholarship allowance of \$1.3 million, due to increased financial aid applied to room and board, also decreased net auxiliary revenue in fiscal year 2015. Scholarship allowance was not a significant factor in fiscal year 2016. Fiscal year 2016 is the second year of the meal plan rate restructure and meal plan rates did not increase from the prior year. Only Tier 5 housing (Turner suites) and Arlington Park had rate increases of 2%. Therefore, the fiscal year 2016 revenue increase was primarily attributable to an increase in housing occupancy from 82.4% to 86.2%.

Auxiliary revenue is a major source of support for the University’s debt service payments. A schedule of net pledged revenues and bond coverage ratios for debt service is included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

Other operating revenues include the operating agreement between UNC and the Foundation, athletic camp fees, accounts receivable service charges, Bear Logic computer sales, and various other charges for services. This revenue has remained reasonably consistent, ranging from \$9.5 to \$9.9 million during the three-year period. The largest single source of revenue in this classification is the unrestricted support of University scholarships from the UNC Foundation, which has been \$1.8, \$1.7, and \$1.9 million in fiscal years 2016, 2015, and 2014, respectively.

Grants and Contracts Revenue

At June 30, 2016, 2015, and 2014, grants and contracts revenue comprised \$33.2, \$34.6, and \$31.3 million or 15.6%, 17.1%, and 15.6% of the University’s total revenues, respectively. Grants and contracts revenue is presented in the table below in two categories: restricted and financial aid. The restricted sources are from sponsored programs and UNC Foundation support. Financial aid is received by the University from federal, state, foundation, and other private sponsors. The financial aid reported as revenue is based on generally accepted accounting principles for proper financial statement recognition and is not a comprehensive measure of all financial aid available to students. It does not include amounts received by students from third parties, institutional support, or loans.

| Grants and Contracts Revenue | | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| For the Year Ended June 30, | | | |
| | 2016 | 2015 | 2014 |
| Federal Grants | \$ 5,551,132 | \$ 5,808,551 | \$ 6,877,981 |
| State and Local Grants | 317,503 | 250,580 | 158,495 |
| UNC Foundation Grants and Gifts | 3,232,609 | 3,986,400 | 4,822,218 |
| Other Private Grants | 115,970 | 350,895 | 388,768 |
| Total Restricted Grants and Contracts | <u>9,217,214</u> | <u>10,396,426</u> | <u>12,247,462</u> |
| Federal Financial Aid | 724,816 | 710,580 | 871,912 |
| Federal Pell Financial Aid | 12,071,525 | 12,732,959 | 13,024,992 |
| State and Non-Gov't Financial Aid | 6,970,679 | 6,448,169 | 4,376,763 |
| UNC Foundation Named & Endowed | 3,403,829 | 3,475,000 | - |
| UNC Foundation Scholarships | 766,031 | 821,072 | 742,516 |
| Total Financial Aid | <u>23,936,880</u> | <u>24,187,780</u> | <u>19,016,183</u> |
| Total Grants and Contract Revenue | <u>\$ 33,154,094</u> | <u>\$ 34,584,206</u> | <u>\$ 31,263,645</u> |

Restricted Grants and Contracts

In fiscal year 2016, federal funding for restricted grants and contracts made up \$5.6 million, or 60.2%, of the total restricted grants and contracts revenue. Federal funding decreased \$0.3 million, or 4.4%, from fiscal year 2015 to fiscal year 2016. These decreases were in the National Science Foundation awards and other U.S. Department of Education grants. The National Science Foundation awarded the University a research grant to purchase a large specialized piece of equipment. Total expense for the grant titled "MRI: Acquisition of a Single Crystal X-Ray Diffractometer" occurred in fiscal year 2015 contributing to the reduction in Federal funding from fiscal year 2015 to fiscal year 2016. A non-renewable agreement with Georgetown University, funded by the Department of Education, for the program Scholarship for Education and Economic Development (SEED) ended in 2015.

The fiscal year 2016 federal revenue came from the U.S. Department of Education (\$2.5 million), the National Science Foundation (\$0.6 million), other federal sources (\$1.3 million), and federal sub-recipient awards from other institutions (\$1.2 million).

UNC Foundation funds are generally donated for program support and scholarships. Grants and program support are included in the top portion of the Grants and Contracts Revenue table and as shown, decreased to \$4.0 million in fiscal year 2015 and decreased to \$3.2 million in fiscal year 2016 as a result of fluctuations in UNC's spending patterns for funds raised at the Foundation. UNC recognizes revenue and expense as the University utilizes the donor funds. The Foundation recognizes revenue when the funds are donated. Fiscal year 2016 UNC Foundation grants and gifts is a combination of \$0.4 million of specific project grants and \$2.8 million in gifts and endowment payouts utilized for program support in athletics and in the colleges within the University.

State, local, and private funding in restricted grants and contracts was \$0.4 million, or 4.7%, of the total restricted grants and contracts revenue in fiscal year 2016. This funding has decreased \$0.1 million since fiscal year 2014. State, local and private grants do not provide a significant source of restricted grants and contracts revenue.

Financial Aid

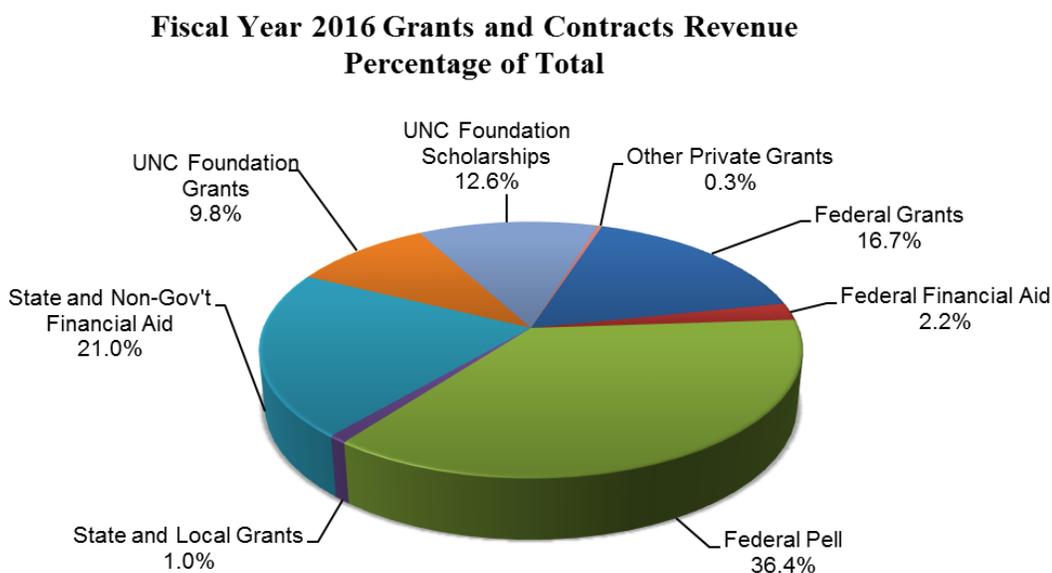
Total financial aid was 72.2%, 69.9%, and 60.8% of total grants and contracts revenue in fiscal years 2016, 2015, and 2014, respectively. Federal Pell grant financial aid is considered nonoperating revenue, but is included in this analysis of all grants and contracts revenue.

The Federal Pell grant program is awarded to eligible students based on financial need. All students who are eligible for the Pell grant are awarded the money. The University is not limited to a certain amount of Pell grant awards in an academic or fiscal year. The variance in Pell grant revenue from academic year to academic year is based on changes in the eligibility of our students and federal legislation. Pell awards were \$12.1, \$12.7, and \$13.0 million in fiscal years 2016, 2015, and 2014, respectively.

The UNC Foundation Named and Endowed Scholarships are on a separate line item in the Grants and Contracts Revenue chart to point out an accounting change that was implemented in fiscal year 2015. The prior years were not restated for comparison; therefore, the impact to revenue is broken out on a separate line item so the users of the financial statements can clearly see the impact of the change. The University of Northern Colorado Foundation Named and Endowed Scholarships were not previously included in the revenues and expenses in the University of Northern Colorado financial statements because the transactions were accounted for in agency funds. In fiscal year 2015, the University changed this accounting practice and these awards are now included in restricted revenues and scholarship expense to better represent the Foundation's financial aid contribution to the University's students.

The UNC Foundation Scholarships line item in the Grants and Contract Revenue chart represents annual donations that are primarily for athletic scholarships. It also includes donations for the Greeley Promise Scholarship Award and money raised through the annual phone-a-thon to support institutional financial aid awards.

State financial aid has grown from \$4.4 million in fiscal year 2014 to \$7.0 million in fiscal year 2016. These annual amounts are based on state appropriations and the allocation models used to distribute resources among the state colleges and universities.



Operating Expenses

For fiscal year 2016, total expenses of \$221.5 million included operating expenses of \$214.9 million and interest expenses and other losses of \$6.6 million. Operating expenses increased 1.7% in fiscal year 2016, 3.9% in fiscal year 2015, and 4.6% in fiscal year 2014. The change from fiscal year 2014 to 2015 was \$7.8 million, and the change from fiscal year 2015 to 2016 was \$3.7 million.

Natural Classification

| Operating Expenses by Natural Classification | | | | | | |
|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| For the Year Ended June 30, | | | | | | |
| | 2016 | | 2015 | | 2014 | |
| Personnel Costs | \$ 141,718,931 | 66.0% | \$ 137,499,997 | 65.1% | \$ 130,561,139 | 64.2% |
| Cost of Goods Sold | 4,817,360 | 2.2% | 5,044,030 | 2.4% | 4,770,100 | 2.3% |
| Other Current Expenses | 50,880,107 | 23.7% | 51,604,563 | 24.4% | 51,454,496 | 25.3% |
| Depreciation | 17,454,932 | 8.1% | 17,069,138 | 8.1% | 16,592,499 | 8.2% |
| Total Operating Expenses | <u>\$ 214,871,330</u> | <u>100.0%</u> | <u>\$ 211,217,728</u> | <u>100.0%</u> | <u>\$ 203,378,234</u> | <u>100.0%</u> |

Natural classification is a method of grouping expenses according to the type of costs that are incurred. The classifications tell what was purchased rather than why an expense was incurred. Personnel costs are the University's largest expense and increased \$6.9 million from fiscal year 2014 to 2015, and increased \$4.2 million from fiscal year 2015 to 2016.

The largest portion of cost of goods sold expense in the University is in auxiliary services. Total cost of goods sold increased \$0.3 million from fiscal year 2014 to 2015, and decreased \$0.2 million from fiscal year 2015 to 2016. The changes in cost of goods sold are related to housing occupancy, meal plans sold, and the cost fluctuations from vendors who sell goods to the University. Other current expenditures represent all other operating expense, which includes supplies, purchased services, utilities, and travel. It increased \$0.1 million, or 0.3%, from fiscal year 2014 to 2015, and decreased \$0.7 million, or 1.4%, from fiscal year 2015 to 2016.

Depreciation increased \$0.9 million since fiscal year 2014 as a result of investments in new capital assets.

| Wages and Benefits | | | | |
|----------------------------------|-----------------------|-----------------------|---------------------|-------------|
| For the Year Ended June 30, | | | | |
| | 2016 | 2015 | 2015 to 2016 Change | |
| | | | \$ Chg | % Chg |
| Faculty | \$ 44,431,228 | \$ 43,865,574 | \$ 565,654 | 1.3% |
| Administrative | 28,574,710 | 26,756,245 | 1,818,465 | 6.8% |
| Graduate and Teaching Assistants | 10,339,684 | 9,842,578 | 497,106 | 5.1% |
| Classified | 18,751,492 | 19,718,508 | (967,016) | -4.9% |
| Student | 6,261,136 | 6,312,677 | (51,541) | -0.8% |
| Other | 1,061,605 | 923,649 | 137,956 | 14.9% |
| Subtotal Wages | <u>109,419,855</u> | <u>107,419,231</u> | <u>2,000,624</u> | <u>1.9%</u> |
| Fringe Benefits | 28,572,605 | 27,084,329 | 1,488,276 | 5.5% |
| Fringe Benefits (GASB 68) | 3,726,471 | 2,996,437 | 730,034 | 24.4% |
| Total Wages and Benefits | <u>\$ 141,718,931</u> | <u>\$ 137,499,997</u> | <u>\$ 4,218,934</u> | <u>3.1%</u> |

The University continues to work to achieve its overall compensation goals.

In fiscal year 2014, salaries were increased with an overall 5% salary pool consisting of 3% to address faculty and exempt staff parity and merit, a 2% maintenance of effort increase for faculty and exempt staff, and classified staff increases ranging from 2.6% to 4.4% as directed by the State of Colorado.

In fiscal year 2015, salaries were increased with an overall 3% salary pool consisting of 2% to address faculty and exempt staff parity and merit, a 1% maintenance of effort increase for faculty and exempt staff, and classified staff increases ranging from 2.0% to 4.5% as directed by the State of Colorado.

In fiscal year 2016, salaries were increased with an overall 3% salary pool. The pool included 1.5% to address faculty parity and merit, 2.0% to address exempt staff parity and merit, a 1.5% maintenance of effort increase for faculty, and 1.0% maintenance of effort increase for exempt staff. Classified staff increases ranged from 1.0% to 2.0% as directed by the State of Colorado.

In addition to salary increases, each year the University assesses human resource allocations and makes targeted investments in positions consistent with the University-wide staffing plan. The annual staffing plan is a position-by-position assessment of the most effective way to accomplish University priorities. Vacant positions may be restructured or eliminated.

Included in the graduate and teaching assistant costs are tuition and fee waivers for graduate students and room and board waivers for resident assistants who live in the residence halls. These amounts increase annually with graduate tuition and fee increases and room and board rate increases.

The increase in fringe benefits each year is primarily due to the changes in contribution rates to the Public Employees Retirement Association (PERA) retirement plan as well as retirement contributions to both PERA and the Optional Retirement Plan (ORP) on higher salary levels.

The statutory employer contribution was 10.15% for fiscal years 2014, 2015, and 2016 and is expected to remain constant. The Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) percentages have increased from 3.4% and 3.0% at the beginning of fiscal year 2014, to 4.6% and 4.5%, respectively, at the end of fiscal year 2016. These rates will continue to increase through fiscal year 2017, when they both reach 5.0%. Each year, PERA changes the rates at January 1 in concert with the pension plan year ending December 31. More information related to PERA is in *Note 10: Defined Benefit Pension Plan* and *Note 11: Other PERA Retirement Plans*.

The implementation of GASB 68 included an additional \$3.7 million and \$3.0 million of non-cash benefit expense in fiscal years 2016 and 2015, respectively. Under the new accounting pronouncement, the University recognizes a proportionate share of the full PERA net pension liability with related deferred outflows and inflows of resources. The expense impact of these changes to the Statement of Net Position is recognized in benefit expense.

Functional Classification

| Operating Expenses by Functional Classification | | | | | | |
|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| For the Year Ended June 30, | | | | | | |
| | 2016 | | 2015 | | 2014 | |
| Instruction | \$ 79,311,964 | 36.9% | \$ 78,279,035 | 37.1% | \$ 76,012,865 | 37.4% |
| Research | 3,218,884 | 1.5% | 2,583,079 | 1.2% | 2,947,862 | 1.4% |
| Public Service | 1,861,304 | 0.9% | 1,743,671 | 0.8% | 1,931,855 | 0.9% |
| Academic Support | 20,548,582 | 9.6% | 20,974,001 | 9.9% | 20,587,076 | 10.1% |
| Student Services | 28,059,534 | 13.1% | 27,257,539 | 12.9% | 24,471,870 | 12.0% |
| Institutional Support | 15,117,300 | 7.0% | 13,574,402 | 6.4% | 12,360,397 | 6.2% |
| Operation of Plant | 10,430,629 | 4.9% | 10,032,241 | 4.7% | 10,431,782 | 5.1% |
| Scholarships and Fellowships | 12,385,714 | 5.8% | 12,494,877 | 5.9% | 11,231,358 | 5.5% |
| Auxiliary Operating Expenditures | 26,482,487 | 12.3% | 27,209,745 | 12.9% | 26,810,670 | 13.2% |
| Depreciation | 17,454,932 | 8.1% | 17,069,138 | 8.1% | 16,592,499 | 8.2% |
| Total Operating Expenses | <u>\$ 214,871,330</u> | <u>100.0%</u> | <u>\$ 211,217,728</u> | <u>100.0%</u> | <u>\$ 203,378,234</u> | <u>100.0%</u> |

Functional classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classifications tell why an expense was incurred rather than what was purchased. There were increases in most of the functional categories. The most significant increases were in instruction, research, student services, and institutional support. Of the \$3.7 million increase in total operating expenses, \$4.2 million is attributable to increases in wages of \$2.0 million plus benefits of \$2.2 million, which are reflected throughout all of the functional categories. This increase was offset by a \$0.5 million decrease in non-personnel expenditures primarily from utility savings in Operation of Plant and Auxiliaries. Each functional area was increased by a portion of the \$3.7 million of non-cash benefits expense for GASB 68 based on its proportion of PERA payroll, which is outlined in the following table:

| GASB 68 Functional Expense | | |
|------------------------------------|---------------------|---------------------|
| for the Year Ended June 30, | | |
| | 2016 | 2015 |
| Instruction | \$ 1,093,992 | \$ 883,145 |
| Research | 15,387 | 12,307 |
| Public Service | 19,110 | 15,805 |
| Academic Support | 537,972 | 436,379 |
| Student Services | 303,690 | 245,283 |
| Institutional Support | 669,573 | 536,200 |
| Operation of Plant | 736,642 | 586,733 |
| Scholarships and Fellowships | - | - |
| Auxiliary Operating Expenditures | 350,105 | 280,585 |
| Depreciation | - | - |
| Total Non-cash GASB 68 Expense | <u>\$ 3,726,471</u> | <u>\$ 2,996,437</u> |

A matrix in *Note 15: Operating Expenses by Function Compared with Operating Expenses by Natural Classification* demonstrates how much expense by natural classification is included in each functional classification.

Nonoperating Revenues and Expenses

The nonoperating financial statement line item titled “Federal grants and contracts revenue” is Pell grant revenue which is the largest portion of nonoperating revenue. The University received \$0.7 million less in fiscal year 2016 than in fiscal year 2015 and \$0.3 million less in fiscal year 2015 than in fiscal year 2014. The amount of Pell grant revenue is based on student need and several other factors set by the federal government. The University Office of Financial Aid works with all eligible students to help them determine if they qualify for this aid.

The University’s other nonoperating revenues are made up of investment income and activities that are not earned from the sale of goods and services, such as broadband lease revenue, purchasing card rebate revenue, and utility rebate revenue from the use of the west campus generator. The expenses in this category include the costs of issuing bonds and the refunds of the Federal Capital Contributions required by the Federal Perkins Loan program.

The lease and rebate revenues have remained constant at \$0.8 million for the past three fiscal years. Bond issue costs were \$0.1 million in fiscal year 2015 and \$0.4 million in fiscal year 2014. In fiscal year 2016 the University returned \$1.5 million of Federal Capital Contributions to the Perkins Loan Program in accordance with the annual excess liquid capital calculation due in December of each year. The refund was recorded as a nonoperating expenditure.

Interest on capital-related debt decreased \$0.2 million from fiscal year 2015 to fiscal year 2016. Savings have been realized over the past three years from refinancing the 2005 bond issue to more favorable interest rates in the 2014A and 2015A issues. In addition, the University has benefited from low market interest rates on the 2011B variable rate bonds.

The interest on capital-related debt in the Statement of Revenues, Expenses, and Changes in Net Position is slightly different from what is reflected on the Statement of Cash Flows. The Statement of Cash Flows represents the cash payments, where the Statement of Revenues, Expenses, and Changes in Net Position includes both the cash payments and the non-cash amortization transactions related to bond refundings.

Other Changes

In fiscal year 2016, the University received \$2.4 million in state capital appropriations for the campus commons design, fire sprinkler upgrades, and roof replacements. The University received \$1.1 million in capital grants and gifts for the construction of campus commons, renovations to Gray Hall and a scoreboard for Jackson Field. The total campus commons appropriation is \$38.0 million. Construction will begin in the fall of 2016. The revenue is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as expenditures are incurred rather than when a project is appropriated.

In fiscal year 2015 the University received \$0.6 million in state capital appropriations for fire sprinkler upgrades and roof replacements. The University received \$1.2 million in capital grants and gifts for the Kepner Financial Education Center, Gray Hall, and the Athletics scoreboard. In fiscal year 2014 the University received \$1.7 million in state capital appropriations for the campus chillers and \$0.2 million in capital grants and gifts, which were donations of photochromic prints for the library and a spectrometer.

Economic Outlook

The University's financial (or economic) position is impacted primarily by enrollment, but it is also affected by funding from the state legislature. The combination of tuition, fees, and auxiliary revenue generated from students is 70.8% of the University's operating revenue. The College Opportunity Fund plus the Fee-For-Service contract comprised 21.0% of the University's operating revenues in fiscal year 2016. The University received an increase of \$3.7 million for these state-funded revenues in fiscal year 2016.

The economic outlook from the Legislative Council is optimistic, but cautious, for the next two fiscal years. They report that the Colorado economy continues to expand at a similar rate to the overall U.S. economy. The growth in Colorado's economy in the past several years has outpaced the nation because the northern part of the state received a boost from the development of oil wells. This development has slowed with the drop in oil prices, but underlying momentum in other sectors of the economy has been helping to offset the decline. The Legislative Council cited modest growth in the U.S. gross domestic product, restrained business investments, weak exports, and slowing job growth due to full employment, as trends to keep a watchful eye on as they affect business confidence. They cautioned that a prolonged lapse in business confidence could lead to an economic contraction.

The September 2016, Legislative Council revenue estimates indicated that the State may be addressing a budget deficit in fiscal year 2017. State general fund revenue for fiscal year 2017 is forecast to be \$329.6 million, or 3.0%, lower than the amount needed to fully fund the budget and save what is necessary for the required reserve. The University will be monitoring the developments with the Governor's budget proposals and the impact on Higher Education funding. University management continues to move forward with strategic planning to achieve long-term fiscal sustainability assuming limited state support.

| Fall Final (for Fiscal Year) | Under Graduate | Graduate | Total | Percent Change |
|---|---------------------------|-----------------|--------------|---------------------------|
| Fall 15 (FY16) | 9,430 | 2,786 | 12,216 | 1.4% |
| Fall 14 (FY15) | 9,469 | 2,581 | 12,050 | -5.2% |
| Fall 13 (FY14) | 9,947 | 2,763 | 12,710 | -2.8% |
| Fall 12 (FY13) | 10,318 | 2,752 | 13,070 | 0.2% |
| Fall 11 (FY12) | 10,414 | 2,624 | 13,038 | 0.1% |

The outlook for fall 2016 is that overall student headcount enrollment will increase 2.7% over fall 2015. At fall 2016 census, the University enrollment was 324 students greater than census the previous year. The University is experiencing growth in main campus undergraduate enrollment and extended campus graduate enrollment. Specifically, new first-time undergraduate freshmen have increased 5.8%, and new transfer students have increased 7.9%, while continuing students have held steady. New first-time graduates have increased 12.5% and continuing graduate students have increased 9.7%. Graduate students will be about 22.0% of our student body in fiscal year 2017, which is consistent with the University's growth strategy. The persistence of degree seeking undergraduates has increased from 80.0% to above 83.0% over the past five years. These are positive indicators as the University continues to focus on increasing enrollment and moves into the third year of its five-year fiscal sustainability plan.

The University remains focused on its targeted enrollment goals. The strategy is to focus on responding to the growing demand for graduate programs, and to cement UNC's position in the undergraduate market by enhancing the quality of students' educational experiences. At the same time, University management is working to fully integrate UNC's student support functions to continue improving student persistence. The Campus Commons is an integral part of improving our student support and ceremonial groundbreaking was October 22, 2016.

The growth strategy has five major targets:

- ✓ Grow enrollment to over 15,000 students
- ✓ Increase the proportion of graduate students in our total enrollment from 20% to 25%
- ✓ Increase the average year-to-year undergraduate persistence rate by 2.8 percentage points (to 83.6 percent)
- ✓ Identify at least \$2.4 million in new sustainable cost savings
- ✓ Pursue funding to break ground on the Campus Commons in the summer of 2016 and complete the second of two construction phases by the end of 2018.

Achieving the five major targets requires reserve spending to invest in strategic improvements. It also includes refining operational practices to be more effective and efficient. Revenue growth will be combined with expenditure controls to rebalance the University's financial position before reserves are depleted.

For additional information regarding this report please contact:

Susan L. Simmers, MBA
Assistant Vice President for Finance
University of Northern Colorado
501 20th Street, Campus Box 22
Greeley, CO 80639
(970) 351-2109
www.unco.edu

(page intentionally left blank)

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2016

| | University of Northern Colorado | University of Northern Colorado Foundation, Inc. |
|--|------------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 46,123,470 | \$ 2,127,911 |
| Student accounts receivable, net | 6,212,773 | - |
| Pledges receivable, net, current portion | - | 2,656,428 |
| Other receivables, net | 6,165,775 | 135,441 |
| Investments | - | 25,538,179 |
| Inventories | 996,531 | - |
| Loans to students, net, current portion | 361,443 | - |
| Other assets | 776,390 | 91,931 |
| Total Current Assets | <u>60,636,382</u> | <u>30,549,890</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 750,000 | - |
| Restricted investments | 9,451,163 | - |
| Pledges receivable, net, noncurrent portion | - | 4,452,645 |
| Loans to students, net, noncurrent portion | 5,188,757 | - |
| Investments permanently restricted for endowment | - | 78,829,721 |
| Capital assets, net | 244,140,042 | 964,826 |
| Total Noncurrent Assets | <u>259,529,962</u> | <u>84,247,192</u> |
| TOTAL ASSETS | <u>320,166,344</u> | <u>114,797,082</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 3,055,605 | - |
| Deferred amount on pensions | 15,347,693 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>18,403,298</u> | <u>-</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 16,128,419 | 670,228 |
| Unearned revenue | 7,327,689 | - |
| Bonds/notes payable, current portion | 4,175,000 | - |
| Capital leases payable, current portion | 1,655,526 | - |
| Funds held for the University of Northern Colorado | - | 603,137 |
| Other current liabilities | 1,920,937 | - |
| Total Current Liabilities | <u>31,207,571</u> | <u>1,273,365</u> |
| Noncurrent Liabilities | | |
| Bonds/notes payable, noncurrent portion | 131,754,086 | - |
| Capital leases payable, noncurrent portion | 8,554,668 | - |
| Other noncurrent liabilities | 64,802 | - |
| Net pension liabilities | 134,262,416 | - |
| Annuity obligations | - | 130,830 |
| Compensated absence liabilities | 4,457,548 | - |
| Total Noncurrent Liabilities | <u>279,093,520</u> | <u>130,830</u> |
| TOTAL LIABILITIES | <u>310,301,091</u> | <u>1,404,195</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 897,375 | - |
| Deferred amount on pensions | 5,308,778 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>6,206,153</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 104,481,541 | 964,826 |
| Restricted for: | | |
| Nonexpendable | | |
| Scholarships and fellowships | 306,155 | 42,582,836 |
| Academic support | 1,400 | - |
| Other | - | 36,246,885 |
| Expendable | | |
| Scholarships and fellowships | 290,430 | 4,485,485 |
| Loans | 7,211,775 | - |
| Bond reserve | 750,000 | - |
| Other | 200,931 | 19,498,897 |
| Unrestricted | <u>(91,179,834)</u> | <u>9,613,958</u> |
| TOTAL NET POSITION | <u>\$ 22,062,398</u> | <u>\$ 113,392,887</u> |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2015

| | University of Northern Colorado | University of Northern Colorado Foundation, Inc. |
|--|------------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 60,971,397 | \$ 1,361,845 |
| Student accounts receivable, net | 6,112,930 | - |
| Pledges receivable, net, current portion | - | 2,595,759 |
| Other receivables, net | 2,626,786 | 173,248 |
| Investments | - | 27,857,131 |
| Inventories | 1,098,916 | - |
| Loans to students, net, current portion | 421,855 | - |
| Other assets | 461,563 | 90,750 |
| Total Current Assets | <u>71,693,447</u> | <u>32,078,733</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 750,000 | - |
| Restricted investments | 611,115 | - |
| Pledges receivable, net, noncurrent portion | - | 4,623,877 |
| Loans to students, net, noncurrent portion | 5,760,343 | - |
| Investments permanently restricted for endowment | - | 83,891,733 |
| Capital assets, net | 244,504,014 | 1,003,025 |
| Total Noncurrent Assets | <u>251,625,472</u> | <u>89,518,635</u> |
| TOTAL ASSETS | <u>323,318,919</u> | <u>121,597,368</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 3,279,368 | - |
| Deferred amount on pensions | 5,570,712 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>8,850,080</u> | <u>-</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 15,901,864 | 932,020 |
| Unearned revenue | 7,765,784 | - |
| Bonds/notes payable, current portion | 4,020,000 | - |
| Capital leases payable, current portion | 1,625,895 | - |
| Funds held for the University of Northern Colorado | - | 614,539 |
| Other current liabilities | 1,622,854 | - |
| Total Current Liabilities | <u>30,936,397</u> | <u>1,546,559</u> |
| Noncurrent Liabilities | | |
| Bonds/notes payable, noncurrent portion | 136,294,974 | - |
| Capital leases payable, noncurrent portion | 1,863,671 | - |
| Other noncurrent liabilities | 64,802 | - |
| Net pension liabilities | 124,356,394 | - |
| Annuity obligations | - | 136,612 |
| Compensated absence liabilities | 4,366,425 | - |
| Total Noncurrent Liabilities | <u>266,946,266</u> | <u>136,612</u> |
| TOTAL LIABILITIES | <u>297,882,663</u> | <u>1,683,171</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 934,896 | - |
| Deferred amount on pensions | 1,711,348 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,646,244</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 102,659,407 | 1,003,025 |
| Restricted for: | | |
| Nonexpendable | | |
| Scholarships and fellowships | 306,155 | 45,146,766 |
| Academic support | 1,400 | - |
| Other | - | 38,744,967 |
| Expendable | | |
| Scholarships and fellowships | 300,497 | 4,457,385 |
| Loans | 8,690,538 | - |
| Bond reserve | 750,000 | - |
| Other | 181,533 | 17,474,431 |
| Unrestricted | <u>(81,249,438)</u> | <u>13,087,623</u> |
| TOTAL NET POSITION | <u>\$ 31,640,092</u> | <u>\$ 119,914,197</u> |

See notes to the financial statements

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

| | <u>University of Northern Colorado</u> | <u>University of Northern Colorado Foundation, Inc.</u> |
|---|--|---|
| Operating Revenues | | |
| Student tuition and fees, net | \$ 105,880,660 | \$ - |
| Contributions | - | 7,696,256 |
| Contributed services | - | 151,076 |
| Federal grants and contracts | 6,275,948 | - |
| State and local grants and contracts | 7,288,182 | - |
| State Fee-For-Service contract | 26,017,614 | - |
| Nongovernmental grants and contracts | 7,518,439 | - |
| Sales and services of educational activities | 463,225 | - |
| Auxiliary operating revenue | 32,178,117 | - |
| Interest and dividends | - | 2,033,795 |
| Net realized and unrealized gain (loss) | - | (5,182,733) |
| Other operating revenue | 9,435,869 | 436,192 |
| Total Operating Revenues | <u>195,058,054</u> | <u>5,134,586</u> |
| Operating Expenses | | |
| Educational and general | | |
| Instruction | 79,311,964 | - |
| Research | 3,218,884 | - |
| Public service | 1,861,304 | - |
| Academic support | 20,548,582 | - |
| Student services | 28,059,534 | - |
| Institutional support | 15,117,300 | - |
| Operation of plant | 10,430,629 | - |
| Scholarships and fellowships | 12,385,714 | - |
| Program | - | 10,631,956 |
| Management and general | - | 688,465 |
| Fundraising | - | 280,072 |
| Pledged receivable write off | - | 55,403 |
| Auxiliary operating expenditures | 26,482,487 | - |
| Depreciation and amortization | 17,454,932 | - |
| Total Operating Expenses | <u>214,871,330</u> | <u>11,655,896</u> |
| Operating Income (Loss) | <u>(19,813,276)</u> | <u>(6,521,310)</u> |
| Nonoperating Revenues (Expenses) | | |
| Investment income, net of investment expense | 488,870 | - |
| Interest on capital asset related debt | (5,121,899) | - |
| Federal grants and contracts revenue | 12,071,525 | - |
| Other nonoperating revenue (expense) | (684,596) | - |
| Net Nonoperating Revenues (Expenses) | <u>6,753,900</u> | <u>-</u> |
| Income (Loss) Before Other Revenues (Expenses) or Gains (Losses) | (13,059,376) | (6,521,310) |
| Capital appropriations | 2,380,995 | - |
| Capital grants and gifts | 1,105,316 | - |
| Loss on disposal of capital assets | (4,629) | - |
| Total Other Changes | <u>3,481,682</u> | <u>-</u> |
| Increase (Decrease) in Net Position | (9,577,694) | (6,521,310) |
| Net Position, Beginning of Year | <u>31,640,092</u> | <u>119,914,197</u> |
| Net Position, End of Year | <u>\$ 22,062,398</u> | <u>\$ 113,392,887</u> |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

| | University of Northern Colorado | University of Northern Colorado Foundation, Inc. |
|---|------------------------------------|--|
| Operating Revenues | | |
| Student tuition and fees, net | \$ 102,175,619 | \$ - |
| Contributions | - | 11,712,637 |
| Contributed services | - | 79,708 |
| Federal grants and contracts | 6,519,131 | - |
| State and local grants and contracts | 6,698,749 | - |
| State Fee-For-Service contract | 21,916,149 | - |
| Nongovernmental grants and contracts | 8,633,367 | - |
| Sales and services of educational activities | 407,533 | - |
| Auxiliary operating revenue | 31,272,265 | - |
| Interest and dividends | - | 1,898,854 |
| Net realized and unrealized gain (loss) | - | 1,637,104 |
| Other operating revenue | 9,440,462 | 530,337 |
| Total Operating Revenues | 187,063,275 | 15,858,640 |
| Operating Expenses | | |
| Educational and general | | |
| Instruction | 78,279,035 | - |
| Research | 2,583,079 | - |
| Public service | 1,743,671 | - |
| Academic support | 20,974,001 | - |
| Student services | 27,257,539 | - |
| Institutional support | 13,574,402 | - |
| Operation of plant | 10,032,241 | - |
| Scholarships and fellowships | 12,494,877 | - |
| Program | - | 11,289,698 |
| Management and general | - | 748,846 |
| Fundraising | - | 218,197 |
| Pledged receivable write off | - | 31,335 |
| Auxiliary operating expenditures | 27,209,745 | - |
| Depreciation and amortization | 17,069,138 | - |
| Total Operating Expenses | 211,217,728 | 12,288,076 |
| Operating Income (Loss) | (24,154,453) | 3,570,564 |
| Nonoperating Revenues (Expenses) | | |
| Investment income, net of investment expense | 626,146 | - |
| Interest on capital asset related debt | (5,295,433) | - |
| Federal grants and contracts revenue | 12,732,959 | - |
| Other nonoperating revenue (expense) | 696,094 | - |
| Net Nonoperating Revenues (Expenses) | 8,759,766 | - |
| Income (Loss) Before Other Revenues (Expenses) or Gains (Losses) | (15,394,687) | 3,570,564 |
| Capital appropriations | 616,702 | - |
| Capital grants and gifts | 1,156,264 | - |
| Loss on disposal of capital assets | (1,052) | - |
| Total Other Changes | 1,771,914 | - |
| Increase (Decrease) in Net Position | (13,622,773) | 3,570,564 |
| Net Position | | |
| Beginning of year, as previously reported | 162,763,458 | 116,343,633 |
| Prior period adjustment from change in accounting principle | (117,500,593) | - |
| Net position beginning of year, as restated | 45,262,865 | 116,343,633 |
| Net Position, End of Year | \$ 31,640,092 | \$ 119,914,197 |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Operating Activities | | |
| <u>Cash Received</u> | | |
| Tuition and fees | \$ 105,789,093 | \$ 102,360,617 |
| State Fee-For-Service contract | 21,922,252 | 21,916,149 |
| Sales and services of educational activities | 560,471 | 303,725 |
| Sales and services of auxiliary activities | 31,841,071 | 31,779,862 |
| Grants and contracts | 6,499,722 | 7,957,724 |
| Federal financial aid | 624,048 | 613,180 |
| State financial aid | 6,970,679 | 6,448,169 |
| UNC Foundation grants | 420,127 | 442,548 |
| UNC Foundation gifts | 2,812,482 | 3,543,852 |
| UNC Foundation scholarships | 4,169,860 | 4,296,072 |
| Other receipts | 9,167,560 | 9,692,370 |
| Student loans collected | 1,145,773 | 1,450,020 |
| <u>Cash Payments</u> | | |
| Payments to or for employees | (137,114,039) | (132,799,055) |
| Payments to suppliers | (43,408,323) | (45,352,031) |
| Scholarships disbursed | (12,385,528) | (12,494,877) |
| Student loans disbursed | (628,298) | (1,124,681) |
| Net cash provided (used) by operating activities | <u>(1,613,050)</u> | <u>(966,356)</u> |
| Noncapital Financing Activities | | |
| Federal Pell grant nonoperating funds | 12,071,525 | 12,732,959 |
| Other nonoperating revenues (expenses) - rental, lease, other | (684,596) | 862,136 |
| Agency inflows - campus organizations and scholarships | 9,257,294 | 10,372,257 |
| Agency outflows - campus organizations and scholarships | (9,247,965) | (10,400,380) |
| Agency inflows - student loans | 76,382,351 | 73,645,603 |
| Agency outflows - student loans | (76,382,351) | (73,645,603) |
| Net cash provided (used) by noncapital financing activities | <u>11,396,258</u> | <u>13,566,972</u> |
| Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (16,953,178) | (13,366,022) |
| Proceeds from state capital appropriations | 2,380,995 | 616,702 |
| Proceeds from UNC Foundation for capital gifts | 991,127 | 1,136,021 |
| Proceeds from 2015A bonds issued | - | 21,549,572 |
| Proceeds from 2015A issue placed in escrow | - | (21,355,742) |
| Proceeds from energy performance capital lease | 8,850,000 | - |
| Bond refinancing costs paid | 32,695 | (182,494) |
| Principal paid on bonds payable | (4,020,000) | (3,855,000) |
| Principal paid on capital leases | (2,129,372) | (1,670,150) |
| Interest paid on capital debt and notes payable | (5,432,227) | (5,607,904) |
| Net cash provided (used) by capital and related financing activities | <u>(16,279,960)</u> | <u>(22,735,017)</u> |
| Investing Activities | | |
| Investment of proceeds in escrow for energy performance capital lease | (8,850,000) | - |
| Investment earnings (loss) | 498,825 | 639,212 |
| Net cash provided (used) by investing activities | <u>(8,351,175)</u> | <u>639,212</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (14,847,927) | (9,495,189) |
| Cash and Cash Equivalents, Beginning of Year | <u>61,721,397</u> | <u>71,216,586</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 46,873,470</u> | <u>\$ 61,721,397</u> |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|----------------------|
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating income (loss) | \$ (19,813,276) | \$ (24,154,453) |
| Depreciation and amortization expense | 17,454,932 | 17,069,138 |
| Amortization of pension-related deferred outflows and inflows | 3,726,471 | 2,996,437 |
| Student loan cancellations | 116,280 | 95,423 |
| Changes in operating assets and liabilities | | |
| Student accounts receivable, net | (140,310) | 338,876 |
| Other receivables, net | (3,592,233) | 1,710,226 |
| Inventories | 102,385 | 22,916 |
| Loans to students, net | 515,718 | 313,046 |
| Other current assets | (314,827) | (11,676) |
| Accounts payable | (509,146) | (1,225,680) |
| Accrued payroll | 838,351 | 1,583,270 |
| Unearned revenues | (438,095) | 275,499 |
| Other current liabilities | 358,354 | 44,126 |
| Accrued compensated absences | 82,346 | (23,504) |
| Net cash provided (used) by operating activities | <u>\$ (1,613,050)</u> | <u>\$ (966,356)</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | |
| Cash and cash equivalents | \$ 46,123,470 | \$ 60,971,397 |
| Restricted cash and cash equivalents | 750,000 | 750,000 |
| Total cash and cash equivalents | <u>\$ 46,873,470</u> | <u>\$ 61,721,397</u> |

See notes to the 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 offering a broad general curriculum, along with preparation for selected professions within the fields of business, education, health services, and music. UNC also offers programs for 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. 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.

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 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.

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.

The financial statements present the University (primary government) and its discretely presented component unit in accordance with generally accepted accounting principles in the United States of America. The component unit is included in the University's reporting entity because of the significance of its operational and financial relationships with the University, in accordance with Statement No. 61 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. Financial statements of the discretely presented component unit can be obtained from its administrative office. The University has the University of Northern Colorado Foundation, Incorporated, as a discretely presented component unit.

The University of Northern Colorado Foundation, Incorporated

The University of Northern Colorado Foundation, Incorporated 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 that 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 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 be used only by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Reclassification

In fiscal year 2016, the University made an adjustment to the presentation of the acquisition and construction of capital assets on the cash flow statement and reclassified fiscal year 2015 for comparative purposes. Historically, UNC included the proceeds from state appropriations and gifts from the UNC Foundation in the “Acquisition and construction of capital assets” line item on the cash flow statement, thus presenting a net cash outflow. In the prior presentation, the amount of cash received from the state was noted in the supplemental information at the bottom of the report. The new presentation shows the proceeds from state capital appropriations and proceeds from the UNC Foundation for capital gifts as separate cash inflows in the body of the cash flow statement. The acquisition and construction of capital assets is now the gross cash outflow for capital assets, rather than a net number. The supplemental information at the bottom of the report was eliminated in the new presentation.

Restatement

The fiscal year 2015 beginning Net Position was restated on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position in compliance with *GASB 68: Accounting for Financial Reporting of Pensions*. GASB 68 required the University of Northern Colorado to present its proportionate share of the Public Employees Retirement Association of Colorado’s (PERA) underfunded net pension liability and associated deferred outflows and inflows of resources in the financial statements. Beginning net position was decreased by \$117.5 million.

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 Foundation reports under Financial Accounting Standards Board (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 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 Treasury, and all highly liquid investments with original maturities of three months or less. As of June 30, 2016, cash equivalents consisted primarily of funds invested through the State Treasury 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.

Restricted Cash and Cash Equivalents with Trustee

Cash is reported as held in trust when a third party retains the money in a fiduciary capacity, whether as a trustee, agent, escrow agent, or otherwise, for a short period of time.

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 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 is 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 is recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$2,220,689 and \$2,339,468 at June 30, 2016, and 2015, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition 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 is presented in the following table:

| University Interest Capitalized and Expensed | 2016 | 2015 |
|--|---------------------|---------------------|
| Interest capitalized on self-funded capital projects | \$ (129,136) | \$ (89,495) |
| Interest charged to expense for bonds and capital leases | 5,251,035 | 5,384,928 |
| Total interest | <u>\$ 5,121,899</u> | <u>\$ 5,295,433</u> |

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 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 life of the asset, 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent the consumption and acquisition of net position that applies to future periods; therefore, they are not recognized as an outflow or inflow of resources (expense/or deduction to expense) until that time.

Capital Leases Payable

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.

Unearned Revenues

The University prorates the summer session revenues on a 50% split between two fiscal years. 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 unearned revenues. Unearned 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; and (4) interest on student loans.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, and other revenue sources that are defined as nonoperating revenues by *GASB 9: Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and *GASB 34: Basic Financial Statements and Management's Discussion and Analysis*.

Pell grants of \$12,071,525 and \$12,732,959 at June 30, 2016, and 2015, respectively, are recorded as nonoperating revenue as defined by the 2007 amendment of the GASB Comprehensive Implementation Guide regarding nonoperating presentation of Pell grants (Question 7.72.10).

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.

The University had income tax liability related to income generated from activities unrelated to the University's exempt purposes of \$2,466 and \$31,670 as of June 30, 2016, and 2015, respectively. These activities include the taxable portion of sponsorship agreements that are considered advertising by the Internal Revenue Service tax code definitions. It also includes taxable income related to the rental of campus facilities for weddings, conferences, and other activities unrelated to the mission of the institution.

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 position during the reporting period. Actual results could differ from those estimates. Significant estimates have been made regarding compensated absences expense, scholarship allowances, and bad debt allowances for accounts receivable as described below.

Compensated Absences Accrued Liability

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 statement 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 Statement of Revenues, Expenses, and Changes in Net Position. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental financial aid 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 \$30.0 and \$28.3 million for the fiscal years ended June 30, 2016, and 2015, respectively.

Bad Debt Allowance

Bad debt is recorded as a contra-revenue. It is estimated using information about the age of the accounts receivable balance and historical collection rates.

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

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

| <u>Unrestricted Cash and Cash Equivalents</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Cash on hand | \$ 52,473 | \$ 48,150 |
| Cash with U.S. financial institutions | 13,902,272 | 7,067,549 |
| Cash with Colorado State Treasury | 31,953,340 | 53,679,030 |
| Unrealized gain (loss) -- cash with State Treasury | <u>215,385</u> | <u>176,668</u> |
| Total unrestricted cash and cash equivalents | <u>\$ 46,123,470</u> | <u>\$ 60,971,397</u> |

The University deposits the majority of its cash with the Colorado State Treasury as required by Colorado Revised Statutes (C.R.S.). The State Treasury pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Money deposited in the State Treasury is invested until the cash is needed. As of June 30, 2016, the University had total cash on deposit with the State Treasury of \$32.7 million (\$31.9 million unrestricted and \$0.8 restricted), which represented approximately 0.4% of the total \$7,408.5 million fair value of deposits in the State Treasury Pool (Pool).

For financial reporting purposes all of the State Treasury investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets (\$230 million) and significant other observable inputs (\$7,178.5 million) at the fiscal year end. On the basis of the University's participation in the Pool, the University reports an increase or decrease in cash for its share of the Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasury does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the State Treasury Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state'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 state's name. At June 30, 2016, none of the investments in the State Treasury Pool were subject to custodial credit risk.

Restricted Cash and Cash Equivalents

The University holds restricted cash of \$750,000 with the State Treasury to meet required bond covenants related to the auxiliary revenue refunding and improvement bonds.

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. At June 30, 2016, all of the cash and cash equivalents held by the State Treasury and U.S. financial institutions were therefore not subject to custodial credit risk. The State Treasury Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2016. Additional information on investments of the State Treasury Pool may be obtained in the State’s Comprehensive Annual Financial Report for the year ended June 30, 2016.

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of the investment. In addition to statutory limitations on the types of investments, the State Treasurer’s investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016, the weighted average maturity of investments in the Treasury pool is as follows:

| Investment Type | Weighted Average Maturity | Maturity Amount | Percent of Pool |
|----------------------------|----------------------------------|-------------------------|------------------------|
| Asset Backed Securities | 2.585 | \$ 1,026,821,023 | 14.0 |
| Corporate Bonds | 1.985 | 1,645,938,000 | 22.4 |
| U.S. Government Securities | 1.343 | 3,608,040,000 | 49.0 |
| Commercial Paper | 0.094 | 847,000,000 | 11.5 |
| Money Market Mutual Funds | 0.000 | 230,000,000 | 3.1 |
| Total | | \$ 7,357,799,023 | 100.0 |

The Treasury pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2016.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments.

Credit quality ratings for obligations from the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8% of investments of the Treasury pool are subject to credit quality risk reporting. Except for \$77.8 million of corporate bonds rated lower medium, these investments are rated from upper medium to highest quality, which indicates that the issuer has a strong capacity to pay principal and interest when due.

Additional information on investments of the State Treasury pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2016.

Restricted Cash and Cash Equivalents with Trustee

At June 30, 2016, and 2015, the University did not hold current or restricted cash with a trustee.

Note 3: Investments

University of Northern Colorado

The University's investments on June 30, 2016, include certain endowments held at the Foundation which are restricted by the donors. In fiscal year 2016, the \$8.9 million of proceeds from the energy performance capital lease was invested with the escrow agent, BOKF, N.A. in the Cavanal Hill U.S. Treasury Fund, which is a money market portfolio of U.S. Government Obligations. These investments are subject to Colorado Revised Statutes Title 15, Article 1, Part 11 "Uniform Prudent Management of Institutional Funds Act" or UPMIFA.

Fair value of investments held at June 30, are detailed in the table below:

| Investment Types | 2016 | 2015 | Maturity |
|---|---------------------|-------------------|------------------|
| Fixed Income U.S. Government Obligations | \$ 481,463 | \$ 476,314 | 1-5 years |
| Fixed Income U.S. Government Obligations | 102,092 | 102,066 | Less than 1 year |
| Money Market Funds - Capital Lease Escrow | 8,850,301 | - | N/A |
| Money Market Funds | 17,307 | 32,735 | N/A |
| Total University Restricted Investments | <u>\$ 9,451,163</u> | <u>\$ 611,115</u> | |

Fair Value Measurements

GASB 72: Fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's data.

When available, quoted prices are used to determine fair value by the University. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University Level 1 investments primarily consist of investments in mutual funds and cash equivalents, which are classified as Level 1. The University's fixed income obligations are classified as Level 2.

The University investment custodians generally use a multi-dimensional relational model when determining the value of fixed income securities (Level 2). Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

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

The University's endowment funds are 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.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes if the market rate of interest will adversely affect the value of an investment. Interest rate risk applies only to debt investments. Interest rate risk can be controlled 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.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. Credit risk applies only 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. The 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 have a Moody's rating of Aaa or better and a Standard & Poor's rating of AA+ or better. Credit quality risk is not available for the Foundation.

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

| 2016 | | | | |
|---|---------------------|-------------------------|-----------------------------------|----------------------|
| Maturities and Credit Ratings by Investment Type | Fair Value | Duration to Maturity | Weighted - Average Maturity | S&P Credit Rating |
| U.S. Government Obligations | \$ 583,555 | 2.64 yrs | 2.79 yrs | AA+ |
| Money Market Funds - Capital Lease Escrow | \$ 8,850,301 | N/A | N/A | N/A |
| Money Market Funds | 17,307 | N/A | N/A | N/A |
| Total University Investments as of June 30 | <u>\$ 9,451,163</u> | | | |

| 2015 | | | | |
|---|-------------------|-------------------------|-----------------------------------|----------------------|
| Maturities and Credit Ratings by Investment Type | Fair Value | Duration to Maturity | Weighted - Average Maturity | S&P Credit Rating |
| U.S. Government Obligations | \$ 578,380 | 2.23 yrs | 2.35 yrs | AA+ |
| Money Market Funds | 32,735 | N/A | N/A | N/A |
| Total University Investments as of June 30 | <u>\$ 611,115</u> | | | |

University of Northern Colorado Foundation

Fair Value of Financial Instruments

The carrying amount reported on the Foundation's statement of financial position for cash and cash equivalents, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were used by the Foundation in estimating fair value of its other financial instruments:

Pledges – The fair value of pledges is determined by discounting multi-year pledges to net present value using a discount rate commensurate with the payment terms of the pledge. The Foundation also takes into consideration past collection experience and other relevant factors.

Beneficial interest in long-term trusts held by others – The fair value of the beneficial interest in long-term trusts held by others is determined by the fair value of the underlying investments held by the third-party trustees, less the net present value of future cash outflows to lifetime recipients.

Life insurance policies – The fair value of life insurance policies is based upon the estimated cash surrender value of the underlying insurance policy.

Obligations under gift annuity agreements – The fair value of obligations under gift annuity agreements is based upon the payments to be made over the estimated remaining lives of the income beneficiaries and is discounted to present value using discount rates ranging from 2.4% to 5.8%.

Assets held for others – The fair value of assets held for others is determined by the fair value of the underlying investments held by the Foundation, which are securities valued as described below.

Investments – The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities and mutual funds (cash, equities, fixed income, commodities) – Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

Fixed income (individual bonds) – Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Student-managed funds – These funds are managed by students through a class offered at the University. It comprises equity securities, mutual funds, and individual bonds, which are valued as described above.

Low correlated hedge, real estate, illiquid credit, and private equity – Valued at net asset value (NAV) of the limited partnership investments as provided by the investment manager. The definition of NAV includes an ownership interest in partners' capital to which a proportionate share of the investment's net assets is attributed.

Beneficial interest in long-term trusts held by others – Valued based on the underlying investments held by the trusts, less the net present value of future cash outflows to lifetime recipients.

The UNC Foundation's investments held at June 30, are detailed below:

| University of Northern Colorado Foundation | | |
|---|-----------------------|-----------------------|
| Summary of Investments | | |
| as of June 30, | | |
| | <u>2016</u> | <u>2015</u> |
| Cash and cash equivalents | \$ 442,950 | \$ 578,746 |
| Equities | 41,707,187 | 44,161,612 |
| Fixed income | 18,733,869 | 25,472,190 |
| Alternative investments | 14,638,203 | 14,985,605 |
| Other | 28,845,691 | 26,550,711 |
| Total Foundation Investments | <u>\$ 104,367,900</u> | <u>\$ 111,748,864</u> |

NOTES TO THE FINANCIAL STATEMENTS

The UNC Foundation's investments by level at June 30, are detailed below:

| University of Northern Colorado Foundation | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|
| Investments by Level | | | | |
| as of June 30, 2016 | | | | |
| Description | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalent mutual funds | \$ 442,950 | \$ - | \$ - | \$ 442,950 |
| Equities | | | | |
| Large cap | 18,404,573 | - | - | 18,404,573 |
| International | 10,781,498 | - | - | 10,781,498 |
| Small/mid cap | 7,420,503 | - | - | 7,420,503 |
| Emerging markets | 5,100,613 | - | - | 5,100,613 |
| Fixed income | | | | |
| Floating rate corp loans | 7,705,453 | - | - | 7,705,453 |
| Domestic | 1,585,972 | 5,993,497 | - | 7,579,469 |
| High yield | - | 2,848,085 | - | 2,848,085 |
| Opportunistic | - | 600,862 | - | 600,862 |
| Student-managed funds | - | 2,409,676 | - | 2,409,676 |
| Stock/bond mixed mutual funds | 930,419 | - | - | 930,419 |
| Alternative investments | | | | |
| Low correlated hedge | - | - | 14,638,203 | 14,638,203 |
| Limited partnerships | 5,776,703 | - | - | 5,776,703 |
| Commodities | 4,038,012 | - | - | 4,038,012 |
| Real estate | - | - | 3,737,093 | 3,737,093 |
| Illiquid credit | - | - | 2,248,967 | 2,248,967 |
| Private equity | - | - | 1,908,095 | 1,908,095 |
| Total Investments | 62,186,696 | 11,852,120 | 22,532,358 | 96,571,174 |
| Beneficial interest in long-term trusts held by others | - | - | 6,796,726 | 6,796,726 |
| Total | \$ 62,186,696 | \$ 11,852,120 | \$ 29,329,084 | \$ 103,367,900 |

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Inc., holds another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2016. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

| University of Northern Colorado Foundation | | | | |
|---|----------------------|----------------------|---------------------|-----------------------|
| Investments by Level | | | | |
| as of June 30, 2015 | | | | |
| Description | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalent mutual funds | \$ 578,746 | \$ - | \$ - | \$ 578,746 |
| Equities | | | | |
| Large cap | 20,396,811 | - | - | 20,396,811 |
| International | 11,613,898 | - | - | 11,613,898 |
| Small/mid cap | 8,219,702 | - | - | 8,219,702 |
| Emerging markets | 3,931,201 | - | - | 3,931,201 |
| Fixed income | | | | |
| Domestic | 3,001,566 | 10,630,771 | - | 13,632,337 |
| Floating rate corp loans | 8,112,765 | - | - | 8,112,765 |
| High yield | - | 3,115,973 | - | 3,115,973 |
| Opportunistic | - | 611,115 | - | 611,115 |
| Student-managed funds | - | 2,407,842 | - | 2,407,842 |
| Stock/bond mixed mutual funds | 971,483 | - | - | 971,483 |
| Alternative investments | | | | |
| Low correlated hedge | - | - | 14,985,605 | 14,985,605 |
| Commodities | 5,125,868 | - | - | 5,125,868 |
| Real estate | - | - | 4,804,955 | 4,804,955 |
| Private equity | - | - | 2,383,012 | 2,383,012 |
| Illiquid credit | - | - | 2,276,777 | 2,276,777 |
| Total Investments | 61,952,040 | 16,765,701 | 24,450,349 | 103,168,090 |
| Beneficial interest in long-term trusts held by others | - | - | 7,580,774 | 7,580,774 |
| Total | \$ 61,952,040 | \$ 16,765,701 | \$32,031,123 | \$ 110,748,864 |

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Inc., holds another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2015. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

Net investment earnings consist of the following for the years ended June 30,

| University of Northern Colorado Foundation | | |
|---|-----------------------|---------------------|
| Investment Earnings | | |
| as of June 30, | | |
| | <u>2016</u> | <u>2015</u> |
| Interest and dividends | \$ 2,033,795 | \$ 1,898,854 |
| Realized and unrealized losses on investments, net of taxes | (4,026,524) | 1,987,288 |
| Less investment management fees | <u>(358,030)</u> | <u>(341,079)</u> |
| | <u>\$ (2,350,759)</u> | <u>\$ 3,545,063</u> |

The following are reconciliations of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ending June 30, 2016 and 2015:

| University of Northern Colorado Foundation | | | |
|---|----------------------|---|----------------------|
| Level 3 Investment Changes | | | |
| as of June 30, 2016 | | | |
| | | Beneficial Interest in Long- Term Trusts | |
| | <u>Investments</u> | <u>Held by Others</u> | <u>Total</u> |
| Beginning balance | \$ 24,450,349 | \$ 7,580,774 | \$ 32,031,123 |
| Net investment income (loss) | 265,005 | (784,048) | (519,043) |
| Purchases and contributions | 359,237 | - | 359,237 |
| Distributions | <u>(2,542,233)</u> | <u>-</u> | <u>(2,542,233)</u> |
| | <u>\$ 22,532,358</u> | <u>\$ 6,796,726</u> | <u>\$ 29,329,084</u> |

| University of Northern Colorado Foundation | | | |
|---|----------------------|---|----------------------|
| Level 3 Investment Changes | | | |
| as of June 30, 2015 | | | |
| | | Beneficial Interest in Long- Term Trusts | |
| | <u>Investments</u> | <u>Held by Others</u> | <u>Total</u> |
| Beginning balance | \$ 24,830,143 | \$ 7,575,851 | \$ 32,405,994 |
| Net investment income | 2,275,632 | 4,923 | 2,280,555 |
| Purchases and contributions | 471,926 | - | 471,926 |
| Distributions | <u>(3,127,352)</u> | <u>-</u> | <u>(3,127,352)</u> |
| | <u>\$ 24,450,349</u> | <u>\$ 7,580,774</u> | <u>\$ 32,031,123</u> |

NOTES TO THE FINANCIAL STATEMENTS

Net investment income for the years ended June 30, 2016 and 2015 includes unrealized losses of \$1,559,935 and \$1,011,317 attributable to Level 3 investments held at June 30, 2016 and 2015, respectively.

The following tables include information on investments in certain entities that calculate net asset value:

| University of Northern Colorado Foundation | | | | | |
|---|----------------------------|---------------------|-----------------------------|------------------------------------|----------------------------------|
| Investments in Certain Entities that Calculate Net Asset Value | | | | | |
| as of June 30, 2016 | | | | | |
| <u>Fund Description</u> | <u>Investment Strategy</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
| Low correlated hedge | Equity long/short (a) | \$ 5,372,335 | \$ - | Monthly, quarterly, semi-annually* | 60-100 days |
| Low correlated hedge | Multi-strategy (b) | 9,265,868 | - | Quarterly, semi-annually* | 95 days, annual one-year lock up |
| Private equity | Illiquid credit (c) | 2,248,967 | 1,377,179 | Upon fund termination | N/A |
| Private equity | Venture capital (d) | 1,908,095 | 736,347 | Upon fund termination | N/A |
| Real estate | Global opportunities (e) | <u>3,737,093</u> | <u>1,898,078</u> | Upon fund termination | N/A |
| Total | | <u>\$22,532,358</u> | <u>\$ 4,011,604</u> | | |
| *Subject to restrictions | | | | | |

| University of Northern Colorado Foundation | | | | | |
|---|----------------------------|---------------------|-----------------------------|------------------------------------|----------------------------------|
| Investments in Certain Entities that Calculate Net Asset Value | | | | | |
| as of June 30, 2015 | | | | | |
| <u>Fund Description</u> | <u>Investment Strategy</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
| Low correlated hedge | Equity long/short (a) | \$ 5,413,399 | \$ - | Monthly, quarterly, semi-annually* | 60-100 days |
| Low correlated hedge | Multi-strategy (b) | 9,572,206 | - | Quarterly, semi-annually* | 95 days, annual one-year lock up |
| Private equity | Illiquid credit (c) | 2,276,777 | 1,604,804 | Upon fund termination | N/A |
| Private equity | Venture capital (d) | 2,383,012 | 736,347 | Upon fund termination | N/A |
| Real estate | Global opportunities (e) | <u>4,804,955</u> | <u>1,956,990</u> | Upon fund termination | N/A |
| Total | | <u>\$24,450,349</u> | <u>\$ 4,298,141</u> | | |
| *Subject to restrictions | | | | | |

The following restriction information corresponds to the *Investments in Certain Entities that Calculate Net Asset Value* charts on the previous page:

- (a) This category includes hedge funds that invest in long-term and short-term equity funds. Hedge fund managers seek diversification in styles, geography, and strategies. The fair values of the investments in this category have been calculated using the NAV of the Organization's ownership in the partners' capital.
- (b) This category includes hedge funds that pursue multiple strategies through equity and debt funds to diversity risk and reduce volatility. The composite portfolio for this category includes event-driven, market neutral, credit opportunities, distressed securities, and various arbitrage-based approaches. Some of these investments cannot be redeemed by the Organization prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Organization's ownership in the partners' capital.
- (c) This category includes private equity limited partnerships invested in distressed debt and illiquid credit instruments. These investments cannot be redeemed by the Organization prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Organization's ownership in the partners' capital.
- (d) This category includes a private equity limited partnership invested in buyout, venture capital, and special situation funds. These investments cannot be redeemed by the Organization prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Organization's ownership in the partners' capital.
- (e) This category includes real estate limited partnerships invested in other real estate funds with a global focus. The real estate funds' composite portfolio in this category includes domestic, European-focused, opportunistic, and global diversification real estate funds. These investments cannot be redeemed by the Organization prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Organization's ownership in the partners' capital.

Note 4: Accounts, Contributions, and Loans Receivable

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

| Accounts, Contributions and Loans Receivable | 2016 | 2015 |
|--|----------------------|----------------------|
| Student accounts receivable - current | \$ 15,639,960 | \$ 14,776,335 |
| Allowance for doubtful accounts | (9,427,187) | (8,663,405) |
| Subtotal student accounts receivable - net | <u>6,212,773</u> | <u>6,112,930</u> |
| Student loans receivable - current | 1,875,771 | 1,959,722 |
| Allowance for doubtful accounts | (1,514,328) | (1,537,867) |
| Subtotal student loans receivable - net | <u>361,443</u> | <u>421,855</u> |
| Student loans receivable - noncurrent | 5,895,118 | 6,561,945 |
| Allowance for doubtful accounts | (706,361) | (801,602) |
| Subtotal noncurrent student loans receivable - net | <u>5,188,757</u> | <u>5,760,343</u> |
| Other receivables - current | | |
| Sponsored programs - federal grants receivable | 530,084 | 545,017 |
| Sponsored programs - nonfederal grants receivable | 51,968 | 13,346 |
| Student loans program - federal loans receivable | 167,172 | 167,172 |
| Accounts receivable related party - the Foundation | 614,911 | 872,125 |
| Accounts receivable - State of Colorado | 4,095,362 | - |
| Other accounts receivable | 706,278 | 1,029,126 |
| Subtotal other receivables - current | <u>6,165,775</u> | <u>2,626,786</u> |
| Total University accounts, loans & other receivables | <u>\$ 17,928,748</u> | <u>\$ 14,921,914</u> |

Related Party Receivable

Gifts and grants receivable from the Foundation to the University were \$0.6 million at June 30, 2016 and \$0.9 million at June 30, 2015.

Foundation Contributions and Pledges Receivable

Foundation gifts of cash and other assets received without donor stipulations are reported as unrestricted contributions. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted contributions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The discounted rate used in this calculation is the five-year U.S. Treasury Constant Maturities rate as of June 30 of the fiscal year in which the commitment was made. An allowance for uncollectible contributions is established by Foundation management based on management's analysis of specific pledge receivables.

NOTES TO THE FINANCIAL STATEMENTS

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Note 5: Other Assets

Inventories and other current and noncurrent assets are shown as of June 30:

| Other Assets | 2016 | 2015 |
|---|-------------------|---------------------|
| The University | | |
| Inventories for supply use | \$ 840,824 | \$ 833,419 |
| Inventories for resale | 155,707 | 265,497 |
| Total inventories | <u>\$ 996,531</u> | <u>\$ 1,098,916</u> |
| Prepaid expenses | \$ 776,390 | \$ 461,563 |
| Total other current assets | <u>\$ 776,390</u> | <u>\$ 461,563</u> |
| The Foundation | | |
| Prepaid expenses and other current assets | <u>\$ 91,931</u> | <u>\$ 90,750</u> |

Note 6: Capital Assets

The following is a summary of University capital asset activity as of June 30:

| Capital Assets and Accumulated Depreciation | 2016 | | | | Ending Balance |
|--|-----------------------|---------------------|--------------------|-------------|-----------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Capital Assets | | | | | |
| Land | \$ 10,270,198 | \$ - | \$ - | \$ - | \$ 10,270,198 |
| Land improvements | 21,971,370 | - | - | 38,385 | 22,009,755 |
| Non-depreciable land improvements | 4,264,026 | - | - | - | 4,264,026 |
| Buildings and improvements | 389,119,355 | - | - | 6,015,536 | 395,134,891 |
| Equipment and vehicles | 24,242,834 | 1,224,139 | (799,709) | 363,368 | 25,030,632 |
| Software | 3,030,564 | 6,495 | (64,190) | - | 2,972,869 |
| Library materials | 42,992,697 | 2,052,850 | (193,713) | - | 44,851,834 |
| Non-depreciable art/historical | 1,725,488 | - | - | - | 1,725,488 |
| Leasehold improvements | 1,059,732 | - | - | - | 1,059,732 |
| Construction in progress | 6,814,502 | 13,812,105 | - | (6,417,289) | 14,209,318 |
| Total capital assets | <u>505,490,766</u> | <u>17,095,589</u> | <u>(1,057,612)</u> | <u>-</u> | <u>521,528,743</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 12,397,954 | 918,743 | - | - | 13,316,697 |
| Buildings and improvements | 195,789,109 | 12,675,583 | - | - | 208,464,692 |
| Equipment and vehicles | 14,185,589 | 2,105,802 | (795,081) | - | 15,496,310 |
| Software | 3,011,666 | 13,549 | (64,189) | - | 2,961,026 |
| Library materials | 34,760,188 | 1,684,823 | (193,713) | - | 36,251,298 |
| Leasehold improvements | 842,246 | 56,432 | - | - | 898,678 |
| Total accumulated depreciation | <u>260,986,752</u> | <u>17,454,932</u> | <u>(1,052,983)</u> | <u>-</u> | <u>277,388,701</u> |
| Net capital assets | <u>\$ 244,504,014</u> | <u>\$ (359,343)</u> | <u>\$ (4,629)</u> | <u>\$ -</u> | <u>\$ 244,140,042</u> |

| Capital Assets and Accumulated Depreciation | 2015 | | | | Ending Balance |
|--|-----------------------|-----------------------|--------------------|-------------|-----------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Capital Assets | | | | | |
| Land | \$ 10,270,198 | \$ - | \$ - | \$ - | \$ 10,270,198 |
| Land improvements | 20,926,997 | - | - | 1,044,373 | 21,971,370 |
| Non-depreciable land improvements | 4,264,026 | - | - | - | 4,264,026 |
| Buildings and improvements | 381,203,492 | - | - | 7,915,863 | 389,119,355 |
| Equipment and vehicles | 22,178,054 | 1,404,405 | (324,602) | 984,977 | 24,242,834 |
| Software | 3,018,568 | 11,996 | - | - | 3,030,564 |
| Library materials | 42,281,925 | 1,934,993 | (1,224,221) | - | 42,992,697 |
| Non-depreciable art/historical | 1,705,245 | 20,243 | - | - | 1,725,488 |
| Leasehold improvements | 1,059,732 | - | - | - | 1,059,732 |
| Construction in progress | 6,532,413 | 10,227,302 | - | (9,945,213) | 6,814,502 |
| Total capital assets | <u>493,440,650</u> | <u>13,598,939</u> | <u>(1,548,823)</u> | <u>-</u> | <u>505,490,766</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 11,505,320 | 892,634 | - | - | 12,397,954 |
| Buildings and improvements | 183,394,347 | 12,394,762 | - | - | 195,789,109 |
| Equipment and vehicles | 12,488,100 | 2,025,438 | (327,949) | - | 14,185,589 |
| Software | 2,966,876 | 44,790 | - | - | 3,011,666 |
| Library materials | 34,329,329 | 1,655,080 | (1,224,221) | - | 34,760,188 |
| Leasehold improvements | 785,812 | 56,434 | - | - | 842,246 |
| Total accumulated depreciation | <u>245,469,784</u> | <u>17,069,138</u> | <u>(1,552,170)</u> | <u>-</u> | <u>260,986,752</u> |
| Net capital assets | <u>\$ 247,970,866</u> | <u>\$ (3,470,199)</u> | <u>\$ 3,347</u> | <u>\$ -</u> | <u>\$ 244,504,014</u> |

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

| Foundation Capital Assets | 2016 | 2015 |
|----------------------------------|-------------------|---------------------|
| Capital assets | | |
| Buildings and improvements | \$ 1,279,138 | \$ 1,283,411 |
| Equipment and vehicles | 175,653 | 253,132 |
| Total capital assets | <u>1,454,791</u> | <u>1,536,543</u> |
| Less accumulated depreciation | <u>(489,965)</u> | <u>(533,518)</u> |
| Net capital assets | <u>\$ 964,826</u> | <u>\$ 1,003,025</u> |

Note 7: Liabilities and Unearned Revenues

The following is a summary of liabilities as of June 30:

| The University Liabilities and Unearned Revenues | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Accounts payable and accrued liabilities | | |
| Accounts payable | \$ 2,867,543 | \$ 3,003,864 |
| Accrued salaries and benefits | 12,800,838 | 12,418,603 |
| Accrued interest expense | 415,690 | 417,235 |
| Other accrued liabilities | 44,348 | 62,162 |
| Total accounts payable and accrued liabilities | <u>16,128,419</u> | <u>15,901,864</u> |
| Current unearned revenue | | |
| Summer tuition and other activities | 6,665,924 | 6,908,924 |
| Restricted grants and contracts | 212,098 | 252,786 |
| Auxiliary and housing | 434,175 | 576,424 |
| Broadband lease | 15,492 | 27,650 |
| Total current unearned revenue | <u>7,327,689</u> | <u>7,765,784</u> |
| Other current liabilities | | |
| Deposits held | 951,318 | 890,813 |
| Insurance liability | 354,994 | 56,093 |
| Deposits held in custody for agency funds | 221,150 | 273,697 |
| Compensated absences liability | 393,475 | 402,251 |
| Subtotal other current liabilities | <u>1,920,937</u> | <u>1,622,854</u> |
| Other noncurrent liabilities | | |
| Long-term deposit liabilities held | 64,802 | 64,802 |
| Compensated absences liability | 4,457,548 | 4,366,425 |
| Net pension liability | 134,262,416 | 124,356,394 |
| Subtotal other noncurrent liabilities | <u>138,784,766</u> | <u>128,787,621</u> |
| Bonds, capital leases and notes payable | | |
| Current bonds and capital leases | 5,830,526 | 5,645,895 |
| Noncurrent bonds, capital leases | 140,308,754 | 138,158,645 |
| Total bonds, capital leases and notes payable | <u>146,139,280</u> | <u>143,804,540</u> |
| Total liabilities and unearned revenue | <u>\$ 310,301,091</u> | <u>\$ 297,882,663</u> |

The Foundation – Liabilities and Unearned Revenues

The following is a summary of Foundation liabilities as of June 30:

| The Foundation Liabilities and Unearned Revenues | 2016 | 2015 |
|---|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 670,228 | \$ 932,020 |
| Funds held for the University | 603,137 | 614,539 |
| Annuity obligations | 130,830 | 136,612 |
| Total Liabilities and Unearned Revenues | <u>\$ 1,404,195</u> | <u>\$ 1,683,171</u> |

Charitable Gift Annuity Obligations

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are not held in trust separately from other investments of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries, using a discount rate equal to the then current Applicable Federal Rate. At the end of these contracts, the majority of these assets are to be endowed and are included in permanently restricted net position at June 30 as follows:

| Charitable Gift and Annuity Contracts | 2016 | 2015 |
|--|------------------|------------------|
| Assets held under gift contracts | \$ 180,049 | \$ 211,530 |
| Less associated liabilities | (130,830) | (136,612) |
| Present value of assets held under contract | <u>\$ 49,219</u> | <u>\$ 74,918</u> |

Note 8: Bonds, Capital Leases, and Notes Payable

Bonds, Capital Leases and Notes Payable

The following table provides a summary of Bonds, Capital Leases and Notes Payable liabilities as of June 30:

| Bonds, Capital Leases and Notes Payable Summary | Interest Rates | Final Maturity | Balance 2016 | Balance 2015 |
|--|--|-----------------------|-----------------------|-----------------------|
| Fixed Rate - Auxiliary Revenue Bonds | 2.0% - 5.0% | 2040 | \$ 117,224,086 | \$ 120,969,974 |
| Variable Rate - Institutional Enterprise Revenue Bonds (2011B) | 1.012% ¹ - 0.0823% ² | 2036 | 18,705,000 | 19,345,000 |
| Capital Leases Payable | 1.49% - 6.02% | 2031 | 10,210,194 | 3,489,566 |
| Total Bonds, Capital Leases and Notes Payable | | | <u>\$ 146,139,280</u> | <u>\$ 143,804,540</u> |

¹ as of 6/30/2016
² as of 6/30/2015

The interest rate on the Series 2011B variable rate demand bonds is calculated monthly based on 70% of the one month London Interbank Offered Rate (LIBOR) that is published two business days prior to the reset date plus a spread factor of 0.70. The interest rate on the Series 2011B as of June 30, 2016 was 1.012%. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

Changes in Bonds, Capital Leases and Notes Payable

The table below presents the summary of changes in bonds, capital leases, and notes payable for the fiscal year ended June 30:

| 2016 | | | | | |
|---|-----------------------|---------------------|---------------------|-----------------------|---------------------|
| Changes in Bonds, Capital Leases, and Notes Payable | Beginning | Additions | Deductions | Ending | Current |
| | Balance | | | Balance | Portion |
| Bonds Payable | \$ 133,635,000 | \$ - | \$ 4,020,000 | \$ 129,615,000 | \$ 4,175,000 |
| Plus unamortized premiums | 6,679,974 | - | 365,888 | 6,314,086 | - |
| Total revenue bonds payable | 140,314,974 | - | 4,385,888 | 135,929,086 | 4,175,000 |
| Capital leases payable | 3,489,566 | 8,850,000 | 2,129,372 | 10,210,194 | 1,655,526 |
| Total Bonds, Capital Leases, and Notes Payable | <u>\$ 143,804,540</u> | <u>\$ 8,850,000</u> | <u>\$ 6,515,260</u> | <u>\$ 146,139,280</u> | <u>\$ 5,830,526</u> |

| 2015 | | | | | |
|---|-----------------------|----------------------|----------------------|-----------------------|---------------------|
| Changes in Bonds, Capital Leases, and Notes Payable | Beginning | Additions | Deductions | Ending | Current |
| | Balance | | | Balance | Portion |
| Bonds Payable | \$ 137,315,000 | \$ 21,510,000 | \$ 25,190,000 | \$ 133,635,000 | \$ 4,020,000 |
| Plus unamortized premiums | 8,011,818 | 39,572 | 1,371,416 | 6,679,974 | - |
| Total revenue bonds payable | 145,326,818 | 21,549,572 | 26,561,416 | 140,314,974 | 4,020,000 |
| Capital leases payable | 4,210,893 | 948,823 | 1,670,150 | 3,489,566 | 1,625,895 |
| Notes payable | 948,823 | - | 948,823 | - | - |
| Total Bonds, Capital Leases, and Notes Payable | <u>\$ 150,486,534</u> | <u>\$ 22,498,395</u> | <u>\$ 29,180,389</u> | <u>\$ 143,804,540</u> | <u>\$ 5,645,895</u> |

Revenue and Refunding Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2016, are detailed in the table "Revenue Bond Detail". The fixed rate revenue bonds interest is payable semi-annually and principal payments are paid annually (Series 2008, 2011A, 2014A, and 2015A). The variable rate demand bond interest is paid monthly and principal is remitted annually (Series 2011B). The bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues.

Bond provisions require the University to maintain compliance with certain rate covenants related to the bonds. The Master Enterprise Bond Resolution authorizing the issuance of Institutional Enterprise Revenue Bonds, and adopted by the University's Board of Trustees, specifies debt service coverage requirements. The debt service coverage provisions require net pledged revenues to be equal to the combined principal and interest payments of the revenue bonds due during any subsequent fiscal year for the life of the associated revenue bonds. These debt service requirements are detailed in the table "Combined Fixed and Variable Rate Bond Debt Service Requirements" in this footnote.

The Master Enterprise Bond Resolution also includes a covenant which provides that during the period in which the bonds are outstanding and subject to applicable law, the University will continue to impose such fees and charges as are included within the gross revenue and will continue the present operation and use of the University's facilities. The University will continue to maintain reasonable fees, rental rates, and other charges for the use of all facilities and for services rendered by the University and will return annually gross revenues sufficient to pay all amounts required with respect to prior bond obligations, to pay operation and maintenance expenses, and to pay the annual debt service requirements of the bonds and any parity obligations payable from net revenues. The University believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

The 2008 Bonds payable are secured by a first lien, but not necessarily an exclusive first lien, derived from 10% of gross general fund tuition revenues, net student fee revenues, and net auxiliary facility system revenues. The 2011A, 2011B, 2014A, and 2015A bonds are also secured by a pledge of the revenues derived from net extended studies revenues and gross facility and administrative indirect cost recoveries.

NOTES TO THE FINANCIAL STATEMENTS

The University has pledged these revenues through 2040 to repay \$129,615,000 in auxiliary revenue bonds plus interest. As of June 30, total pledged revenue and the associated debt service coverage are summarized in the table below:

| Net Pledged Revenue Available for Revenue Bond Debt Service | 2016 | 2015 |
|---|----------------------|----------------------|
| Gross auxiliary facility and student fee revenues | \$ 50,002,384 | \$ 48,161,311 |
| Less auxiliary facility and student fee operating expenses | 33,265,689 | 34,308,206 |
| Net auxiliary and student fee facility revenue | 16,736,695 | 13,853,105 |
| Other pledged tuition and revenue | | |
| 10% of tuition revenue | 7,562,795 | 7,425,025 |
| Indirect cost recoveries | 486,984 | 546,219 |
| Extended campus net revenue | 6,807,347 | 4,900,737 |
| Subtotal other pledged tuition and revenue | 14,857,126 | 12,871,981 |
| Total Net Pledged Revenue | \$ 31,593,821 | \$ 26,725,086 |
| Net prior bonds debt service (2005, 2008 bonds) | 640,619 | 3,232,306 |
| Series 2011A, 2011B, 2014A and 2015A | 9,171,649 | 6,699,632 |
| Total Net Debt Service | \$ 9,812,268 | \$ 9,931,938 |
| Prior debt service coverage (2005, 2008 bonds) | 37.93x | 6.58x |
| 2011A, 2011B, 2014A, and 2015A bond debt service coverage | 3.37x | 3.51x |
| Total net debt service as a percentage of gross auxiliary facilities and student fee revenues | 19.6% | 20.6% |
| Total net debt service as a percentage of total net pledged revenues | 31.1% | 37.2% |

Refunding Revenue Bond Activity

On June 3, 2015, the University issued at par \$21,510,000 Series 2015A Institutional Enterprise Revenue Refunding Bonds for the purpose of currently refunding \$21,335,000 of the outstanding Series 2005 Auxiliary Revenue Refunding and Improvement bonds. The Series 2015A bonds bear fixed interest rates of 4.00% to 5.00%, payable semiannually. Principal maturities begin June 1, 2036, and continue through June 1, 2040. The current refunding resulted in a decrease in payments to service the new debt versus the old debt of \$3,453,708, an economic gain of \$2,248,062, and a deferred amount on refunding of \$938,023. The deferred amount on refunding is being amortized as a deferred inflow of resources over the remaining life of the new debt.

The proceeds of \$21,355,742 from the 2015A issue were deposited to the Series 2005 Escrow Account and the Series 2005 bonds were called in June 2015, pursuant to the terms and provisions of the escrow agreement by and between the Board of Trustees of UNC and U.S. Bank National Association, as escrow agent.

On July 1, 2011, the University issued at par \$21,130,000 Series 2011B Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds for the purpose of currently refunding \$22,975,000 of the outstanding Series 2001A Colorado Educational and Cultural Facilities Authority, Student Housing LLC I, Revenue Bonds (Arlington Park). Principal maturities began June 1, 2013, and continue through June 1, 2036.

On July 1, 2014, the University entered into an agreement with Wells Fargo Bank, N.A., to continue holding 100% of the Series 2011B Bonds for another term of three years, ending June 30, 2017. The agreement states that the bonds have to be redeemed in full on the first anniversary of the purchase date, which is June 30, 2018. The agreement was for the \$19,960,000 of principal that remained outstanding at June 30, 2014. The schedule of principal maturities remained the same and will continue through June 1, 2036.

NOTES TO THE FINANCIAL STATEMENTS

The interest rate on the Series 2011B variable rate demand bonds is calculated monthly based on 70% of the one month London Interbank Offered Rate (LIBOR) that is published two business days prior to the reset date plus a spread factor of 0.70. This spread factor is subject to the maintenance of the current ratings assigned by Moody's and Standard & Poor's to the long-term, unenhanced Parity Bonds of the Board. In the event of a change in this credit rating, the applicable spread shall increase by the table set forth in the Article I Section 1.01(c)(a) of the First Supplement and Amendment to the Second Supplemental Resolution.

The interest rate on the Series 2011B as of June 30, 2016, was 1.012% and 0.0823% as of June 30, 2015. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

| Revenue Bond Detail | Original Issuance | Outstanding Balance 2016 | Outstanding Balance 2015 |
|---|--------------------------|---------------------------------|---------------------------------|
| <u>Fixed Rate Revenue Bonds</u> | | | |
| Series 2008 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. | \$ 9,145,000 | \$ 4,280,000 | \$ 4,730,000 |
| Series 2011A 2.00%-5.00% Auxiliary Facilities System Revenue Refunding Bonds issued July 1, 2011, in the original amount of \$41,690,000 and maturing in varying amounts through June 1, 2031. | 41,690,000 | 35,065,000 | 36,425,000 |
| Series 2014A 2.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued April 2, 2014, in the original amount of \$52,465,000 and maturing in varying amounts through June 1, 2035. Proceeds from the sale of these bonds were used to advance refund a portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005. | 52,465,000 | 50,055,000 | 51,625,000 |
| Series 2015A 4.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued June 3, 2015, in the original amount of \$21,510,000 and maturing in varying amounts from June 1, 2036 to June 1, 2040. Proceeds from the sale of these bonds were used to refund the unrefunded portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005. | 21,510,000 | 21,510,000 | 21,510,000 |
| Total Fixed Rate Revenue Bonds | \$ 124,810,000 | \$ 110,910,000 | \$ 114,290,000 |
| Add unamortized premium | | 6,314,086 | 6,679,974 |
| Total Outstanding Fixed Rate Revenue Bonds Payable | \$ 124,810,000 | \$ 117,224,086 | \$ 120,969,974 |
| <u>Variable Rate Revenue Bonds</u> | | | |
| Series 2011B Bonds. Issued July 1, 2011, in the original amount of \$21,130,000 and maturing June 1, 2036. These bonds are held by Wells Fargo Bank, NA and are payable upon demand after June 30, 2017. These bonds refunded all of the outstanding Colorado Educational and Cultural Facilities Authority, Student Housing LLC Revenue Bonds (Arlington Park). | \$ 21,130,000 | \$ 18,705,000 | \$ 19,345,000 |
| Total Outstanding Variable Rate Revenue Bonds | \$ 21,130,000 | \$ 18,705,000 | \$ 19,345,000 |
| Total bonds before premium, discount and deferred amounts | \$ 145,940,000 | \$ 129,615,000 | \$ 133,635,000 |
| Add total unamortized premium | | 6,314,086 | 6,679,974 |
| Total Outstanding Revenue Bonds Payable | \$ 145,940,000 | \$ 135,929,086 | \$ 140,314,974 |

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, are reported in the tables below:

| Fixed Rate Bonds Debt Service Requirements | | |
|---|-----------------------|---------------------|
| Year Ending June 30 | Principal | Interest |
| 2017 | \$ 3,515,000 | \$ 4,988,275 |
| 2018 | 3,650,000 | 4,849,788 |
| 2019 | 3,810,000 | 4,694,637 |
| 2020 | 3,965,000 | 4,531,488 |
| 2021 | 4,105,000 | 4,389,087 |
| 2022-2026 | 23,770,000 | 18,725,638 |
| 2027-2031 | 30,045,000 | 12,446,456 |
| 2032-2036 | 20,490,000 | 6,364,275 |
| 2037-2041 | 17,560,000 | 1,897,450 |
| Total | \$ 110,910,000 | \$62,887,094 |

| Variable Rate Bonds Debt Service Requirements | | |
|--|----------------------|---------------------|
| Year Ending June 30 | Principal | Interest |
| 2017 | \$ 660,000 | \$ 190,727 |
| 2018 | 685,000 | 183,998 |
| 2019 | 710,000 | 177,013 |
| 2020 | 735,000 | 169,773 |
| 2021 | 760,000 | 162,279 |
| 2022-2026 | 4,210,000 | 689,698 |
| 2027-2031 | 5,005,000 | 459,408 |
| 2032-2036 | 5,940,000 | 185,833 |
| Total | \$ 18,705,000 | \$ 2,218,729 |

The University calculates the interest for the 2011B variable rate bonds using a rate of 1.012% in effect on June 30, 2016, the financial statement date. The stated interest rate is 3.5%.

| Combined Fixed and Variable Rate Bond Debt Service Requirements | | | |
|--|-----------------------|----------------------|-----------------------|
| Year Ending June 30 | Principal | Interest | Total |
| 2017 | \$ 4,175,000 | \$ 5,179,002 | \$ 9,354,002 |
| 2018 | 4,335,000 | 5,033,786 | 9,368,786 |
| 2019 | 4,520,000 | 4,871,650 | 9,391,650 |
| 2020 | 4,700,000 | 4,701,261 | 9,401,261 |
| 2021 | 4,865,000 | 4,551,366 | 9,416,366 |
| 2022-2026 | 27,980,000 | 19,415,336 | 47,395,336 |
| 2027-2031 | 35,050,000 | 12,905,864 | 47,955,864 |
| 2032-2036 | 26,430,000 | 6,550,108 | 32,980,108 |
| 2037-2041 | 17,560,000 | 1,897,450 | 19,457,450 |
| Total | \$ 129,615,000 | \$ 65,105,823 | \$ 194,720,823 |

Capital Lease Obligations

Assets under capital leases at June 30, 2016, include equipment totaling \$10,210,194. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

On July 31, 2015, the University paid off its capital lease obligation to Clayton Holdings LLC in the amount of \$628,237.

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

Capital Lease Minimum Payments

| Fiscal Years Ending June 30, | Lease Payments |
|---|----------------------|
| 2017 | \$ 1,897,990 |
| 2018 | 1,116,145 |
| 2019 | 717,668 |
| 2020 | 717,668 |
| 2021 | 717,668 |
| 2022-2031 | 6,877,651 |
| Total minimum lease payments | 12,044,790 |
| Less amount representing interest | (1,834,596) |
| Amount representing principal for future minimum lease payments | <u>\$ 10,210,194</u> |

Note 9: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2024. Rental expense under these agreements for the year ended June 30, 2016, was \$1,257,756. The University's future minimum lease payments under non-cancelable operating leases as of June 30, are detailed below:

| Fiscal Years Ending June 30, | Lease Payments |
|------------------------------|---------------------|
| 2017 | \$ 1,341,935 |
| 2018 | 840,222 |
| 2019 | 840,413 |
| 2020 | 475,183 |
| 2021 | 68,146 |
| 2022-2025 | 99,434 |
| | <u>\$ 3,665,333</u> |

Note 10: Defined Benefit Pension Plan

Summary of Significant Accounting Policies

University of Northern Colorado participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description

Eligible employees of the University of Northern Colorado are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts, depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Funding Policy

Contributions

Eligible employees and the University of Northern Colorado are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

| | Fiscal Year 2014 | | Fiscal Year 2015 | | Fiscal Year 2016 | |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | CY13 | CY14 | CY14 | CY15 | CY15 | CY16 |
| | 7-1-13 to 12-31-13 | 1-1-14 to 6-30-14 | 7-1-14 to 12-31-14 | 1-1-15 to 6-30-15 | 7-1-15 to 12-31-15 | 1-1-16 to 6-30-16 |
| Employer Contribution Rate* | 10.15% | 10.15% | 10.15% | 10.15% | 10.15% | 10.15% |
| Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S., Section 24-51-208(1)(f)* | -1.02% | -1.02% | -1.02% | -1.02% | -1.02% | -1.02% |
| Amount Apportioned to the SDTF | 9.13% | 9.13% | 9.13% | 9.13% | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411* | 3.40% | 3.80% | 3.80% | 4.20% | 4.20% | 4.60% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411* | 3.00% | 3.50% | 3.50% | 4.00% | 4.00% | 4.50% |
| Total Employer Contribution Rate to the SDTF* | 15.53% | 16.43% | 16.43% | 17.33% | 17.33% | 18.23% |

*Rates are expressed as a percentage of salary as defined in C.R.S., § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University of Northern Colorado is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University of Northern Colorado were \$6,286,794 and \$5,990,532 for the years ended June 30, 2016 and 2015, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the University of Northern Colorado reported a liability of \$134,262,416 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The University of Northern Colorado's proportion of the net pension liability was based on its contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the University of Northern Colorado proportion was 1.275 percent, which was a decrease of 0.047 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the University of Northern Colorado recognized pension expense of \$10,041,650 (\$6.3 million of payroll contributions and \$3.7 million of amortizations and accruals related to net pension liability). The University of Northern Colorado reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 1,955,086 | \$ 4,296 |
| Changes of assumptions or other inputs | - | 1,589,283 |
| Net difference between projected and actual earnings on pension plan investments | 10,184,316 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | 3,715,199 |
| Contributions subsequent to the measurement date | 3,208,291 | - |
| Total | \$ 15,347,693 | \$ 5,308,778 |

An amount of \$3,208,291 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|----------------------------|------------|
| 2017 | \$ 510,820 |
| 2018 | 1,544,600 |
| 2019 | 2,704,558 |
| 2020 | 2,070,646 |
| 2021 | - |
| Thereafter | - |

Actuarial assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

| Actuarial Cost Method | Entry Age |
|---|---|
| Price Inflation | 2.80% |
| Real wage growth | 1.10% |
| Wage inflation | 3.90% |
| Salary increases, including wage inflation | 3.90-9.57% |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.50% |
| Future post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic) | 2.00% |
| PERA Benefit Structure hired prior to 12/31/06; (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013, and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTES TO THE FINANCIAL STATEMENTS

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 10 Year Expected Geometric Real Rate of Return |
|-----------------------------|--------------------------|---|
| U.S. Equity - Large Cap | 26.76% | 5.00% |
| U.S. Equity - Small Cap | 4.40% | 5.19% |
| Non U.S. Equity - Developed | 22.06% | 5.29% |
| Non U.S. Equity - Emerging | 6.24% | 6.76% |
| Core Fixed Income | 24.05% | 0.98% |
| High Yield | 1.53% | 2.64% |
| Long Duration Gov't/Credit | 0.53% | 1.57% |
| Emerging Market Bonds | 0.43% | 3.04% |
| Real Estate | 7.00% | 5.09% |
| Private Equity | 7.00% | 7.15% |
| Total | 100% | |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The Annual Increase Reserve (AIR) balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the University of Northern Colorado’s proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$169,621,692 | \$134,262,416 | \$104,685,561 |

Pension plan fiduciary net position

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

The University of Northern Colorado did not report payables to the SDTF at June 30, 2016.

Note 11: Other PERA Retirement Plans

Defined Contribution Retirement Plan (DC Plan)

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

Funding Policy

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

| | Fiscal Year 2014 | | Fiscal Year 2015 | | Fiscal Year 2016 | |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | CY13 | CY14 | CY15 | CY16 | | |
| | 7-1-13 to 12-31-13 | 1-1-14 to 6-30-14 | 7-1-14 to 12-31-14 | 1-1-15 to 6-30-15 | 7-1-15 to 12-31-15 | 1-1-16 to 6-30-16 |
| Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-41-Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411* | 3.40% | 3.80% | 3.80% | 4.20% | 4.20% | 4.60% |
| Total Employer Contribution Rate for AED and SAED* | 6.40% | 7.30% | 7.30% | 8.20% | 8.20% | 9.10% |

*Rates are expressed as a percentage of salary as defined in C.R.S., § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

401(k) Defined Contribution Plan (Voluntary Investment Program)

Plan Description

Employees of the University of Northern Colorado that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at <https://www.copera.org/investments/pera-financial-reports>.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2015, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$6,000 contribution in 2015, for total contributions of \$27,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had 17,814 participants.

Note 12: University Retirement Plans

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: MetLife, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal year 2016, the employee contributed 8% and the University contributed 11.5%. The University's contributions to the ORP were \$6,317,626 in fiscal year 2016 and \$6,072,174 in fiscal year 2015. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is 65. 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 \$54,500 for fiscal year 2016. The contribution to be paid in fiscal year 2017 is expected to be \$54,500.

Note 13: Post-Retirement Healthcare and Life Insurance Benefits

Health Care Trust Fund

Plan Description

The University of Northern Colorado contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The University of Northern Colorado is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended.

The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the University contributions to the HCTF were \$359,963, \$389,910, and \$378,357, respectively, equal to the required contributions for each year.

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.

CHEIBA Trust members include Adams State University, Auraria Higher Education Center, Colorado School of Mines, Colorado State University- Pueblo, Colorado State University System and Colorado State University-Global Campus, Fort Lewis College, Metropolitan State University of Denver, University of Northern Colorado, and Western State Colorado University.

As of June 30, 2015, there were no remaining participants utilizing post-retirement coverage from the trust membership because the plan was phased out during fiscal year 2015.

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 Services 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.

Note 14: Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position contains separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent the consumption or availability of net position that applies to future periods; therefore, it will not be recognized as an outflow or inflow until that time. Deferred outflows, when amortized over the allowable period, increase expense while deferred inflows decrease expense.

Deferred inflows and outflows result from deferred amounts on refunding bonds and transactions related to the University of Northern Colorado share of the Colorado Public Employees' Retirement Association (PERA) net pension liability. Additional information on the University's debt portfolio can be found in *Note 8: Bonds, Capital Leases, and Notes Payable*. Additional information related to the PERA pension plan and related net pension liability can be found in *Note 10: Defined Benefit Pension Plan*.

NOTES TO THE FINANCIAL STATEMENTS

The deferred amounts resulting from refunding bond issues result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized life of the refunding debt. The following schedules outline the deferred outflows and deferred inflows of resources related to University of Northern Colorado's debt refunding activity:

| 2016 | | | | | | | |
|--|------------------|---|---------------------------------------|---------------------------------------|--|--------------------------------------|--|
| Deferred Amounts on Debt Refundings | | | | | | | |
| Issue | Year of Maturity | Description | Original Deferred Amount on Refunding | Original Amortization Period in Years | Remaining Amortization Period in Years | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred Outflows of Resources | | | | | | | |
| Series 2008 | 2024 | Refunding of Series 1998 | \$ 213,110 | 16 | 8 | \$ 106,000 | \$ 13,250 |
| Series 2011A | 2031 | Refunding Series 1997 and 2001 | 1,795,766 | 20 | 15 | 1,203,526 | 118,448 |
| Series 2011B | 2036 | Refunding of Arlington Park Bonds | 1,303,400 | 25 | 20 | 1,031,858 | 54,308 |
| Series 2014A | 2035 | Advance refunding of a portion of Series 2005 | 799,172 | 21 | 19 | 714,221 | 37,756 |
| Total Deferred Outflows of Resources | | | <u>\$ 4,111,448</u> | | | <u>\$ 3,055,605</u> | <u>\$ 223,762</u> |
| Deferred Inflows of Resources | | | | | | | |
| Series 2015A | 2040 | Refunding of the remaining balance of Series 2005 | (938,023) | 25 | 24 | (897,375) | (37,521) |
| Total Deferred Inflows of Resources | | | <u>\$ (938,023)</u> | | | <u>\$ (897,375)</u> | <u>\$ (37,521)</u> |
| Total Expense on Statement of Revenues, Expenses and Changes in Net Position | | | | | | | <u>\$ 186,241</u> |

| 2015 | | | | | | | |
|--|------------------|---|---------------------------------------|---------------------------------------|--|--------------------------------------|--|
| Deferred Amounts on Debt Refundings | | | | | | | |
| Issue | Year of Maturity | Description | Original Deferred Amount on Refunding | Original Amortization Period in Years | Remaining Amortization Period in Years | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred Outflows of Resources | | | | | | | |
| Series 2008 | 2024 | Refunding of Series 1998 | \$ 213,110 | 16 | 9 | \$ 119,250 | \$ 13,250 |
| Series 2011A | 2031 | Refunding Series 1997 and 2001 | 1,795,766 | 20 | 16 | 1,321,975 | 118,448 |
| Series 2011B | 2036 | Refunding of Arlington Park Bonds | 1,303,400 | 25 | 21 | 1,086,166 | 54,309 |
| Series 2014A | 2035 | Advance refunding of a portion of Series 2005 | 799,172 | 21 | 20 | 751,977 | 37,756 |
| Total Deferred Outflows of Resources | | | <u>\$ 4,111,448</u> | | | <u>\$ 3,279,368</u> | <u>\$ 223,763</u> |
| Deferred Inflows of Resources | | | | | | | |
| Series 2015A | 2040 | Refunding of the remaining balance of Series 2005 | (938,023) | 25 | 25 | (934,896) | (3,127) |
| Total Deferred Inflows of Resources | | | <u>\$ (938,023)</u> | | | <u>\$ (934,896)</u> | <u>\$ (3,127)</u> |
| Total Expense on Statement of Revenues, Expenses and Changes in Net Position | | | | | | | <u>\$ 220,636</u> |

The deferred outflows and deferred inflows of resources that are related to the PERA net pension liability result from circumstances that affect the net pension liability such as:

- Changes in benefit terms
- Changes in economics and demographic assumptions
- Differences between economic and demographic assumptions and actual experience
- Differences between expected and actual investment returns

Deferred outflows and deferred inflows of resources can also result from changes in University of Northern Colorado's proportionate share of the net pension liability, which is based on University of Northern Colorado's contributions as a percentage of total employer contributions during the measurement period of the plan.

NOTES TO THE FINANCIAL STATEMENTS

Deferred inflows of resources or deferred outflows of resources are amortized to expense over a five-year period or the average remaining service period of plan members, which changes annually. The PERA net pension liability has a measurement date of December 31 annually. Each year the contributions that University of Northern Colorado makes after the plan measurement date from January 1 to June 30, will be recorded as a deferred outflow of resources and will be recognized as a reduction of the net pension liability in the following fiscal year. The following is a summary of the deferred outflows and deferred inflows of resources related to University of Northern Colorado's proportionate share of the PERA net pension liability:

| 2016 | | | | |
|--|---------------------|----------------------------------|--|---|
| Deferred Amounts Related to Net Pension Liability | | | | |
| Description | Amortization Period | Cumulative Deferred Amount | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred Outflows of Resources | | | | |
| Pension investment results | Five years | \$ 13,522,783 | \$ 10,184,316 | \$ 2,704,557 |
| Pension experience results | Service life | 3,023,438 | 1,955,086 | 1,068,353 |
| Pension contributions after measurement date* | See footnote | - | 3,208,291 | - |
| Total Deferred Outflows of Resources | | <u>\$ 16,546,221</u> | <u>\$ 15,347,693</u> | <u>\$ 3,772,910</u> |
| Deferred Inflows of Resources | | | | |
| Pension experience results | Service life | \$ (14,132) | \$ (4,296) | \$ (4,919) |
| Pension changes in assumptions | Service life | (2,457,743) | (1,589,283) | (868,460) |
| Pension changes in proportionate share | Service life | (7,133,094) | (3,715,199) | (2,507,662) |
| Total Deferred Inflows of Resources | | <u>\$ (9,604,969)</u> | <u>\$ (5,308,778)</u> | <u>\$ (3,381,041)</u> |
| Total Expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ 391,869</u> |

* Deferred Outflows of Resources originating from pension contributions made after the measurement date (January 1, 2016 to June 30, 2016) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a Deferred Outflow of Resources.

| 2015 | | | | |
|--|---------------------|----------------------------------|--|---|
| Deferred Amounts Related to Net Pension Liability | | | | |
| Description | Amortization Period | Cumulative Deferred Amount | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred Outflows of Resources | | | | |
| Pension investment results | Five years | \$ 3,169,553 | \$ 2,535,643 | \$ 633,911 |
| Pension experience results | Service life | - | - | - |
| Pension contributions after measurement date* | See footnote | - | 3,035,069 | - |
| Total Deferred Outflows of Resources | | <u>\$ 3,169,553</u> | <u>\$ 5,570,712</u> | <u>\$ 633,911</u> |
| Deferred Inflows of Resources | | | | |
| Pension experience results | Service life | \$ (14,132) | \$ (9,214) | \$ (4,918) |
| Pension changes in assumptions | Service life | - | - | - |
| Pension changes in proportionate share | Service life | (2,612,366) | (1,702,134) | (910,232) |
| Total Deferred Inflows of Resources | | <u>\$ (2,626,498)</u> | <u>\$ (1,711,348)</u> | <u>\$ (915,150)</u> |
| Total Expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ (281,239)</u> |

* Deferred Outflows of Resources originating from pension contributions made after the measurement date (January 1, 2015 to June 30, 2015) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a Deferred Outflow of Resources.

Note 15: Operating Expenses by Function Compared with Operating Expenses by Natural Classification

| For the Year Ended June 30, 2016 | | | | | | | | |
|----------------------------------|--------------------|---------------|------------------------|---------------|--------------|--------------|---------------|----------------|
| | Wages and Benefits | Cost of Sales | Other Current Expenses | Scholarships | Utilities | Travel | Depreciation | Total |
| Instruction | \$ 72,842,640 | \$ 121,193 | \$ 4,998,369 | \$ - | \$ - | \$ 1,349,762 | \$ - | \$ 79,311,964 |
| Research | 2,234,421 | - | 642,956 | - | - | 341,507 | - | 3,218,884 |
| Public Service | 1,161,396 | 142,982 | 493,614 | - | 1,850 | 61,462 | - | 1,861,304 |
| Academic Support | 14,731,781 | 27,541 | 5,552,058 | - | 151 | 237,051 | - | 20,548,582 |
| Student Services | 18,230,078 | 132,821 | 6,966,370 | - | 247,969 | 2,482,296 | - | 28,059,534 |
| Institutional Support | 9,537,941 | - | 5,303,509 | - | - | 275,850 | - | 15,117,300 |
| Operation of Plant | 6,577,850 | - | 1,400,033 | - | 2,440,326 | 12,420 | - | 10,430,629 |
| Scholarships | - | - | - | 12,385,714 | - | - | - | 12,385,714 |
| Auxiliary | 16,402,824 | 4,392,823 | 2,929,705 | - | 2,725,547 | 31,588 | - | 26,482,487 |
| Depreciation | - | - | - | - | - | - | 17,454,932 | 17,454,932 |
| Total Expenses | \$ 141,718,931 | \$ 4,817,360 | \$ 28,286,614 | \$ 12,385,714 | \$ 5,415,843 | \$ 4,791,936 | \$ 17,454,932 | \$ 214,871,330 |

| For the Year Ended June 30, 2015 | | | | | | | | |
|----------------------------------|--------------------|---------------|------------------------|---------------|--------------|--------------|---------------|----------------|
| | Wages and Benefits | Cost of Sales | Other Current Expenses | Scholarships | Utilities | Travel | Depreciation | Total |
| Instruction | \$ 70,881,415 | \$ 121,466 | \$ 5,922,502 | \$ - | \$ - | \$ 1,353,652 | \$ - | \$ 78,279,035 |
| Research | 1,674,861 | 5 | 485,487 | - | - | 422,726 | - | 2,583,079 |
| Public Service | 1,097,041 | 148,292 | 461,964 | - | 2,263 | 34,111 | - | 1,743,671 |
| Academic Support | 14,624,575 | 42,764 | 6,112,921 | - | 65 | 193,676 | - | 20,974,001 |
| Student Services | 17,811,848 | 93,239 | 6,575,512 | - | 289,228 | 2,487,712 | - | 27,257,539 |
| Institutional Support | 8,661,876 | - | 4,712,198 | - | - | 200,328 | - | 13,574,402 |
| Operation of Plant | 6,161,547 | 126 | 1,050,650 | - | 2,815,125 | 4,793 | - | 10,032,241 |
| Scholarships | - | - | - | 12,494,877 | - | - | - | 12,494,877 |
| Auxiliary | 16,586,834 | 4,638,138 | 2,914,250 | - | 3,046,653 | 23,870 | - | 27,209,745 |
| Depreciation | - | - | - | - | - | - | 17,069,138 | 17,069,138 |
| Total Expenses | \$ 137,499,997 | \$ 5,044,030 | \$ 28,235,484 | \$ 12,494,877 | \$ 6,153,334 | \$ 4,720,868 | \$ 17,069,138 | \$ 211,217,728 |

Summary of Wages and Benefits

| | Wages and Benefits | | 2015 to 2016 Change | |
|----------------------------------|---------------------------|-----------------------|----------------------------|--------------|
| | 2016 | 2015 | \$ Chg | % Chg |
| Faculty | \$ 44,431,228 | \$ 43,865,574 | \$ 565,654 | 1.3% |
| Administrative | 28,574,710 | 26,756,245 | 1,818,465 | 6.8% |
| Graduate and Teaching Assistants | 10,339,684 | 9,842,578 | 497,106 | 5.1% |
| Classified | 18,751,492 | 19,718,508 | (967,016) | -4.9% |
| Student | 6,261,136 | 6,312,677 | (51,541) | -0.8% |
| Other | 1,061,605 | 923,649 | 137,956 | 14.9% |
| Subtotal Wages | <u>109,419,855</u> | <u>107,419,231</u> | <u>2,000,624</u> | <u>1.9%</u> |
| Fringe Benefits | 28,572,605 | 27,084,329 | 1,488,276 | 5.5% |
| Fringe Benefits (GASB 68) | 3,726,471 | 2,996,437 | 730,034 | 24.4% |
| Total Wages and Benefits | <u>\$ 141,718,931</u> | <u>\$ 137,499,997</u> | <u>\$ 4,218,934</u> | <u>3.1%</u> |

Note 16: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill. For the year ended June 30, 2016, the University had a total appropriation of \$41,092,729, and appropriated expenditures were within the authorized spending authority.

The University’s appropriated funds consisted of \$15,075,115 received from students who qualified for stipends from the College Opportunity Fund and \$26,017,614 as Fee-For-Service contract revenue. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues, and other revenue sources.

State Capital Appropriations

Capital appropriations from the state generally fall into three categories; capital construction, cash-funded appropriated projects, and controlled maintenance. The revenue is recognized in the Statement of Revenues, Expenses, and Changes in Net Position to the extent of expenditures in the current year. UNC recognized \$2,380,995 and \$616,702 in capital appropriations revenue in fiscal years 2016 and 2015, respectively.

The following table outlines the projects that are currently appropriated for the University of Northern Colorado, the cumulative amount expended on those projects through June 30, 2016, and the unexpended balance. The campus wireless and controlled maintenance projects are expected to be completed in fiscal year 2017. The Campus Commons broke ground ceremoniously in October 2016, with construction beginning in November 2016. The building is expected to be completed in the fall of 2018.

| State Capital Appropriations | | | | |
|-------------------------------------|--|--------------------------------|-------------------------------------|--|
| Project | Category | Total Appropriation | Expended as of 6/30/2016 | Balance Remaining as of 6/30/2016 |
| Campus Commons | State Appropriation - Capital Construction | \$ 38,000,000 | \$ 1,591,218 | \$ 36,408,782 |
| Campus Commons | State Appropriation - Cash Funded | 35,533,668 | 949,533 | 34,584,135 |
| Subtotal Campus Commons | | <u>73,533,668</u> | <u>2,540,751</u> | <u>70,992,917</u> |
| Campus Wireless | State Appropriation - Capital Construction | 2,412,750 | - | 2,412,750 |
| Fire Sprinkler Upgrade | State Appropriation - Controlled Maintenance | 1,741,668 | 1,373,115 | 368,553 |
| Fire Sprinklers McKee Hall | State Appropriation - Controlled Maintenance | 2,122,824 | - | 2,122,824 |
| Roof Replacements | State Appropriation - Controlled Maintenance | 842,863 | 33,364 | 809,499 |
| Total | | <u>\$ 80,653,773</u> | <u>\$ 3,947,230</u> | <u>\$ 76,706,543</u> |
| Summary by Category: | | | | |
| | State Appropriation - Capital Construction | \$ 40,412,750 | \$ 1,591,218 | \$ 38,821,532 |
| | State Appropriation - Cash Funded | 35,533,668 | 949,533 | 34,584,135 |
| | State Appropriation - Controlled Maintenance | <u>4,707,355</u> | <u>1,406,479</u> | <u>3,300,876</u> |
| | | <u>\$ 80,653,773</u> | <u>\$ 3,947,230</u> | <u>\$ 76,706,543</u> |

Note 17: Commitments and Contingencies

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The utilization 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.

Collateral for State Treasury Certificates of Participation

On November 6, 2008, the State Treasury 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 University's Butler-Hancock interior renovation project was funded with \$11,591,235 from the lease purchase agreement as a state appropriation and Parsons Hall was provided as collateral.

Note 18: 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 Philadelphia for an aggregate of \$3,000,000 and per occurrence of \$1,000,000 with no deductible.
- Professional liability covered by Philadelphia for \$3,000,000 with a \$25,000 deductible.
- Automobile liability covered by Philadelphia for \$1,000,000 with no deductible.
- Errors and omissions covered by RSUI Group, Inc. for \$3,000,000 with a \$25,000 deductible.
- Employment practices liability covered by RSUI Group, Inc. 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.
- Umbrella liability covered by Philadelphia for \$2,000,000 with a self-insured retention of \$10,000.
- Fidelity (employee dishonesty) covered by Philadelphia for \$1,000,000 with a \$10,000 deductible.
- Other property covered by Midwestern Higher Education Compact 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 2016 is consistent with previous 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, 2016, was \$354,994, which represents deductibles based on an analysis of claims.

Note 19: Other Disclosures

Multi-Year Employment Contracts

During 2016, the University maintained four multi-year employment contracts for athletic coaches. The intent of the multi-year terms (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 funds availability.

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2017, the Department of Education has stipulated that new loans may not be disbursed under the program. Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for this program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program, while not certain or determinable at this point, could result in the University recording an obligation to refund previous Federal contributions received under this program to the Department of Education.

In fiscal year 2016 the University returned \$1.5 million of Federal capital contributions to the Perkins Loan Program in accordance with the annual excess liquid capital calculation due in December of each year.

The University of Northern Colorado has \$1.4 million in cash, \$0.5 million in current accounts receivable, \$4.7 million in noncurrent accounts receivable, and a restricted net position of \$6.7 million in the Perkins Loan Funds at June 30, 2016.

Innovation UNC

In June 2016, the Board of Trustees for the University of Northern Colorado formed a new Nonprofit Corporation named Innovation UNC. The articles of incorporation were filed pursuant to § 7-122-101, and § 7-122-102 of the Colorado Revised Statutes (C.R.S.). The purpose of Innovation UNC is to develop discoveries and technologies resulting from science and technology research at the University of Northern Colorado. Innovation UNC is a separate legal entity with a separate employer identification number and it will be a component unit of University of Northern Colorado. There was no financial activity on the entity in fiscal year 2016.

Note 20: Subsequent Events

On November 9, 2016, University of Northern Colorado Board of Trustees issued \$23.5 million in fixed rate Institutional Enterprise Revenue Bonds, Series 2016, at a \$4.1 million premium for total proceeds of \$27.6 million. The coupon rates of the bonds range from 3% - 5% with maturities of principal starting in 2020 and ending in 2046. \$27.4 million of the proceeds are for the construction of the Campus Commons, while the remaining \$0.2 million represents the cost of issuance.

Moody's Investors Service assigned an "A2" underlying with a negative outlook and an "Aa2" enhanced rating with a stable outlook to the University's Series 2016 bonds. At the same time, Moody's downgraded the underlying ratings on the \$114.3 million of outstanding Institutional Enterprise and Auxiliary System Revenue Bonds to "A2" with a negative outlook and affirmed the "Aa2" enhanced rating with a stable outlook.

The downgrade to "A2" cited the University's declining liquidity and rising fixed costs associated with an ambitious plan to grow enrollment by upwards of 20% by fall 2018. The enhanced rating outlook, based on the University's participation in the Colorado Higher Education State Aid Intercept Program, remains at "Aa2" with a stable outlook, which is based on the State of Colorado's current rating and outlook.

Note 21: Restatements

The fiscal year 2015 beginning Net Position was restated on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position in compliance with *GASB 68: Accounting for Financial Reporting of Pensions*. GASB 68 required the University of Northern Colorado to present its proportionate share of the Colorado Public Employees' Retirement Association (PERA) underfunded net pension liability and associated deferred outflows and inflows of resources in the financial statements. The following chart demonstrates the effect of the restatement on the University of Northern Colorado's net position:

| | |
|--|----------------|
| Net position as of June 30, 2014 | \$ 162.7 |
| Restatement of beginning net position from GASB 68 | (117.5) |
| Restated beginning net position | <u>45.2</u> |
| Current year change in net position | <u>(13.6)</u> |
| Net position as of June 30, 2015 | <u>\$ 31.6</u> |

Supplemental Information

University of Northern Colorado
 Schedule of Required Supplementary Information
 June 30, 2016

Schedule of University's Proportionate Share of PERA Pension Liability*

| Measurement Date* | Proportion of Collective Net Pension Liability (A) | Proportionate Share of Collective Net Pension Liability (B) | Covered Payroll (C) | Proportionate Share (B/C) | Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|-------------------|--|---|---------------------|---------------------------|--|
| December 31, 2014 | 1.32% | \$ 124,356,394 | \$ 35,490,833 | 350.39% | 59.84% |
| December 31, 2015 | 1.27% | \$ 134,262,416 | \$ 35,609,043 | 377.05% | 56.11% |

Schedule of University's Contributions to PERA Pension*

| As of June 30* | Statutorily Required Contributions | Contributions in Relation to Statutorily Required Contributions | Contribution Excess/ (Deficiency) | Covered Payroll | Contributions Recognized as a Percentage of Covered Payroll |
|----------------|------------------------------------|---|-----------------------------------|-----------------|---|
| 2015 | \$ 6,451,658 | \$ 5,990,532 | \$ - | \$35,762,254 | 16.75% |
| 2016 | \$ 6,691,529 | \$ 6,286,794 | \$ - | \$ 35,566,846 | 17.68% |

*GASB Statement No. 68 was implemented during fiscal year 2015. As information becomes available, each subsequent year will be added until a full 10-year trend is compiled.

**OTHER BUDGET, FINANCIAL AND
ENROLLMENT DATA**

OPERATING BUDGET SUMMARY

| | Budget FY 2016 | Budget FY 2017 | Change |
|---|---------------------|---------------------|--------------------|
| REVENUES | | | |
| Tuition-Resident | \$ 59,949,926 | \$ 64,526,146 | \$ 4,576,220 |
| Tuition-NonResident | 13,677,301 | 15,999,022 | 2,321,721 |
| Tuition-WICHE/WUE NonRes | 8,928,038 | 9,223,506 | 295,468 |
| Student Fees | 12,730,265 | 14,106,017 | 1,375,752 |
| Academic Fees-General Funds | 5,614,202 | 5,914,143 | 299,941 |
| Tuition-Extended Campus | 16,764,034 | 16,705,119 | (58,915) |
| Academic Fees-Extended Campus | 84,245 | 112,000 | 27,755 |
| Room and Board | 32,531,988 | 33,184,468 | 652,480 |
| Subtotal Tuition, Fees and Room & Board | 150,279,999 | 159,770,421 | 9,490,422 |
| Scholarships (including Foundation) ¹ | (26,479,792) | (26,419,846) | 59,946 |
| Graduate GA/TA Waivers | (3,960,692) | (4,374,999) | (414,307) |
| R & B Waivers | (1,142,938) | (1,200,000) | (57,062) |
| Subtotal Discounting | (31,583,422) | (31,994,845) | (411,423) |
| COF Resident | 17,177,543 | 15,440,878 | (1,736,665) |
| Fee For Service | 23,915,186 | 23,597,356 | (317,830) |
| Subtotal State Support | 41,092,729 | 39,038,234 | (2,054,495) |
| Foundation Restricted Gifts for Operations | 3,291,533 | 3,532,695 | 241,162 |
| Foundation Capital Gifts | 1,006,500 | 3,045,000 | 2,038,500 |
| Foundation Restricted Scholarships ¹ | 4,281,972 | 4,281,972 | - |
| Foundation Unrestricted (designated for scholarships) | 1,770,000 | 1,200,000 | (570,000) |
| Subtotal Foundation Support | 10,350,005 | 12,059,667 | 1,709,662 |
| Other Auxiliary Services | 7,434,798 | 7,084,326 | (350,472) |
| Restricted Grant Facilities/Admin Recovery | 605,000 | 541,000 | (64,000) |
| Other Revenue | 7,042,111 | 7,815,524 | 773,413 |
| Net Non-Operating Revenues | 1,284,481 | 1,399,304 | 114,823 |
| Subtotal Other Revenue | 16,366,390 | 16,840,154 | 473,764 |
| NET REVENUES | 186,505,701 | 195,713,631 | 9,207,930 |
| EXPENSES AND MANDATORY TRANSFERS | | | |
| Faculty Salaries | 44,042,588 | 44,172,081 | 129,493 |
| Exempt Salaries | 25,479,702 | 28,012,007 | 2,532,305 |
| Classified Salaries | 19,843,276 | 18,877,720 | (965,556) |
| Graduate Stipends | 4,614,610 | 4,721,547 | 106,937 |
| Other Wages/Compensation | 5,979,867 | 5,956,084 | (23,783) |
| Fringe Benefits | 27,590,000 | 29,162,528 | 1,572,528 |
| Subtotal Personnel Expenses | 127,550,043 | 130,901,967 | 3,351,924 |
| Cost of Sales | 5,399,466 | 5,035,331 | (364,135) |
| Other Current Expenses | 9,614,148 | 10,291,289 | 677,141 |
| Purchased Services | 9,875,210 | 10,174,048 | 298,838 |
| Supplies | 6,553,799 | 6,651,995 | 98,196 |
| Utilities | 6,892,642 | 6,548,703 | (343,939) |
| Travel | 4,029,108 | 4,442,050 | 412,942 |
| Capital | 2,258,361 | 2,392,946 | 134,585 |
| Subtotal Non-personnel Expenses | 44,622,734 | 45,536,362 | 913,628 |
| Debt Service on Bonds | 9,296,917 | 10,940,531 | 1,643,614 |
| Capital Lease Payments | 1,669,597 | 1,902,989 | 233,392 |
| Subtotal Debt Payments | 10,966,514 | 12,843,520 | 1,877,006 |
| TOTAL EXPENDITURES AND DEBT PAYMENTS | 183,139,291 | 189,281,849 | 6,142,558 |
| OPERATING RESULTS | 3,366,410 | 6,431,782 | 3,065,372 |
| Transfer to Capital Projects - Foundation | 1,006,500 | 3,057,000 | 2,050,500 |
| Transfer to Capital Projects - Student Capital Fee | 3,017,853 | 2,682,660 | (335,193) |
| OPERATING RESULTS LESS TRANSFERS | (657,943) | 692,122 | 1,350,065 |

¹ Named and endowed scholarships from the UNC Foundation were added to the fiscal year 2016 budget.

ACTUAL AND PROJECTED NET REVENUES AVAILABLE FOR DEBT SERVICE

| | Actual FY 2014 | Actual FY 2015 | Actual FY 2016 | Projected ⁷ FY 2017 | Projected ⁷ FY 2018 |
|--|---------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|
| OPERATING REVENUES | | | | | |
| Housing and Food Contracts ⁸ | \$ 30,851,298 | \$ 30,566,461 | \$ 31,870,052 | \$ 33,184,468 | \$ 34,180,002 |
| Short Term Room and Board ⁹ | 3,041,378 | 2,678,310 | 2,800,675 | 2,764,673 | 2,847,613 |
| Student Fees ¹⁰ | 5,748,853 | 7,536,830 | 7,617,628 | 9,072,562 | 10,796,349 |
| Parking Fees | 2,056,702 | 1,989,046 | 2,184,950 | 2,096,690 | 2,096,690 |
| Other Auxiliary Sales and Services | 5,577,946 | 5,268,680 | 5,459,990 | 5,477,014 | 5,477,014 |
| Other Auxiliary Investment Revenues | 104,897 | 121,984 | 69,089 | 90,296 | 90,296 |
| Gross Revenues | 47,381,074 | 48,161,311 | 50,002,384 | 52,685,703 | 55,487,964 |
| Operating Expenses | | | | | |
| Cost of Sales | 6,128,600 | 6,463,456 | 6,978,156 | 7,010,338 | 7,010,338 |
| Personal Services ¹¹ | 11,509,601 | 12,124,275 | 11,659,861 | 13,546,336 | 13,952,726 |
| Other General Expenses | 9,366,716 | 9,287,786 | 8,983,483 | 9,384,075 | 9,384,075 |
| Utilities | 3,411,988 | 3,307,213 | 2,941,731 | 3,550,753 | 3,550,753 |
| Room and Board Scholarships ⁶ | - | 3,046,338 | 2,615,489 | - | - |
| Travel and Subsistence | 49,507 | 36,175 | 43,150 | 52,512 | 52,512 |
| Capital Outlay, Operations | 94,724 | 42,963 | 43,819 | 55,000 | 55,000 |
| Total Operating Expenses | 30,561,136 | 34,308,206 | 33,265,689 | 33,599,014 | 34,005,404 |
| Net Auxiliary and Student Fee Facility Revenues | 16,819,938 | 13,853,105 | 16,736,695 | 19,086,689 | 21,482,560 |
| 10% of Tuition Revenues ^{1, 12} | 7,677,096 | 7,425,025 | 7,562,795 | 8,254,974 | 8,654,667 |
| Other Net Revenues | | | | | |
| Indirect Cost Recoveries ² | 641,047 | 546,219 | 486,984 | 455,000 | 455,000 |
| Extended Studies Net Revenues | 4,331,399 | 4,900,737 | 6,807,347 | 6,962,391 | 7,267,355 |
| Other Pledged Tuition and Revenues | 12,649,542 | 12,871,981 | 14,857,126 | 15,672,365 | 16,377,022 |
| TOTAL NET PLEDGED REVENUES | 29,469,480 | 26,725,086 | 31,593,821 | 34,759,054 | 37,859,582 |
| Debt Service | | | | | |
| Prior Bond Debt Service ³ | 4,442,856 | 3,232,306 | 640,619 | 638,744 | 641,306 |
| Subtotal Prior Bond Debt Service | 4,442,856 | 3,232,306 | 640,619 | 638,744 | 641,306 |
| Series 2011A Debt Service | 3,088,819 | 3,092,419 | 3,085,619 | 3,092,619 | 3,086,169 |
| Series 2011B Debt Service ⁴ | 1,314,425 | 1,313,600 | 1,317,075 | 1,314,675 | 1,316,575 |
| Series 2014A Debt Service | 1,218,651 | 2,293,613 | 3,863,613 | 3,861,513 | 3,861,913 |
| Series 2015A Debt Service | - | - | 905,342 | 910,400 | 910,400 |
| Series 2016A Debt Service | - | - | - | 639,386 | 1,139,500 |
| Subtotal 2011A, 2011B, 2014A and 2015A Bond Debt | 5,621,895 | 6,699,632 | 9,171,649 | 9,818,593 | 10,314,557 |
| TOTAL DEBT SERVICE | \$10,064,751 | \$ 9,931,938 | \$ 9,812,268 | \$10,457,337 | \$10,955,863 |
| Prior Debt Service Coverage (2005, 2008 Bonds)³ | 5.51 x | 6.58 x | 37.93 x | 42.81 x | 46.99 x |
| 2011A, 2011B, 2014A and 2015A Bond Debt Service Cove | 4.45 x | 3.51 x | 3.37 x | 3.48 x | 3.61 x |
| ¹ 10% of Tuition includes general fund tuition. Extended studies tuition is included in extended studies net revenues. ² Indirect cost recoveries are also commonly referred to as grant facilities & administrative costs. ³ Includes the Series 2005 bonds, and Series 2008 bonds for FY 2013. Starting in FY 2014 it includes the unrefunded portion of the Series 2005 and the Series 2008 bonds. Starting in FY 2016 prior bond debt service includes only the Series 2008 bonds. ⁴ The Series 2011B bonds are variable rate bonds and debt service is estimated assuming a 3.5% interest rate. ⁵ Calculation assumes the prior bond debt service is paid before calculating coverage for the 2011A, 2011B, 2014A and 2015A issues. ⁶ Room and board scholarships were under a new program that was in effect for FY15 and FY16, but discontinued in FY17. ⁷ FY 2017 Projected and FY 2018 Projected include the following assumptions: ⁸ Housing and food contracts revenue is based on a tiered rate structure and occupancy estimates. Room and board rates will increase by 2% in FY 2017. Rates are projected to increase 3% for FY 2018. ⁹ Short term room and board is expected to decrease by approximately 1% in FY 2017. It is projected to increase 3% for FY 2018. ¹⁰ A new capital fee was added in FY 2015. Student fees are projected to increase 19% each year for the FY 2017 & FY 2018 projections. ¹¹ Personnel for FY 2017 is a combination of a 3% salary increase and changes in staffing. Personnel is expected to increase 3% in FY 2018 as well. ¹² Resident undergraduate tuition rates are budgeted to increase 8.4% for FY 2017 and a 6.8% increase is projected for FY 2018. | | | | | |

State Support

The State of Colorado provides support to public higher education through two avenues. The College Opportunity Fund provides per-credit-hour stipends to qualified resident undergraduate students to pay a portion of their tuition. The State of Colorado also enters into Fee-for-Service contracts with higher education institutions to support graduate and specialized undergraduate educational services. In fiscal year 2011, the State distributed American Recovery and Reinvestment Act funds to higher education. The following table is a five-year history of UNC's state support expressed as a percentage of total operating revenue:

| Fiscal Year | College Opportunity Fund | Fee-For-Service | Support Before ARRA Stimulus | ARRA Stimulus | State Support w/ARRA Stimulus | Total Operating Revenue | Total Support as a % of Total Revenues |
|-------------|--------------------------|-----------------|------------------------------|---------------|-------------------------------|-------------------------|--|
| 2011-2012 | 14,689,892 | 18,611,714 | 33,301,606 | - | 33,301,606 | 180,378,329 | 18% |
| 2012-2013 | 14,398,973 | 17,915,857 | 32,314,830 | - | 32,314,830 | 182,388,051 | 18% |
| 2013-2014 | 13,857,591 | 19,782,469 | 33,640,060 | - | 33,640,060 | 183,611,703 | 18% |
| 2014-2015 | 15,440,878 | 21,916,149 | 37,357,027 | - | 37,357,027 | 187,063,275 | 20% |
| 2015-2016 | 15,075,115 | 26,017,614 | 41,092,729 | - | 41,092,729 | 195,058,054 | 21% |

Projected Net Revenues for Debt Service

The following sections of this report provide additional information to supplement the actual, budgeted, and projected net revenues available for debt service included in the table on the previous page.

University Housing and Dining Facilities

The University provides economical and convenient housing accommodations for more than 3,100 students, including undergraduate, graduate and students with families. All residence halls and apartments are managed by professional staff members who are trained to provide support to students and encourage a successful academic experience at the University.

| Fiscal Year | Design Capacity | Utilization Rate |
|-------------|-----------------|------------------|
| 2011-2012 | 3,113 | 96.1% |
| 2012-2013 | 3,109 | 86.2% |
| 2013-2014 | 3,109 | 80.4% |
| 2014-2015 | 3,094 | 82.4% |
| 2015-2016 | 3,088 | 86.2% |

Room and board revenues for the fiscal years 2011-2012 through 2015-2016 are summarized below:

| Room and Board Rates and Revenues | | | | | |
|--|-----------------------------------|------------------------------------|------------------------------|---------------------|----------------------|
| <i>(in dollars)</i> | | | | | |
| <u>Fiscal Year</u> | <u>Low Room Rate</u> ¹ | <u>High Room Rate</u> ¹ | <u>University Apartments</u> | <u>19-Meal Plan</u> | <u>Total Revenue</u> |
| 2011-2012 | 2,385 | 2,885 | 700/month | 2,490 | 32,693,220 |
| 2012-2013 | 2,457 | 2,972 | 700/month | 2,565 | 31,757,917 |
| 2013-2014 | 2,400 | 3,261 | 736/month | 2,670 | 30,851,298 |
| 2014-2015 | 2,400 | 3,261 | 736/month | 2,780 | 30,566,461 |
| 2015-2016 | 2,400 | 3,261 | 736/month | 2,780 | 31,870,052 |

¹ Room rates vary depending upon the room style and amenities. The lowest and highest rates are reflected to provide a range for the semester. Single occupancy in a room carries an additional charge of approximately \$250 for a small room and \$500 for a large room.

Housing and Dining facilities also generate revenue from summer conferences and youth camps as well as other special events. The table below displays the short-term revenues from these events.

| Short-Term Room and Board | |
|----------------------------------|----------------------|
| <u>Fiscal Year</u> | <u>Total Revenue</u> |
| 2011-2012 | 2,094,484 |
| 2012-2013 | 2,502,958 |
| 2013-2014 | 3,041,378 |
| 2014-2015 | 2,678,310 |
| 2015-2016 | 2,800,675 |

Student Activity Fee

The University charges a mandatory student activity fee that is assessed on all credits up to a maximum of ten credits per semester for all students. A portion of the revenue from this mandatory student fee is pledged as part of gross revenues for the operation, maintenance, programming, and debt service associated with the facilities. These facilities consist of the University Center, the Campus Recreation Center, the Sports and Recreation Complex, the Student Health Center, and the Counseling Center. The following table depicts the total student activity fee as well as the pledged portion of the fee. The fee amounts below do not include technology, library, or other fees.

| Fiscal Year | Academic Year Fee | Overall Student Fee Budget | Total Pledged Student Fees | Student Services ¹ | Debt Service ¹ | Facility Operations ¹ | Repair and Renovations |
|-------------|-------------------|----------------------------|----------------------------|-------------------------------|---------------------------|----------------------------------|------------------------|
| 2011-2012 | 972 | 9,977,513 | 5,501,705 | 1,253,576 | 1,718,330 | 1,994,890 | 534,909 |
| 2012-2013 | 1,010 | 10,409,928 | 5,624,710 | 1,290,272 | 1,706,491 | 2,045,354 | 582,593 |
| 2013-2014 | 1,047 | 10,921,070 | 5,748,853 | 1,372,291 | 1,614,110 | 2,158,361 | 604,091 |

¹ Component of Total Pledged Student Fees

In fiscal year 2015, the University created a new capital fee by combining the capital portion of the existing student fee of \$244 with a \$206 increase for a total capital fee of \$450 per student annually. To highlight this change, the Student Activity Fees chart will be presented as follows for fiscal year 2015 and subsequent years:

| Fiscal Year | Academic Year Student Fee ¹ | Academic Year Capital Fee | Overall Student Fee Budget | Total Pledged Student Fees | Pledged Student Services Fee | Pledged Capital and Facilities Student Fee | Amount Used To Pay Debt Service | Amount Transferred to Reserves for Capital |
|-------------|--|---------------------------|----------------------------|----------------------------|------------------------------|--|---------------------------------|--|
| 2014-2015 | 834 | 450 | 12,872,700 | 7,536,830 | 3,370,171 | 4,166,659 | 1,651,520 | 2,608,241 |
| 2015-2016 | 857 | 500 | 12,730,265 | 7,617,628 | 3,282,269 | 4,335,359 | 1,649,464 | 2,541,912 |

¹ Includes LEAF Fee

Parking Fees

The University has 38 parking lots at its Greeley, Colorado campus, with over 5,900 parking spaces. Total annual parking revenues for the last five fiscal years are presented in the table below.

| Fiscal Year | Permit Basic Fee | Total Revenue |
|-------------|------------------|---------------|
| 2011-12 | 255 | 2,066,786 |
| 2012-13 | 255 | 2,144,058 |
| 2013-14 | 255 | 2,056,702 |
| 2014-15 | 255 | 1,989,046 |
| 2015-16 | 285 | 2,184,950 |

Other Auxiliary Sales and Services

A variety of other revenue streams are generated by the operations of residence halls, dining halls, the University Center, the Campus Recreation Center, the Sports and Recreation Complex, the Student Health Center, and the Counseling Center. These include catering, cash foods sales, retail operations, space rental, recreation class fees, health care charges, counseling session charges, and campus vending sales.

| Other Auxiliary Sales and Services Revenues <i>(in dollars)</i> | |
|---|----------------|
| <u>Fiscal Year</u> | <u>Revenue</u> |
| 2011-12 | 5,513,561 |
| 2012-13 | 5,636,864 |
| 2013-14 | 5,577,946 |
| 2014-15 | 5,268,680 |
| 2015-16 | 5,459,990 |

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, AND FACULTY DATA

| ENROLLMENT | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Fall | 2011 | 2012 | 2013 | 2014 | 2015 |
| HEADCOUNT (Fall Final) | | | | | |
| Total Headcount | 13,038 | 13,070 | 12,710 | 12,050 | 12,216 |
| % Change | 0.1% | 0.2% | -2.8% | -5.2% | 1.4% |
| Undergraduate Headcount | 10,414 | 10,318 | 9,947 | 9,469 | 9,430 |
| % Change | -0.5% | -0.9% | -3.6% | -4.8% | -0.4% |
| % Undergraduate Headcount | 79.9% | 78.9% | 78.3% | 78.6% | 77.2% |
| Full Time Undergraduate Headcount | 9,293 | 9,119 | 8,733 | 8,339 | 8,196 |
| % Change | 1.0% | -1.9% | -4.2% | -4.5% | -1.7% |
| % Full time Undergraduate Headcount | 89.2% | 88.4% | 87.8% | 88.1% | 86.9% |
| Part Time Undergraduate Headcount | 1,121 | 1,199 | 1,214 | 1,130 | 1,234 |
| % Change | -11.5% | 7.0% | 1.3% | -6.9% | 9.2% |
| % Part time Undergraduate Headcount | 10.8% | 11.6% | 12.2% | 11.9% | 13.1% |
| Graduate Headcount | 2,624 | 2,752 | 2,763 | 2,581 | 2,786 |
| % Change | 2.3% | 4.9% | 0.4% | -6.6% | 7.9% |
| % Graduate Headcount | 20.1% | 21.1% | 21.7% | 21.4% | 22.8% |
| Extended Campus Headcount | 1,706 | 1,820 | 1,896 | 1,775 | 2,158 |
| % Change | -2.7% | 6.7% | 4.2% | -6.4% | 21.6% |
| FTE (Fall Final) | | | | | |
| Total FTE | 11,624 | 11,529 | 11,148 | 10,612 | 10,634 |
| % Change | 0.8% | -0.8% | -3.3% | -4.8% | 0.2% |
| Undergraduate Resident FTE | 8,779 | 8,547 | 8,118 | 7,630 | 7,430 |
| % Change | 0.0% | -2.6% | -5.0% | -6.0% | -2.6% |
| Undergraduate Non-Resident FTE | 1,083 | 1,187 | 1,227 | 1,268 | 1,360 |
| % Change | 6.2% | 9.6% | 3.4% | 3.3% | 7.3% |
| Undergraduate Total FTE | 9,862 | 9,734 | 9,345 | 8,898 | 8,790 |
| % Change | 0.7% | -1.3% | -4.0% | -4.8% | -1.2% |
| % Undergraduate FTE | 84.8% | 84.4% | 83.8% | 83.8% | 82.7% |
| Graduate Resident FTE | 1,380 | 1,362 | 1,332 | 1,298 | 1,360 |
| % Change | -2.1% | -1.3% | -2.2% | -2.6% | 4.8% |
| Graduate Non-Resident FTE | 382 | 433 | 471 | 416 | 484 |
| % Change | 16.5% | 13.4% | 8.8% | -11.7% | 16.3% |
| Graduate Total FTE | 1,762 | 1,795 | 1,803 | 1,714 | 1,844 |
| % Change | 1.4% | 1.9% | 0.4% | -4.9% | 7.6% |
| % Graduate FTE | 15.2% | 15.6% | 16.2% | 16.2% | 17.3% |
| For the section above we used the following rationale for figuring FTE (For UG: UG Full Time Headcount + UG Part Time Total Credit hours /12. For GR: GR Full Time Headcount + GR Part Time Total Credit Hours/9.) | | | | | |
| Undergrad Extended Campus FTE | 263 | 297 | 318 | 278 | 308 |
| % Change | -20.1% | 12.9% | 7.1% | -12.6% | 10.8% |
| Graduate Extended Campus FTE | 598 | 574 | 601 | 606 | 732 |
| % Change | 4.0% | -4.0% | 4.7% | 0.8% | 20.8% |
| Total Extended Campus FTE | 861 | 871 | 919 | 884 | 1,040 |
| % Change | -4.8% | 1.2% | 5.5% | -3.8% | 17.6% |
| Extended Campus Undergraduate FTE is total UG Credit Hours/15 and Graduate FTE is total GR Credit Hours/12. (CCHE definition) | | | | | |

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, AND FACULTY DATA

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------|---------|---------|---------|---------|
| Credit Hours (Complete Year: Fall, Interim, Spring, Summer) Prior years have been restated to include the Summer after Spring instead of the Summer before Fall. | | | | | |
| Total Annual Credit Hours | 335,450 | 331,186 | 313,335 | 300,647 | 301,297 |
| % Change | 0.5% | -1.3% | -5.4% | -4.0% | 0.2% |
| Credit Hours by Residency | | | | | |
| Main campus - Resident/WICHE | 268,340 | 261,263 | 243,163 | 230,300 | 223,501 |
| Main campus - Nonresident | 22,528 | 22,645 | 22,377 | 19,900 | 19,864 |
| Main campus - WUE | 11,896 | 14,129 | 15,773 | 17,526 | 19,076 |
| Extended Campus | 32,686 | 33,149 | 32,022 | 32,921 | 38,856 |
| Credit Hours by Term | | | | | |
| Fall | 157,860 | 155,969 | 150,241 | 142,562 | 142,374 |
| Interim | 1,594 | 1,685 | 1,774 | 1,804 | 1,866 |
| Spring | 143,983 | 142,880 | 133,652 | 129,072 | 128,432 |
| Summer | 32,013 | 30,652 | 27,668 | 27,209 | 28,625 |
| Credit Hours by Class | | | | | |
| Undergraduate | 289,479 | 286,337 | 269,467 | 257,171 | 255,460 |
| Graduate | 45,971 | 44,849 | 43,868 | 43,476 | 45,837 |

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, AND FACULTY DATA

| ADMISSIONS | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Fall | 2011 | 2012 | 2013 | 2014 | 2015 |
| New Freshmen Admissions (Fall Final) | | | | | |
| Freshmen Applicants | 6,654 | 6,762 | 6,001 | 6,159 | 7,126 |
| % Change | 3.6% | 1.6% | -11.3% | 2.6% | 15.7% |
| Freshmen Acceptances | 5,949 | 6,066 | 5,289 | 5,552 | 6,382 |
| % Accepted | 89.4% | 89.7% | 88.1% | 90.1% | 89.6% |
| Freshmen Matriculants | 2,274 | 2,178 | 1,939 | 1,970 | 2,058 |
| % Matriculated | 38.2% | 35.9% | 36.7% | 35.5% | 32.2% |
| Matriculants / Applicants | 34.2% | 32.2% | 32.3% | 32.0% | 28.9% |
| % Instate Students | 89.5% | 89.2% | 87.6% | 85.5% | 84.1% |
| New Transfer Student Admissions (Fall Final) | | | | | |
| Transfer Applicants | 1,373 | 1,397 | 1,187 | 1,235 | 1,243 |
| % Change | -6.5% | 1.7% | -15.0% | 4.0% | 0.6% |
| Transfer Acceptances | 1,330 | 1,272 | 1,136 | 1,183 | 1,198 |
| % Accepted | 96.9% | 91.1% | 95.7% | 95.8% | 96.4% |
| Transfer Matriculants | 817 | 753 | 658 | 670 | 631 |
| % Matriculated | 61.4% | 59.2% | 57.9% | 56.6% | 52.7% |
| Matriculants / Applicants | 59.5% | 53.9% | 55.4% | 54.3% | 50.8% |
| % Instate Students | 84.60% | 82.30% | 81.90% | 80.40% | 78.8% |
| Fiscal Year/Academic Summer-Spring | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| New Graduate Student Admissions (Full Year) | | | | | |
| Graduate Applicants | 2,583 | 2,445 | 2,477 | 2,742 | 2,869 |
| % Change | 35.5% | -5.3% | 1.3% | 10.7% | 4.6% |
| Graduate Acceptances | 1,461 | 1,380 | 1,345 | 1,280 | 1,763 |
| % Accepted | 56.6% | 56.4% | 54.3% | 46.7% | 61.4% |
| Graduate Matriculants | 992 | 882 | 911 | 837 | 1,163 |
| % Matriculated | 67.9% | 63.9% | 67.7% | 65.4% | 66.0% |
| Matriculants / Applicants | 38.4% | 36.1% | 36.8% | 30.5% | 40.5% |
| % Instate Students | 68.1% | 67.7% | 65.6% | 66.9% | 72.1% |
| NEW FRESHMEN STUDENT QUALITY INDICATORS | | | | | |
| Fall | 2011 | 2012 | 2013 | 2014 | 2015 |
| SAT Scores | 1,053 | 1,052 | 1,027 | 1,050 | 1039 |
| ACT Scores | 22.2 | 22.2 | 22.1 | 22.1 | 22.4 |
| % of Freshmen in Top 25% of their H.S. | 38% | 35% | 36% | 35% | 35% |
| NEW FRESHMEN RETENTION AND GRADUATION RATES | | | | | |
| Cohort Year | Fall 2011 | Fall 2012 | Fall 2013 | Fall 2014 | Fall 2015 |
| Retention Rate (Fresh to Soph Year) | 69.9% | 66.5% | 66.2% | 69.3% | 71.5% |
| Cohort Year | Fall 2007 | Fall 2008 | Fall 2009 | Fall 2010 | Fall 2011 |
| Graduation Rate (within 4 years) | 26.6% | 26.9% | 26.6% | 29.4% | 28.1% |
| Cohort Year | Fall 2006 | Fall 2007 | Fall 2008 | Fall 2009 | Fall 2010 |
| Graduation Rate (within 5 years) | 42.2% | 42.7% | 42.7% | 44.0% | 45.3% |
| Cohort Year | Fall 2005 | Fall 2006 | Fall 2007 | Fall 2008 | Fall 2009 |
| Graduation Rate (within 6 years) | 45.6% | 44.8% | 44.8% | 46.3% | 47.6% |

ENROLLMENT, ADMISSIONS, STUDENT CHARGES, AND FACULTY DATA

| STUDENT CHARGES - UNDERGRADUATE | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year/Academic Fall & Spring | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Tuition - Resident (15 cr hrs per sem) | \$5,300 | \$5,464 | \$5,748 | \$6,024 | \$6,372 |
| % Change | 13.2% | 3.1% | 5.2% | 4.8% | 5.8% |
| Tuition - Nonresident (15 cr hrs per sem) | \$16,822 | \$16,988 | \$17,292 | \$17,568 | \$17,958 |
| % Change | 6.0% | 1.0% | 1.8% | 1.6% | 2.2% |
| Room and Board (Tier 1 Dorm and 19 meals) | \$9,750 | \$10,044 | \$10,140 | \$10,360 | \$10,360 |
| % Change | 9.3% | 3.0% | 1.0% | 2.2% | 0.0% |
| Required Fees and Charges* (15 cr hrs per sem) | \$1,323 | \$1,373 | \$1,420 | \$1,709 | \$1,794 |
| % Change | 0.5% | 3.8% | 3.4% | 20.4% | 5.0% |
| Total Costs Charged - Resident | \$16,373 | \$16,881 | \$17,308 | \$18,093 | \$18,526 |
| % Change | 9.8% | 3.1% | 2.5% | 4.5% | 2.4% |
| Total Costs Charged - Nonresident | \$27,895 | \$28,405 | \$28,852 | \$29,637 | \$30,112 |
| % Change | 6.9% | 1.8% | 1.6% | 2.7% | 1.6% |
| *Includes student services, technology, library and capital (beginning FY2014-15) fees. | | | | | |
| TUITION CHARGES - GRADUATE* | | | | | |
| Fiscal Year/Academic Fall-Spring | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Tuition Master's Low - Resident | \$6,390 | \$7,668 | \$7,974 | \$8,208 | \$8,622 |
| % Change | 14.9% | 20.0% | 4.0% | 2.9% | 5.0% |
| Tuition Master's High - Resident | \$8,010 | \$9,216 | \$9,486 | \$9,774 | \$9,972 |
| % Change | 19.9% | 15.1% | 2.9% | 3.0% | 2.0% |
| Tuition Doctoral Low - Resident | \$8,190 | \$8,190 | \$8,514 | \$8,766 | \$9,108 |
| % Change | 26.0% | 0.0% | 4.0% | 3.0% | 3.9% |
| Tuition Doctoral High - Resident | \$8,964 | \$10,044 | \$10,440 | \$10,746 | \$10,962 |
| % Change | 15.0% | 12.0% | 3.9% | 2.9% | 2.0% |
| Tuition Master's Low - Nonresident | \$16,326 | \$13,860 | \$14,112 | \$14,364 | \$14,634 |
| % Change | 15.0% | -15.1% | 1.8% | 1.8% | 1.9% |
| Tuition Master's High - Nonresident | \$17,604 | \$18,810 | \$19,080 | \$19,368 | \$19,566 |
| % Change | 15.1% | 6.9% | 1.4% | 1.5% | 1.0% |
| Tuition Doctoral Low - Nonresident | \$19,278 | \$19,278 | \$19,602 | \$19,854 | \$20,196 |
| % Change | 16.4% | 0.0% | 1.7% | 1.3% | 1.7% |
| Tuition Doctoral High - Nonresident | \$19,638 | \$20,754 | \$21,132 | \$21,438 | \$21,744 |
| % Change | 10.0% | 5.7% | 1.8% | 1.4% | 1.4% |
| *Academic year amount (based on 9 credit hours per semester). | | | | | |
| FACULTY DATA - FALL CENSUS | | | | | |
| Fall | 2011 | 2012 | 2013 | 2014 | 2015 |
| Total Faculty | 683 | 737 | 764 | 770 | 799 |
| Full time Faculty | 492 | 483 | 504 | 490 | 485 |
| Part time Faculty | 191 | 254 | 260 | 280 | 314 |
| Student to Faculty Ratio* | 20 | 20 | 18 | 17 | 18 |
| *[(Full time Students + 1/3 Part time Students) / (Full time Faculty + 1/3 Part time Faculty)] from IPEDS Fall Enrollment Report | | | | | |



**BOARD OF TRUSTEES
AS OF JUNE 30, 2016**

Richard L. Monfort

Chairman of the Board of Trustees
Self-Employed Businessman/Investor

Paul Washington

Vice Chairman of the Board of Trustees
Executive Director of the Denver Office of
Economic Development

Tony Salazar

Executive Director of the Colorado Education
Association

Christine Scanlan

President and CEO of The Keystone Center

Kevin Ahern

Founder, Chairman and CEO of CIC
Bancshares, Inc.

S. Kato Crews

Partner, Hoffman Crews Nies Waggener &
Foster

Kelly M. Johnson

Stanford Children's Health and Lucile Packard
Children's Hospital Stanford Vice President for
Patient Care Services and Chief Nursing Officer

R. Vishwanathan "Vish" Iyer

Faculty Trustee
University of Northern Colorado

Brandon Miller

Student Trustee
University of Northern Colorado

**ADMINISTRATION
AS OF JUNE 30, 2016**

Kay Norton

President

Robbyn Wacker

Provost and Senior Vice President for
Academic Affairs

Michelle Quinn

Senior Vice President and Chief Financial
Officer
Treasurer to the Board of Trustees

Daniel Satriana, Jr.

Vice President and General Counsel
Secretary to the Board of Trustees

Wayne Webster

Vice President for Development and Alumni
Relations

Dan Weaver

Vice President for External and University
Relations

Gloria Reynolds

Assistant to the President

Additional copies of the 2016 Annual Financial
Report may be obtained from:

Susan L. Simmers

Assistant Vice President for Finance
University of Northern Colorado
501 20th Street, Campus Box 22
Greeley, CO 80639
970-351-2109

THE CAMPUS COMMONS: At the Heart of a UNC Education

