



UNIVERSITY OF
**NORTHERN
COLORADO**

BOARD OF TRUSTEES AGENDA ITEM

Meeting Date: Nov 15th, 2019

☐ Action Item

☒ Discussion Item

☐ Information Item

**Name of
Item:**

UNC Financial Condition

Responsible Staff Member: Michelle Quinn

Summary of Issue:

The purpose of this document is to provide historical financial information as a foundation for future financial discussions.

Recommended Action by BOT:

☐ Approval

☒ No Action Needed

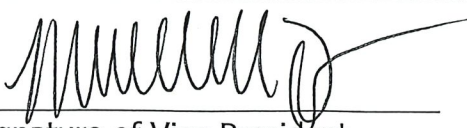
Change to Board Policy Manual:

☐ Approval

☒ No Action Needed

If yes, Section:


Administrative Recommendation (Motion):



Signature of Vice President

11/7/19

Date



Signature of President

11/8/19

Date

UNC

Financial Condition

November 2019

Background and Document Purpose

At their September 2019 meeting, several board members asked questions about UNC's financial condition. These questions emerged out of discussions of both UNC's FY19 fourth quarter financial report and information about Fall 2019 opening enrollment and preliminary revenue projections. The purpose of this document is to provide historical financial information and the forecast for FY20. It may not fully answer every question that was asked, and follow-up information can be provided.

This document includes:

I. Cash and Factors Driving Changes (pages 2-9)

- A review of cash balances from June 30, 2010 through the June 30, 2020 forecast.
- A discussion of the factors that drive changes in cash through revenues and expenses.
- Details of the changes in cash for FY17 through FY19.

II. Key Financial Indicators (pages 10-16)

- A description of the two sets of financial indicators used by UNC (Moody's Investor Service metrics and the Composite Financial Index) in the following categories:
 - Market Profile
 - Reserves & Liquidity
 - Operating Performance
 - Debt & Leverage
- Trends in UNC's key financial indicators over the time when UNC's cash balances declined from \$80.6 million (2013) to \$40.5 million (2018).
- Comparison of UNC FY18 key financial ratios to other Colorado colleges and universities.

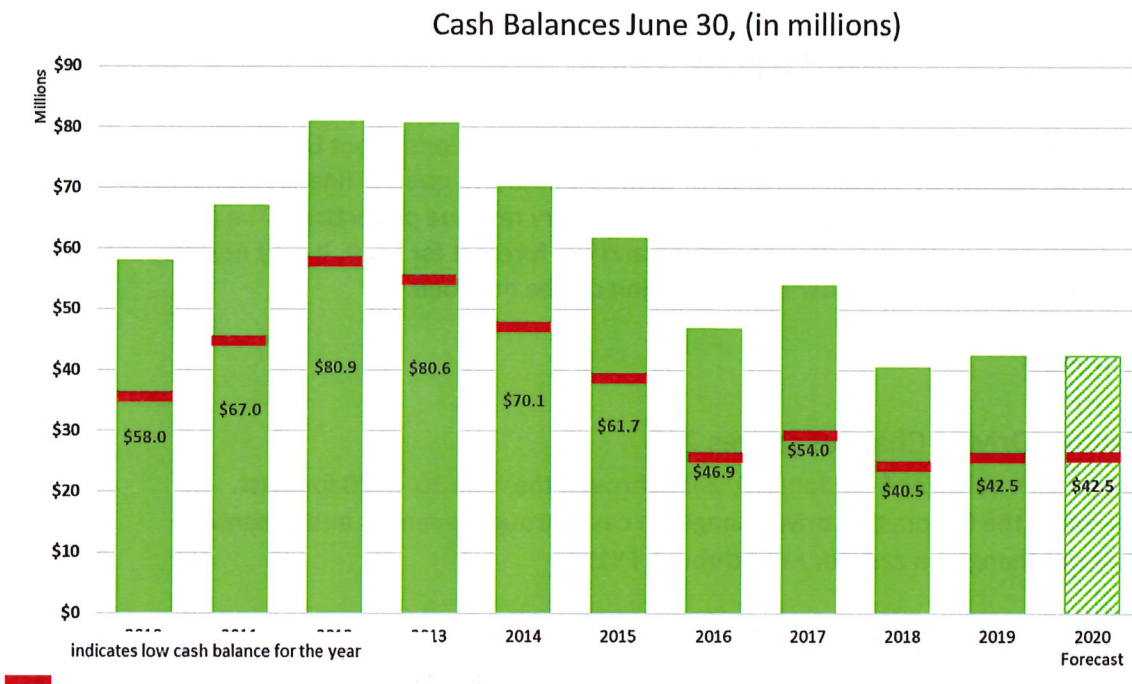
III. FY20 Forecast and Future Financial Planning (pages 16-18)

- FY20 Forecast as of Q1.
- Future financial planning including rolling five-year capital and technology plans.

I. Cash and Factors Driving Changes

Cash Balances 2010-2020

Figure 1



From 2010-2013 cash increased \$22.6 million

Major factors included:

- State Fiscal Stabilization Funds (SFSF) funding through the federal American Recovery & Reinvestment Act subsidized Colorado higher education funding. With the loss of the SFSF funding, UNC's "state" appropriation dropped from \$44.1 million in FY10 to \$32.3 million in FY13.
- Annual tuition increases were ~10% (undergraduate) and ~15% (graduate).
- Faculty and exempt salaries were frozen FY10 through FY12.

From 2014-2018 cash decreased by about half, from \$80.6 million to \$40.5 million

Major factors included:

- State funding ranged from a low of \$33.6 million (FY14) to a high of \$41.1 million (FY16) and back down to \$39.6 million in FY18.
- Undergraduate student FTE dropped 9% from 9,545 (FY13) to 8,688 (FY18) while graduate student FTE grew 21.6% from 1,869 (FY13) to 2,272 (FY18).
- Increases in institutional aid resulted in growth of the undergraduate discount rate from less than 20% to 29.9% in FY18. Notably, the resident freshman discount rate hit a high of 47% in Fall 2017 (FY18).
- Expenses increased as investments were made with the intention of increasing recruitment and student success.
- Annual salary increases ranged from 2%-5%.
- A FY16 \$4 million state fee-for-service payment was received after June 30, creating a decline in cash in 2016 offset by an increase in 2017.
- In 2017, the sale of University Apartments netted \$6.6 million in cash.

In 2019, cash increased to \$42.5 million and is forecasted to remain stable in 2020

Major factors include:

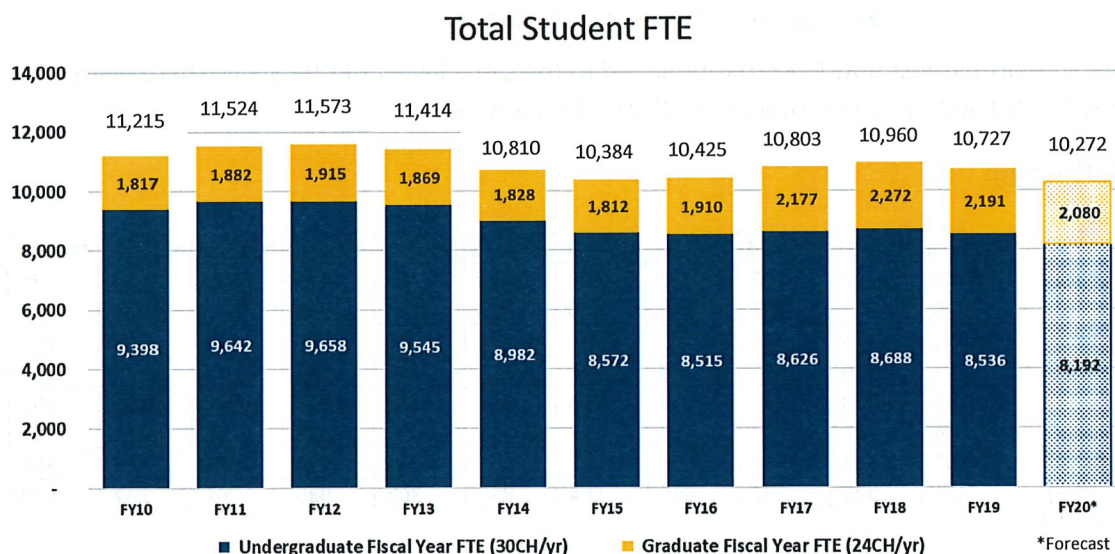
- Adjustments have been made to undergraduate discounting, with resident freshman discount rate declining from 47% (Fall 2017) to about 40% (Fall 2018 and Fall 2019). The overall discount rate, including transfer and part-time students is forecasted to be about 27% in FY20 (down from 30% in FY18).
- State funding has increased from \$39.6 million in FY18 to \$47.1 million in FY20.
- Personnel and non-personnel expense reductions have been implemented and salaries have not been increased in FY19 or FY20. FY18 operating expenses totaled \$195.1 million; FY20 is forecasted at \$188.6 million.

Key Factors that Impact Cash

Below are figures that describe the primary factors affecting cash. On the revenue side, the primary factors are enrollment and state support. On the expense side, UNC's largest expenses are related to personnel.

Enrollment

Figure 2

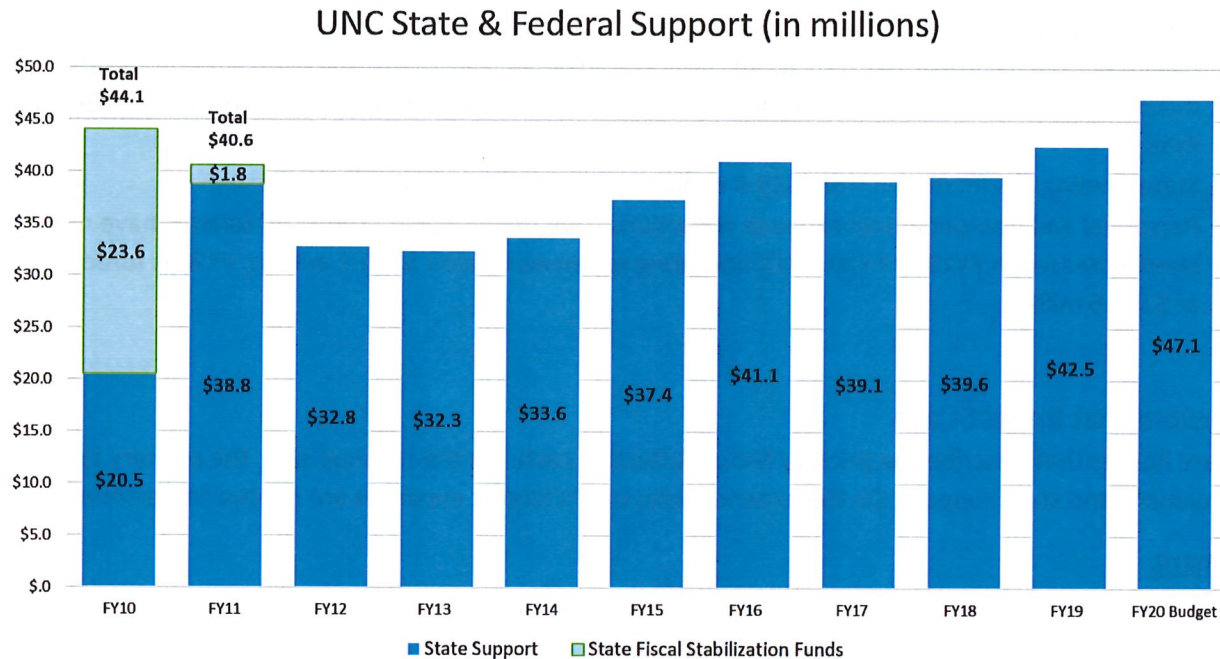


FY20 total student FTE is forecast to be down 11.2% from the peak within the 10-year lookback window. The key impact upon operating cash is the decrease of undergraduate enrollment, which is down 15% from peak levels.

See Attachment A for additional details about enrollment.

State Funding

Figure 3



UNC's total state support has just now in FY20 rebounded to the same level as FY10. While there were healthy increases in FY19 and FY20, the forecast for FY21 is less promising.

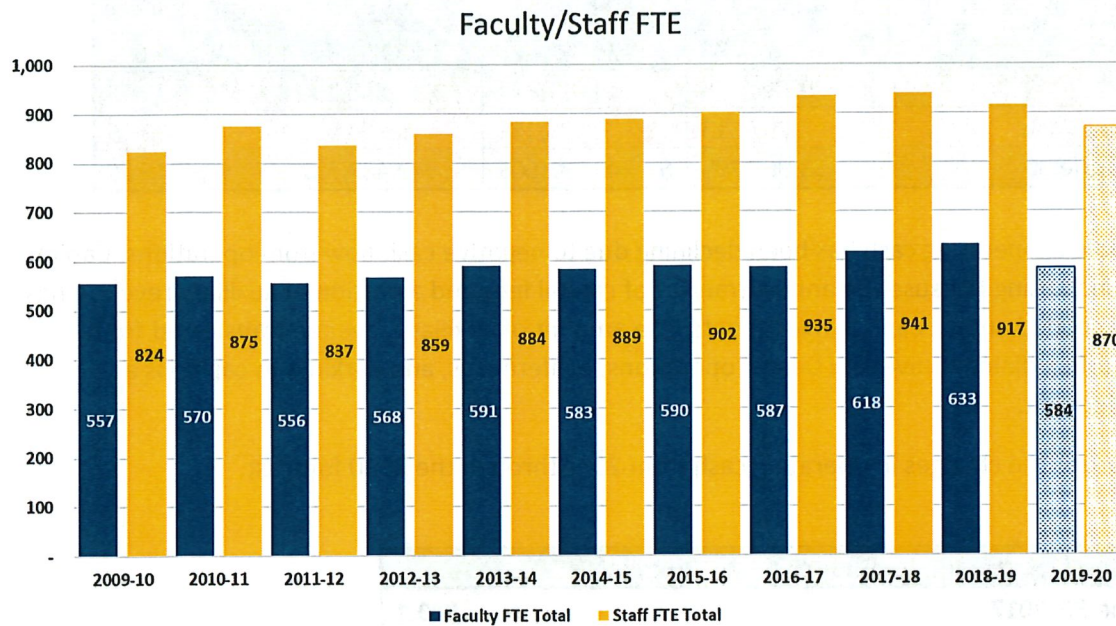
Faculty and Staff Trends

Table 1

Employee Counts	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Full-time Faculty	488	498	492	483	504	490	485	485	509	514	475
Part-time Faculty	206	217	191	254	260	280	314	305	328	358	327
Faculty Headcount Total	694	715	683	737	764	770	799	790	837	872	802
Faculty FTE Total (FT +PT/3)	557	570	556	568	591	583	590	587	618	633	584
Full-time Staff	796	850	813	839	865	867	882	916	920	900	855
Part-time Staff	84	75	72	60	57	65	59	58	63	51	44
Staff Headcount Total	880	925	885	899	922	932	941	974	983	951	899
Staff FTE Total (FT +PT/3)	824	875	837	859	884	889	902	935	941	917	870

Source: IPEDS, 2019-20 is unofficial.

Figure 4



As discussed above, UNC invested in faculty and staff to support increased enrollment and student success. With lower student FTE, UNC reduced staff FTE in FY19, and both faculty and staff in the current fiscal year.

Details of Changes in Cash—FY17 through FY19

Table 2 shows three years (2017-2019) of UNC's actual year-end cash balances and the 2020 forecast. Balances are segregated into three primary categories:

- **Operating**— "Operating Cash" receives all operating revenues and pays all operating expenses. Consistent with definitions related to Moody's Investor Service and Composite Financial Index ratios (discussed in Section II), operating cash includes the student capital fee¹, donor gifts designated for capital, and all auxiliary revenue. The student capital fee, donor gifts for capital, and a portion of auxiliary revenues are annually transferred out of operating cash to capital cash.
- **Capital**—"Capital Cash" is funded by state capital appropriations, bond proceeds, and the transfer of operating revenues discussed above (capital fee, donor gifts for capital, and a portion of auxiliary revenues).
- **Restricted Fund**—"Restricted Fund Cash" includes grants and Perkins loan activity. Grants are typically funded by the federal and state government on a reimbursement basis and therefore, operating cash is transferred to restricted funds to cover cash flow needs prior to reimbursement. The balance is typically below \$1 million. The close out of the Perkins loan program has caused greater variability in restricted fund cash as loans are collected and held pending repayment to the federal government.

Note that these categories are internal accounting protocols; in reality, all cash is commingled in the State Treasury and transferred in and out of U.S. Bank daily. More detail about internal cash management protocols, including the definition and purpose of reserves, is included in Attachment B.

¹ The student capital fee generates approximately \$7 million, of which \$2 million is used for debt service (Health Center, Rec Center, sport fields, and Campus Commons) leaving \$5 million for capital projects.

Table 2

Cash Balances				
	2017	2018	2019	2020 Forecast
Operating Cash	\$ 40,050,136	\$ 24,982,410	\$ 25,894,421	\$ 26,206,039
Capital Cash	12,619,146	14,611,044	15,538,250	16,233,675
Restricted Fund Cash	1,297,513	938,151	1,054,666	54,666
Total Cash at June 30	\$ 53,966,795	\$ 40,531,605	\$ 42,487,337	\$ 42,494,380

As shown in Table 2, operating cash has been declining due to negative cash flow from operations. Capital cash has been increasing because the annual transfer of capital fees and a portion of auxiliary revenue has intentionally exceeded annual capital investments. The amount of auxiliary revenue transferred from operations (housing, dining, University Center operations, conferences, and parking) to capital is a management decision.

Table 3 summarizes the changes in operating cash from 2017 through the 2020 forecast.

Table 3

Operating Cash Changes (\$ in millions)	
Balance at June 30, 2017	\$40.1
FY18	
Sale of Foundation Hall	0.2
Paydate shift from 7/1 to 6/30	(6.4)
FY18 Operating cash loss*	(8.9)
	(15.1)
FY19	
Release of bond reserve	0.7
FY19 Operating cash gain*	0.2
	0.9
FY20 Forecasted operating cash gain*	0.3
Forecasted Balance at June 30, 2020	26.2

**Includes effect of capital transfers and small timing differences*

FY17 to FY19 Operating, Capital, and Restricted Fund Cash Flows

UNC's internal quarterly financial reports have been structured to provide management and the Board with information about what drives UNC's changes in cash. These reports start with information about cash and reserves (see Attachment B for details about reserves) and then provide details about factors that affect cash, including:

- Changes in student accounts receivable
- Operating revenues and expenditures, including details about student revenues (tuition, fees, discounting, room & board) which comprise about 70% of UNC's operating resources
- Strategic investment expenditures (which are separated from operating expenditures only because they are project-based and have balances that carry forward from year-to-year)
- Capital projects
- Restricted fund grants and contracts
- Financial aid details, which regardless of source (federal, state, or institutional) is not an additional revenue stream, but a subsidy to the student to help with affordability. All financial aid "revenue" is

implicitly included in UNC's tuition, fee, and room and board revenues as shown in the operating budget.

- Foundation support details included in operating budget revenues as operational program support, capital gifts, and scholarships (implicitly included in tuition and fee revenues).

The FY17, FY18, and FY19 Q4 financial reports have been summarized in the three tables below (Tables 4-6), focusing on the changes in operating, capital, and restricted fund cash.

Table 4

CHANGES IN OPERATING CASH					
		Actuals			
	Notes	FY17	FY18	FY19	Total 2-year Change
Inflows					
Undergrad Net Tuition & Fee Revenue (NTR)	1	71,940,295	70,856,022	74,350,888	2,410,593
<i>FTE Enrollment</i>		8,626	8,688	8,536	(90)
<i>NTR per FTE</i>		\$ 8,340	\$ 8,156	\$ 8,710	\$ 370
<i>Discount rate</i>		24.6%	29.9%	27.6%	3.0%
Grad Net Tuition & Fee Revenue (NTR)	1	26,788,630	28,520,287	28,149,823	1,361,193
<i>FTE Enrollment</i>		2,177	2,271	2,191	14
<i>NTR per FTE</i>		\$ 12,305	\$ 12,558	\$ 12,848	\$ 543
<i>Discount rate</i>		16.9%	17.0%	16.5%	-0.4%
Room & Board (net of waivers)	1	32,208,925	33,013,046	31,486,899	(722,026)
<i>Fall Opening occupancy</i>		3,540	3,490	3,297	(243)
State Funding		39,113,234	39,597,408	42,492,726	3,379,492
Donor Operating Support		4,313,375	5,331,480	5,435,204	1,121,829
Donor Capital Support	2	220,498	3,806,156	1,983,533	1,763,035
Other Revenue	1	18,360,248	18,452,387	18,069,343	(290,905)
Total Revenue (Inflows)		192,945,205	199,576,786	201,968,416.0	9,023,211
Outflows					
Operating Expenses					-
Personnel		133,212,730	138,481,920	137,471,398	4,258,668
Non-personnel		45,159,191	44,789,768	44,646,832	(512,359)
Bond & Lease payments		11,927,864	11,865,568	11,016,468	(911,396)
Total Operating Expenses (Outflows)		190,299,785	195,137,256	193,134,698	2,834,913
Strategic Investment Expenses (Outflows)		3,550,869	4,216,931	3,522,803	(28,066)
Transfers to Capital from Operating Revenue					-
Student Capital Fee and % of Auxiliary Rev	1	5,911,522	6,587,870	5,814,758	(96,764)
Donor Funded Capital	2	224,944	3,806,156	1,371,929	1,146,985
Total Transfers to Capital (Outflows)		6,136,466	10,394,026	7,186,687	1,050,221
OPERATING INFLOW/(OUTFLOW) BEFORE BALANCE SHEET AND TIMING CHANGES					
		(7,041,915)	(10,171,427)	(1,875,772)	5,166,143
Sale of University Assets	3	6,585,068	248,776	-	
Timing Changes & Other					
FY16 Fee for Service payment		3,469,094	-	-	
Payroll date shift from 7/1 to 6/30		-	(6,414,644)	-	
Release of Mandatory Bond Reserve		-	-	750,000	
Other Timing/Balance Sheet changes	4	(1,452,712)	1,269,568	2,037,783	
Total Timing Changes & Other		2,016,382	(5,145,076)	2,787,783	
TOTAL OPERATING INFLOW/(OUTFLOW)		1,559,535	(15,067,727)	912,011	

Notes

1. Operating revenues (inflows) transferred to capital typically include \$5.0M in Student Capital Fee revenue, \$1.8M in Room & Board, \$0.5M in Parking revenue.
2. Donor Capital Support comes in as a revenue (inflow), then is transferred out as Donor Funded Capital.
3. University Apartments was sold in FY17 and Foundation Hall in FY18.
4. Other Timing/Balance Sheet changes consists mainly of changes in Agency and Financial Statement adjustment funds as well as changes in receivables and payables.

Table 5

CHANGES IN CAPITAL CASH				
		Actuals		
	Notes	FY17	FY18	FY19
Inflows				
Student Capital Fee transfer		3,492,621	4,040,036	5,212,070
Housing & Dining transfer		1,800,000	1,800,000	-
Parking transfer		472,174	567,627	540,084
Energy Rebate/General fund transfers		146,727	180,207	62,604
Subtotal Institutionally-Funded capital	1,2	5,911,522	6,587,870	5,814,758
Donor-Funded capital transfers		224,944	3,806,156	1,371,929
Total Transfers from Operating		6,136,466	10,394,026	7,186,687
State Capital Appropriation		15,242,549	22,227,857	4,872,238
Bond Proceeds	5	7,865,979	8,009,839	14,436,694
Grant-Funded capital transfers		-	-	500,000
Total Inflows		29,244,994	40,631,722	26,995,619
Outflows				
Institutionally-Funded Expenditures		(4,040,111)	(4,618,713)	(4,492,028)
Donor-Funded Expenditures		(135,316)	(3,786,156)	(1,259,903)
State-Funded Expenditures		(15,221,671)	(23,514,662)	(5,106,748)
Bond-Funded Expenditures	5	(4,312,134)	(10,416,322)	(13,167,929)
Grant-Funded Expenditures		-	-	(5,972)
Total Outflows		(23,709,232)	(42,335,853)	(24,032,580)
Timing Changes & Other	6	526,196	3,696,030	(2,035,833)
TOTAL CAPITAL INFLOW/(OUTFLOW)		6,061,958	1,991,899	927,206

Notes

1. Operating revenues (inflows) transferred to capital typically include \$5.0M in Student Capital Fee revenue, \$1.8M in Room & Board, \$0.5M in Parking revenue.
2. Donor Capital Support comes in as a revenue (inflow), then is transferred out as Donor Funded Capital.
3. University Apartments was sold in FY17 and Foundation Hall in FY18.
4. Other Timing/Balance Sheet changes consists mainly of changes in Agency and Financial Statement adjustment funds as well as changes in receivables and payables.
5. \$4.0M of Campus Commons Bond funds were expended in FY16, but the cash was transferred to Capital funds in FY17.
6. Timing Changes & Other consists mainly of changes in receivables and payables.

Table 6

CHANGES IN RESTRICTED CASH				
		Actuals		
	Notes	FY17	FY18	FY19
Restricted Cash				
Transfers to Capital cash		-	-	(500,000)
Collection of Perkins loans & other		(528,168)	(359,362)	616,515
TOTAL RESTRICTED INFLOW/(OUTFLOW)		(528,168)	(359,362)	116,515
Total Change in Cash		7,093,325	(13,435,190)	1,955,732
Beginning Cash		46,873,470	53,966,795	40,531,605
Ending Cash		53,966,795	40,531,605	42,487,337

II. Key Financial Indicators

The first section of this document focused on UNC's cash trends and the key factors that drive changes in cash. This section focuses on a higher-level overview of UNC's finances by looking at key financial indicators. Two sets of indicators are used: metrics developed by Moody's Investor Service (Moody's) and the Composite Financial Index (CFI). The CFI was developed for higher education by the consulting firms KPMG, Prager, Sealy & Co. LLC, and Attain.

To organize the discussion, the Moody's and CFI financial indicators are grouped into the following categories: Market Profile, Reserves & Liquidity, Operating Performance, and Debt & Leverage. These categories are a hybrid of the Moody's scorecard and the CFI conceptual framework. Table 7 provides a summary of the two sets of indicators.

Table 7

Key Financial Indicators Overview		
	Moody's*	CFI
Overview	Used by Moody's for credit ratings analysis. Comparison data is available for Moody's subscribers; North Slope Capital Advisors provided Colorado comparisons.	Used by the Higher Learning Commission as part of their annual review. Also currently used by the Colorado Joint Budget Committee (JBC) analyst. Colorado comparisons available from the JBC analyst.
Market Profile-Indicators that describe an institutions overall position	Indicators include overall rating, total student FTE, Percent of FTE that is undergraduate, total operating revenue, and the annual change in operating revenue.	One indicator: the CFI composite score (1-10 scale) derived from the four ratios described below.
Reserves & Liquidity	Two indicators: monthly days cash on hand and total cash and investments	One indicator: the primary reserve ratio (the percent of annual expenses covered by expendable net assets)
Operating Performance	One indicator: operating cashflow margin	Two indicators: the net operating revenue ratio and the return on net assets.
Debt & Leverage	One indicator: percent of debt covered by spendable cash & investments	One indicator: the viability ratio (the percent of debt covered by expendable net assets)
*Moody's has many indicators that were not included in this review		

All of the indicators are derived from data in financial statements prepared according to generally accepted accounting principles (GAAP). The CFI is based on a comprehensive view of institutional and associated foundation financial results. Moody's metrics emphasize institutional results and include only limited foundation financial results. Both the UNC and Foundation balance sheet and income statement for FY18 are included in Attachment C for reference.

Market Profile

Moody's uses a market profile as part of its overall ratings scorecard. Table 8 shows the changes in UNC's bond rating from A1 to A3 since 2013. Note that Moody's FTE calculations are slightly different than those used by UNC, but the trend is the same. Also included is the overall Composite Financial Index as a point of reference.

Table 8

University of Northern Colorado Trends including Foundation (\$ in thousands)	Moody's	CFI	2013	2014	2015	2016	2017	2018
Market Profile								
Moody's Bond Rating	x		A1	A1	A1	A1	A2	A3
Total FTE (Per Moodys)	x		11,148	10,612	10,634	11,126	11,337	11,179
% of Enrollment that is Undergraduate	x		83.8%	83.8%	82.7%	81.7%	80.5%	80.7%
Operating Revenue	x		\$ 187,678	\$ 189,321	\$ 192,172	\$ 199,305	\$ 205,356	\$ 213,453
Annual Change in Operating Revenue	x		1.4%	0.9%	1.5%	3.7%	3.0%	3.9%
Composite Financial Index		x	2.07	1.39	0.78	0.44	1.40	1.60

Table 9

2018 Colorado Higher Education Institutions including Foundations (\$ in thousands)	Moody's	CFI	2018 Colorado State University System	2018 University of Colorado System	2018 Colorado School of Mines	2018 Adams State	2018 Colorado Mesa	2018 Fort Lewis	2018 MSU Denver	2018 Western State
Market Profile										
Moody's Bond Rating	x		Aa3	Aa1	A1	A3	A2	A2	A1	Baa1
Total FTE (Per Moodys)	x		39,644	55,684	5,961	3,018	7,498	3,072	15,087	2,448
% of Enrollment that is Undergraduate	x		80.8%	81.1%	80.3%	61.2%	99.0%	99.2%	96.8%	87.3%
Operating Revenue	x		\$ 1,391,897	\$ 4,215,331	\$ 268,982	\$ 53,678	\$ 126,310	\$ 72,144	\$ 203,867	\$ 54,312
Annual Change in Operating Revenue	x		10.1%	8.7%	4.9%	-1.9%	1.9%	-0.1%	5.4%	2.4%
Composite Financial Index		x	3.1	4.0	3.3	(0.0)	2.2	1.0	0.8	1.3

Table 9 shows the 2018 Market Profile data for other Colorado schools. UNC is omitted in the interest of space but is in the last column of Table 8. Attachment D lays out all of the key financial indicators on two pages—UNC trends from 2013 to 2018 and UNC 2018 metrics in comparison to other Colorado schools and Moody's medians for A1, A2, and A3 schools.

Reserves and Liquidity

As discussed in the first section, UNC's cash decreased by 50% from 2013 to 2018. The effect of this change can be seen in both Moody's and CFI metrics for reserves and liquidity.

Table 10

University of Northern Colorado Trends including Foundation (\$ in thousands)	Moody's	CFI	2013	2014	2015	2016	2017	2018
Reserves & Liquidity								
Monthly Days Cash on Hand	x		169	134	117	90	98	72
Numerator: Cash and investments that can be liquidated within a month (x365)			\$ 79,905	\$ 66,661	\$ 60,991	\$ 46,121	\$ 53,198	\$ 39,881
Denominator: Operating expenses (excludes scholarships, depreciation & PERA non-cash; includes interest on debt)			\$ 172,473	\$ 181,305	\$ 189,946	\$ 186,426	\$ 198,134	\$ 202,457
Total Cash & Investments	x		\$ 178,092	\$ 181,434	\$ 174,079	\$ 161,468	\$ 170,311	\$ 169,711
Primary Reserve		x	50%	43%	37%	33%	32%	26%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			\$ 104,426	\$ 94,316	\$ 84,190	\$ 75,095	\$ 75,574	\$ 65,304
Denominator: Total expenses (excludes investment losses & capital expenditures)			\$ 209,874	\$ 220,720	\$ 225,805	\$ 227,923	\$ 239,830	\$ 252,498

Note: Table 10 cash excludes the bond reserve (e.g. 2018 \$39,881) and Table 2 (e.g. 2018 \$40,531,605) includes them

Table 11

2018 Colorado Higher Education Institutions including Foundations (\$ in thousands)	Moody's	CFI	2018 Colorado State University System	2018 University of Colorado System	2018 Colorado School of Mines	2018 Adams State	2018 Colorado Mesa	2018 Fort Lewis	2018 MSU Denver	2018 Western State
Reserves & Liquidity										
Monthly Days Cash on Hand	x		150	247	174	124	159	170	118	132
Numerator: Cash & investments that can be liquidated within a month (x365)			\$ 512,057	\$2,574,576	\$117,483	\$16,968	\$ 46,830	\$ 31,359	\$ 62,012	\$18,080
Denominator: Operating expenses (excludes scholarships, depreciation & PERA non-cash; includes interest on debt)			\$1,241,867	\$3,810,708	\$245,739	\$49,987	\$107,774	\$ 67,251	\$192,307	\$49,843
Total Cash & Investments	x		\$1,109,195	\$4,322,200	\$500,217	\$41,812	\$ 80,625	\$ 53,018	\$ 82,524	\$38,433
Primary Reserve		x	57%	61%	86%	37%	46%	54%	32%	36%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			837,261	3,137,044	257,473	22,232	65,298	43,494	76,483	21,650
Denominator: Total expense (excludes investment losses & capital expenditures)			1,471,883	5,150,776	299,647	59,788	142,402	80,471	236,354	60,932

Monthly Days Cash on Hand (Moody's)

To assess liquidity, Moody's measures how many days of institutional operating expenses can be covered from cash (and/or investments that can be liquidated with one month). Operating expenses exclude scholarships, depreciation, and PERA non-cash pension adjustments, but include interest payments on debt.

As shown in Table 10, UNC's liquidity has declined from 169 days of cash on hand (2013) to 72 days cash on hand (2018).

UNC's 72 days of cash on hand (2018) is similar to Moody's A3 median of 74 days (see Attachment D) but less than other Colorado colleges and universities (Table 11).

Total Cash and Investments (Moody's)

Another Moody's metric assesses reserves by looking at total institutional and foundation cash and investments. This indicator fluctuates with changes in the market value of the endowment, but UNC's decline since 2013 can be attributed to the institution's decline in cash (Table 10).

Primary Reserve (CFI)

The CFI does not address liquidity but focuses on expendable net assets (net assets = asset - liabilities, akin to “equity”) available to cover total expenses. Expendable net assets do not include endowment or capital assets, and UNC’s decline from 2013 to 2018 (Table 10) is driven primarily by reductions in cash. Note that total expenses include both institutional and foundation expenses. UNC’s 2018 primary reserve ratio of 26% is lower relative to other Colorado schools.

Operating Performance

Operating performance key financial indicators are used by Moody’s to assess a university’s ability to repay debt and make “strategic investment in programs and facilities” while “sustaining long-term economic viability.”² Also included are operating performance metrics from the Composite Financial Index. Notably, different calculations of operating revenue and operating expenses are used by Moody’s and the CFI. For reference, page 2 of Attachment C shows FY18 operating revenue as presented on UNC’s financial statements (\$202.4 million), as calculated by Moody’s (\$213.5 million), and as calculated in the CFI (\$245.5 million).

Table 12 reflects UNC trends and Table 13 shows other Colorado school 2018 results.

Table 12

University of Northern Colorado Trends including Foundation (\$ in thousands)	Moody's	CFI	2013	2014	2015	2016	2017	2018
Operating Performance								
Operating Cashflow Margin	x		11.3%	7.3%	3.9%	9.0%	6.3%	7.3%
Numerator: Operating Cash Flow			\$ 21,215	\$ 13,766	\$ 7,522	\$ 18,001	\$ 12,840	\$ 15,676
Denominator: Total Operating Revenue			\$ 187,678	\$ 189,321	\$ 192,172	\$ 199,305	\$ 205,356	\$ 213,453
Net Operating Revenue Ratio		x	-1.6%	-4.2%	-5.8%	-5.4%	-5.3%	-2.8%
Numerator: Net income before capital			(3,403)	(8,878)	(12,367)	(11,621)	(12,068)	(6,986)
Denominator: Discounted revenue (net of institutional aid)			206,471	211,842	213,438	216,302	227,761	245,512
Return on Net Assets		x	3.1%	0.5%	-2.5%	-4.5%	5.9%	8.0%
Numerator: Change in total net assets			\$ 8,362	\$ 1,428	\$ (7,056)	\$ (12,373)	\$ 15,202	\$ 21,906
Denominator: Beginning total net assets			\$ 269,317	\$ 277,679	\$ 279,107	\$ 272,021	\$ 259,649	\$ 274,851

Table 13

2018 Colorado Higher Education Institutions including Foundations (\$ in thousands)	Moody's	CFI	2018 Colorado State University System	2018 University of Colorado System	2018 Colorado School of Mines	2018 Adams State	2018 Colorado Mesa	2018 Fort Lewis	2018 MSU Denver	2018 Western State
Operating Performance										
Operating Cashflow Margin	x		13.8%	11.4%	12.1%	13.8%	21.7%	9.5%	7.9%	17.3%
Numerator: Operating Cash Flow			\$ 191,617	\$ 480,811	\$ 32,473	\$ 7,426	\$ 27,357	\$ 6,823	\$ 16,019	\$ 9,400
Denominator: Total Operating Revenue			\$ 1,391,897	\$ 4,215,331	\$ 268,982	\$ 53,678	\$ 126,310	\$ 72,144	\$ 203,867	\$ 54,312
Net Operating Revenue Ratio		x	2.8%	1.3%	0.8%	-13.9%	4.6%	-10.6%	-3.0%	-3.0%
Numerator: Net income before capital			\$ 42,923	\$ 56,991	\$ 2,398	\$ (7,321)	\$ 6,792	\$ (7,586)	\$ (6,978)	\$ (1,789)
Denominator: Discounted revenue (net of institutional aid)			\$ 1,522,641	\$ 4,549,447	\$ 302,045	\$ 52,763	\$ 147,208	\$ 71,407	\$ 229,369	\$ 59,143
Return on Net Assets		x	8.3%	8.1%	2.4%	-2.1%	3.9%	-3.0%	-2.8%	3.8%
Numerator: Change in total net assets			\$ 142,309	\$ 427,394	\$ 15,522	\$ (1,839)	\$ 11,141	\$ (5,280)	\$ (3,562)	\$ 3,377
Denominator: Beginning total net assets			\$ 1,714,084	\$ 5,278,608	\$ 645,037	\$ 85,911	\$ 283,578	\$ 178,736	\$ 127,317	\$ 89,109

² Moody’s Global Higher Education Rating Methodology

Operating Cash Flow Margin (Moody's)

Moody's uses an institutional cash flow metric for evaluating operating performance, which avoids fluctuations in foundation endowment performance and the effect of accounting accruals and deferrals. The metric is operating cash flow as a percent of operating revenue. Moody's operating revenue calculation includes a three-year average of foundation spendable revenues and handles the discounting/scholarship allowance calculation differently than GAAP financial statements.

UNC's cash flow margin declined from 2013 to 2015 but has increased since then. The cashflow margin is positive despite UNC's decreasing cash balances. This is because cash expended for bonds and capital leases (~\$11.5 million) and all cash expended for capital projects and capitalized equipment (~\$10-\$15 million) is excluded from the calculation. UNC's 2018 cashflow margin of 7.3% is lower than other Colorado schools.

Net Operating Revenue Ratio (Composite Financial Index)

The Composite Financial Index uses both institutional and foundation operating results to assess operating performance. The metric uses net income (excluding non-cash pension expense but including depreciation) as a percent of operating revenue, essentially a profitability indicator. UNC's net operating revenue ratio declined from 2013 to 2016 and increased in 2017 and 2018. In 2018 UNC's ratio was -2.8%, which was better than Adams State and Fort Lewis, but worse than other Colorado schools.

Return on Net Assets (Composite Financial Index)

This metric also reflects the performance of institutions and foundations. It includes both operating and capital results (state capital appropriations and endowment market gains/losses). The return on net assets shows change in total net assets (including capital and endowment) as a percent of beginning total net assets. It is intended to show how effective an institution is at using its assets to generate growth. In 2017 and 2018 UNC's return on net assets was positively affected by both state capital appropriations and Foundation revenues (contribution of land and market returns). Because state capital appropriations have a significant positive affect, any comparisons need to take that factor into account.

Debt & Leverage

In making debt decisions, both the total amount of debt relative to assets and the affordability of the debt service should be considered. The two ratios presented below address only with the first perspective. The CFI doesn't include any measure to address the affordability of debt service, but future versions of UNC's key financial indicators will include a Moody's affordability indicator. From a practical perspective, UNC considers affordability by building debt service (both principal and interest) into the annual operating budget. All UNC operating cash flow tables in Sections I and III of this document include debt service.

Table 14

University of Northern Colorado Trends including Foundation (\$ in thousands)	Moody's	CFI	2013	2014	2015	2016	2017	2018
Debt & Leverage								
Spendable Cash & Investments to Total Debt	x		73%	70%	66%	59%	54%	53%
Numerator: Spendable Cash & Investments			\$ 107,571	\$ 99,449	\$ 90,683	\$ 82,497	\$ 85,431	\$ 80,245
Denominator: Total Direct Bond Debt			\$ 147,721	\$ 142,475	\$ 137,125	\$ 139,825	\$ 157,465	\$ 152,551
Viability		x	68%	63%	59%	51%	45%	40%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			\$ 104,426	\$ 94,316	\$ 84,190	\$ 75,095	\$ 75,574	\$ 65,304
Denominator: Current & long-term debt including capital leases			\$ 153,748	\$ 150,487	\$ 143,805	\$ 146,139	\$ 167,396	\$ 161,965

Table 15

2018 Colorado Higher Education Institutions including Foundations (\$ in thousands)	Moody's	CFI	2018 Colorado State University System	2018 University of Colorado System	2018 Colorado School of Mines	2018 Adams State	2018 Colorado Mesa	2018 Fort Lewis	2018 MSU Denver	2018 Western State
Debt & Leverage										
Spendable Cash & Investments to Total Debt	x		74%	221%	109%	37%	27%	82%	54%	20%
Numerator: Spendable Cash & Investments			\$ 836,056	\$ 3,705,333	\$ 311,167	\$ 25,597	\$ 57,498	\$ 41,099	\$ 78,439	\$ 17,986
Denominator: Total Direct Bond Debt			\$ 1,126,000	\$ 1,679,000	\$ 286,000	\$ 70,000	\$ 215,000	\$ 50,000	\$ 145,000	\$ 89,000
Viability		x	66%	172%	83%	32%	30%	82%	54%	24%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			\$ 837,261	\$ 3,137,044	\$ 257,473	\$ 22,232	\$ 65,298	\$ 43,494	\$ 76,483	\$ 21,650
Denominator: Current & long-term debt including capital leases			\$ 1,271,291	\$ 1,818,648	\$ 311,949	\$ 70,008	\$ 218,559	\$ 53,020	\$ 142,364	\$ 89,243

Spendable Cash and Investments to Total Debt (Moody's)

This ratio answers the question: How much of an institution's bond principal could theoretically be paid off with the institution's and foundation's combined cash and investments (excluding endowment corpus)? Again, because UNC's cash has been declining, this ratio has been declining. In 2018 UNC's ratio was 53%, which is lower than other Colorado research institutions, but higher than Adams State, Colorado Mesa, and Western State - institutions that have made significant facilities investments in recent years.

Viability (CFI)

The viability ratio answers the question: How much of an institution's capital lease and bond principal could theoretically be paid off with the institution's and foundation's expendable net assets? Again, UNC's ratio has been declining, and at 40% in 2018 is lower than other Colorado research institutions but higher than Adams State, Colorado Mesa, and Western State.

In comparing the denominators for the two ratios, it appears that the research institutions make greater use of capital leases than Adams State, Colorado Mesa, and Western State.

Summary of Key Financial Indicators

UNC's cash decline from 2013 to 2018 is consistently reflected in the historical trends of both the Moody's and CFI financial indicators. Improvements in the Operating Performance Ratios in 2018 and 2019 (included as part of UNC's FY19 preliminary financial statements) are due to cost containment results and debt refinancing.

III. FY20 Forecast and Future Financial Planning

Shifting from a review of the past toward our outlook for the future, there is good news and also there are continuing challenges in enrollment and state funding. This year's vision and planning work will shape our priorities and decisions about future investments and financial plans.

FY20 Forecast

As of the end of the first quarter, UNC is on track to sustain or slightly increase cash. As detailed in the Finance & Audit Committee FY20 Q1 Financial Report and summarized below in Table 16, we are forecasting a positive operating cash inflow of \$0.3 million. Revenues are forecasted at \$199.8 million (\$2.2 million negative variance from budget) and expenditures (including capital transfers) are forecasted at \$199.5 million (\$3.6 million positive variance from budget).

Table 16

CHANGES IN OPERATING CASH					
		Actuals		FY20	
	Notes	FY19	Budget	Forecast	Change from FY19 to Forecast
Inflows					
Undergrad Net Tuition & Fee Revenue (NTR)	1	74,350,888	72,317,096	71,818,876	(2,532,012)
<i>FTE Enrollment</i>		8,536	8,309	8,192	(344)
<i>NTR per FTE</i>		\$ 8,710	\$ 8,703	\$ 8,767	\$ 57
<i>Discount rate</i>		27.6%	28.9%	27.2%	-0.4%
Grad Net Tuition & Fee Revenue (NTR)	1	28,149,823	28,396,778	27,805,937	(343,886)
<i>FTE Enrollment</i>		2,191	2,069	2,080	(111)
<i>NTR per FTE</i>		\$ 12,848	\$ 13,725	\$ 13,368	\$ 520
<i>Discount rate</i>		16.5%	15.5%	15.7%	-0.8%
Room & Board (net of waivers)	1	31,486,899	30,661,227	28,575,905	(2,910,994)
<i>Fall Opening occupancy</i>		3,297		3,074	(223)
State Funding		42,492,726	47,079,464	47,079,464	4,586,738
Donor Operating Support		5,435,204	5,108,946	5,243,330	(191,874)
Donor Capital Support	2	1,983,533	361,000	793,469	(1,190,064)
Other Revenue	1	18,069,343	18,175,908	18,444,185	374,842
Total Revenue (Inflows)		201,968,416.0	202,100,419	199,761,166	(2,207,250)
Outflows					
Operating Expenses					-
Personnel		137,471,398	136,131,147	133,443,000	(4,028,398)
Non-personnel		44,646,832	45,738,940	43,811,465	(835,367)
Bond & Lease payments		11,016,468	11,580,887	11,370,765	354,297
Total Operating Expenses (Outflows)		193,134,698	193,450,974	188,625,230	(4,509,468)
Strategic Investment Expenses (Outflows)		3,522,803	3,906,424	3,835,527	312,724
Transfers to Capital from Operating Revenue					-
Student Capital Fee and % of Auxiliary Rev	1	5,814,758	7,300,022	7,415,022	1,600,264
Donor Funded Capital	2	1,371,929	361,000	793,469	(578,460)
Total Transfers to Capital (Outflows)		7,186,687	7,661,022	8,208,491	1,021,804
OPERATING INFLOW/(OUTFLOW) BEFORE BALANCE SHEET AND TIMING CHANGES		(1,875,772)	(2,918,001)	(908,082)	967,690
Sale of University Assets	3	-	-	-	
Timing Changes & Other					
FY16 Fee for Service payment		-	-	-	
Payroll date shift from 7/1 to 6/30		-	-	-	
Release of Mandatory Bond Reserve		750,000	-	-	
Other Timing/Balance Sheet changes	4	2,037,783	1,822,145	1,219,701	
Total Timing Changes & Other		2,787,783	1,822,145	1,219,701	
TOTAL OPERATING INFLOW/(OUTFLOW)		912,011	(1,095,856)	311,619	

Notes

1. Operating revenues (inflows) transferred to capital typically include \$5.0M in Student Capital Fee revenue, \$1.8M
2. Donor Capital Support comes in as a revenue (inflow), then is transferred out as Donor Funded Capital.
3. University Apartments was sold in FY17 and Foundation Hall in FY18.
4. Other Timing/Balance Sheet changes consists mainly of changes in Agency and Financial Statement adjustment funds as well as changes

Future Financial Planning

At the September Board meeting, trustees inquired about multi-year plans for capital and technology infrastructure and how that would affect UNC's future financial planning. Using this year's vision and planning as guidance, UNC intends to develop rolling five-year plans for both capital and technology. The following information is provided for context:

- UNC's campus is about 250 acres with approximately 100 buildings, including 16 residence halls.
- Total building gross square footage is 3.3 million.
- The current replacement value of UNC's facilities is \$792 million and calculated deferred maintenance needs are \$190 million.
- UNC's most recent facilities master plan was completed in 2003.
- For FY21, UNC has one capital project currently in the governor's budget—a \$3.8 million boiler. The governor's budget also includes a lump sum for controlled maintenance, which we expect will cover \$1.3 million for Michener fire sprinklers (phase 1). We have additional project that may or may not be covered (\$0.3 million for roof replacements and \$0.6 million for Michener chiller). UNC had requested \$1.3 million for technology infrastructure, which is not in the governor's budget. The Capital Development Committee and Joint Technology Committee hearings are in mid-December.
- For FY22, UNC is planning to submit capital requests and controlled maintenance projects:
 - Gray Hall mechanical at \$3.6 million
 - Frasier renovation at an amount to be determined
 - Michener fire sprinklers phase 2 at \$0.8 million
 - Roof, chiller, and windows projects to be determined, depending upon FY21 outcomes.
- As a separate Board agenda item, UNC has an overview of our developing five-year technology plan.

Undergraduate Enrollment												
	Actual										Forecast	
	FY10 Fall 2009	FY11 Fall 2010	FY12 Fall 2011	FY13 Fall 2012	FY14 Fall 2013	FY15 Fall 2014	FY16 Fall 2015	FY17 Fall 2016	FY18 Fall 2017	FY19 Fall 2018	FY20 Fall 2019	
New First-Time	New First-Time headcount was approximately 2,200, other details are unavailable.											
New Transfer												
Continuing Degree-Seeking												
Non-Degree				154	183	316	477	408	876	976	872	
Total Headcount	9,974	10,090	10,231	10,102	9,710	9,424	9,394	9,503	9,976	9,876	9,326	
Fiscal Year FTE (Full-Year)	9,398	9,642	9,658	9,545	8,982	8,572	8,515	8,626	8,688	8,536	8,192	
% Change from Prior Year		2.6%	0.2%	-1.2%	-5.9%	-4.6%	-0.7%	1.3%	0.7%	-1.7%	-4.0%	
SCH	281,946	289,250	289,749	286,337	269,467	257,171	255,460	258,792	260,629	256,087	245,771	
IPEDS FTE	9,412	9,555	9,662	9,548	9,069	8,599	8,475	8,654	8,675	8,547		

Graduate Enrollment												
	Actual										Forecast	
	FY10 Fall 2009	FY11 Fall 2010	FY12 Fall 2011	FY13 Fall 2012	FY14 Fall 2013	FY15 Fall 2014	FY16 Fall 2015	FY17 Fall 2016	FY18 Fall 2017	FY19 Fall 2018	FY20 Fall 2019	
New First-Time	Details are unavailable.											
Continuing												
Non-Degree												
Total Headcount	2,174	2,268	2,368	2,395	2,374	2,360	2,542	2,757	2,992	2,986	2,916	
Fiscal Year FTE (Full-Year)	1,817	1,882	1,915	1,869	1,828	1,812	1,910	2,177	2,272	2,191	2,080	
% Change from Prior Year		3.6%	1.8%	-2.4%	-2.2%	-0.9%	5.4%	14.0%	4.3%	-3.6%	-5.0%	
SCH	43,607	45,170	45,971	44,849	43,868	43,476	45,837	52,257	54,516	52,572	49,922	
IPEDS FTE	1,767	1,917	1,884	1,921	1,844	1,797	1,902	2,081	2,267	2,220		

NOTE: Fiscal Year FTE figures are based on the full fiscal year (Fall, Interim, Spring, Summer) not IPEDS (uses preceding Summer)

NOTE: Headcount figures are as of Fall-Census.

Source: Fall Enrollment from Census Gold Book

For internal management purposes cash is accounted for in various operating and reserve funds. Accounting standards have changed significantly over the past twenty years from requiring multi-column fund-based financial statements to single-column “business type activity” financial statements (GASB 34 and 35). However, state reporting requirements and grant funding necessitate that UNC continue to maintain an underlying fund-based approach to accounting. Grant and donor funds, capital projects, course fees, and multi-year projects like faculty start-up packages have fund balances that roll-forward from year-to-year. However, UNC eliminated a previously common higher education practice of individual units “rolling forward” operating fund balances.

UNC’s approach toward a conceptual model for reporting uncommitted and committed cash balances continues to evolve, with the intent of managing things like course fees, capital fees and multi-year project cash differently than general operating cash. As internal resource allocation models and protocols change, our cash balances model will need to continue to evolve. The conceptual model is shown in table 1.

Table 1

Cash Balances Conceptual Model			
	Operating	Capital	Restricted Fund
Committed	(1) Operating resources including state appropriations, tuition, student fees, course fees, extended campus tuition, room & board, athletics revenue etc., that are used for personnel and non-personnel expenditures. Includes a) annual operating budgets and b) “strategic investment” projects and course fees which roll-forward from year-to-year. The collective balance of these funds is close to \$0 at the cash low-point in mid-August	(2) Capital projects are funded each year from capital reserves, state appropriations and bond proceeds. Balances carry forward until the project is complete. Upon completion, unused funds are returned to capital reserves.	(3) Restricted fund cash includes Perkins loan funds and funds needed to cover grant expenses as grants are typically reimbursed rather than pre-paid.
Reserves	Operating Reserves include the University Reserve and Risk Management Reserve . These two reserves could be combined but keeping them separate allows deductibles and other uninsured losses to be differentiated from changes to the University Reserve due to operating results.	Capital Reserves are funded by transfers from operating revenues including donor capital funds, student capital fees (net of debt service) and a portion of auxiliary revenues.	Beginning in 2019 UNC does not have any restricted reserves.

Cash Balance Detail

Table 2 breaks out the operating, capital and restricted June 30 balances into committed funds and uncommitted reserves.

The underlying concept is that at the end of each fiscal year *committed funds* include:

- Operating funds needed to cover cash flow in the new year until the annual August 15 low-point
- Capital funds that have been committed to projects through the year ending on June 30, but have not been fully expended.
- All restricted funds unless specifically identified as a reserve.

Therefore, *uncommitted reserves* include:

- Operating funds available for contingencies like insurance deductibles and legal settlements, as well as any future operating losses.
- Capital funds available for the upcoming year's capital projects and reserves for contingencies like a chiller failure.
- Any mandatory restricted reserve such as the bond reserve for repair and replacement.

Table 2

Cash Balances				
	2017	2018	2019	2020 Forecast
Committed				
Operating (1)	\$ 19,526,087	\$ 14,897,034	\$ 19,598,353	\$ 19,598,352
Capital Projects (2)	4,698,472	4,415,679	3,299,796	3,327,532
Restricted Fund Cash (3)	547,513	188,151	1,054,666	54,666
Total Committed at June 30	\$ 24,772,072	\$ 19,500,864	\$ 23,952,815	\$ 22,980,550
Uncommitted Reserves				
Operating Reserve (4)	\$ 20,524,049	\$ 10,085,376	\$ 6,296,068	\$ 6,607,687
Capital Reserve (5)	7,920,674	10,195,365	12,238,454	12,906,143
Bond Reserve	750,000	750,000		
Total Reserves at June 30	\$ 29,194,723	\$ 21,030,741	\$ 18,534,522	\$ 19,513,830
Totals				
Total Cash at June 30	\$ 53,966,795	\$ 40,531,605	\$ 42,487,337	\$ 42,494,380
Reduction in Cash to Low Po	\$ (23,270,832)	\$ (14,843,724)	\$ (15,308,998)	\$ (14,994,380)
Total Cash at August 15 Low	\$ 30,695,963	\$ 25,687,881	\$ 27,178,339	\$ 27,500,000

Notes to Table 2:

1. At June 30, committed operating cash is roughly equivalent to the cash needed to carry the university through the annual cash low-point in mid-August (a new fiscal year). Notably, the operating cash includes general funds as well as designated course fee funds, and the current year's estimate of cash needed for multi-year commitments like faculty start-up packages.
2. At June 30, committed capital project cash is the funded balance of all active projects. In July, capital project cash is increased to fund all projects approved for the new year.

3. Restricted cash includes Perkins loan funds and funds needed to cover grant expenses as grants are typically reimbursed rather than pre-paid. In 2019 restricted cash balances were unusually high due to Perkins Loan funds that will be returned to the federal government in 2020.
4. Operating reserves were \$20.5 million in 2017 and are forecasted to be at \$6.6 million in 2020.

Table 3

Operating Reserve Changes (\$ in millions)	
Balance at June 30, 2017	\$20.5
FY18	
Sale of Foundation Hall	0.2
Paydate shift from 7/1 to 6/	(6.4)
FY18 Operating cash loss*	(8.9)
	(15.1)
FY19	
Release of bond reserve	0.7
FY19 Operating cash gain*	0.2
	0.9
FY20 Forecasted operating cash gain*	0.3
Forecasted Balance at June 30, 2020	6.6

**Includes effect of capital transfers and small timing differences*

5. The capital reserve is funded by transfers from operating cash of ~\$5.0 million in student capital fees and ~ \$2.3 million from auxiliary facility revenues. In the past several years capital reserves have grown as deferred maintenance and small capital projects have been limited.

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2018

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,781,605	\$ 2,083,310
Student accounts receivable, net	5,752,210	-
Pledges receivable, net, current portion	-	1,385,161
Other receivables, net	3,571,571	95,136
Investments, current portion	-	2,000,000
Inventories	1,025,428	-
Loans to students, net, current portion	371,065	-
Other assets	746,136	104,961
Total Current Assets	51,248,015	5,668,568
Noncurrent Assets		
Restricted cash and cash equivalents	21,092,553	-
Restricted investments	551,030	-
Pledges receivable, net, noncurrent portion	-	2,234,403
Loans to students, net, noncurrent portion	4,633,357	-
Investments, noncurrent portion	-	125,844,131
Capital assets, net	280,451,539	873,949
Total Noncurrent Assets	306,728,479	128,952,483
TOTAL ASSETS	357,976,494	134,621,051
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refundings	2,608,080	-
Deferred amount on pensions	54,929,065	-
Deferred amount on other post-employment benefits	201,050	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	57,738,195	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	14,547,066	915,890
Unearned revenue	8,431,282	-
Bonds payable, current portion	4,520,000	-
Capital leases payable, current portion	595,508	-
Funds held for the University of Northern Colorado	-	549,879
Perkins liquidation liability, current portion	399,551	-
Other current liabilities	1,875,462	-
Total Current Liabilities	30,368,869	1,465,769
Noncurrent Liabilities		
Unearned revenue	60,000	-
Bonds payable, noncurrent portion	149,468,992	-
Capital leases payable, noncurrent portion	7,380,475	-
Other noncurrent liabilities	64,802	-
Net pension liabilities	239,421,801	-
Net other postemployment benefits liabilities	5,574,596	-
Perkins liquidation liability, noncurrent portion	3,773,935	-
Annuity obligations	-	160,797
Compensated absence liabilities	4,815,917	-
Total Noncurrent Liabilities	410,560,518	160,797
TOTAL LIABILITIES	440,929,387	1,626,566
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on debt refundings	822,333	-
Deferred amount on pensions	19,289,079	-
Deferred amount on other postemployment benefits	342,378	-
Deferred amount on other	37,526	-
TOTAL DEFERRED INFLOWS OF RESOURCES	20,491,316	-
NET POSITION		
Net investment in capital assets	140,162,416	873,949
Restricted for:		
Nonexpendable		
Scholarships and fellowships	306,155	49,205,954
Academic support	1,400	-
Other	-	40,058,472
Expendable		
Scholarships and fellowships	237,894	4,997,264
Loans	855,118	-
Bond reserve	750,000	-
Other	91,118	26,672,668
Unrestricted	(188,110,115)	11,186,178
TOTAL NET POSITION	\$ (45,706,014)	\$ 132,994,485

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
Operating Revenues		
Student tuition and fees, net	\$ 112,140,222	\$ -
Contributions	-	8,591,913
Contributed services and donations of property	-	9,374,935
Federal grants and contracts	6,104,048	-
State and local grants and contracts	7,991,588	-
State Fee-For-Service contract	24,101,529	-
Nongovernmental grants and contracts	8,900,643	-
Sales and services of educational activities	385,959	-
Auxiliary operating revenue	32,253,460	-
Interest and dividends	-	2,087,877
Net realized and unrealized gain (loss)	-	7,401,954
Other operating revenue	10,499,926	185,838
Total Operating Revenues	202,377,375	27,642,517
Operating Expenses		
Educational and general		
Instruction	95,536,017	-
Research	4,488,972	-
Public service	2,003,994	-
Academic support	26,058,018	-
Student services	33,574,940	-
Institutional support	26,912,753	-
Operation of plant	21,061,371	-
Scholarships and fellowships	17,499,491	-
Program	-	14,463,357
Management and general	-	806,279
Fundraising	-	-
Pledges receivable write off	-	43,708
Auxiliary operating expenditures	30,036,439	-
Depreciation	17,226,655	-
Total Operating Expenses	274,398,650	15,313,344
Operating Income (Loss)	(72,021,275)	12,329,173
Nonoperating Revenues (Expenses)		
Investment income, net of investment expense	498,878	-
Interest on capital asset related debt	(4,679,924)	-
Federal grants and contracts revenue	14,365,442	-
Perkins return of federal loan program contributions (expense)	(4,899,338)	-
Other nonoperating revenue (expense)	807,891	-
Net Nonoperating Revenues (Expenses)	6,092,949	-
Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)	(65,928,326)	12,329,173
Capital appropriations	22,227,857	-
Capital grants and gifts	4,217,216	-
Student capital fee revenue	7,127,013	-
Gain (Loss) on disposal of capital assets	37,525	-
Total Other Changes	33,609,611	-
Increase (Decrease) in Net Position	(32,318,715)	12,329,173
Net Position		
Beginning of year, as previously reported	(7,707,511)	120,665,312
Prior period adjustment from change in accounting principle	(5,679,788)	-
Net Position, beginning of year, as restated	(13,387,299)	120,665,312
Net Position, End of Year	\$ (45,706,014)	\$ 132,994,485

See notes to the financial statements

UNIVERSITY OF NORTHERN COLORADO FOUNDATION, INC.**Statement of Financial Position**

	June 30, 2018	Summarized Financial Information for the Year Ended June 30, 2017
Assets		
Assets		
Cash and cash equivalents	\$ 2,083,310	\$ 4,107,862
Investments	110,353,351	104,511,969
Pledges receivable, net	3,619,564	4,974,848
Accrued interest	95,136	129,343
Property and equipment, net	873,949	901,145
Life insurance policies	97,539	52,470
Land held for sale	9,360,000	-
Prepays and other assets	7,422	14,697
Beneficial interest in long-term trusts held by others	<u>8,130,780</u>	<u>7,490,883</u>
Total assets	<u>\$ 134,621,051</u>	<u>\$ 122,183,217</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 915,890	\$ 816,363
Obligations under gift annuity agreements	160,797	125,165
Assets held for others	<u>549,879</u>	<u>576,377</u>
Total liabilities	<u>1,626,566</u>	<u>1,517,905</u>
Net assets		
Unrestricted		
Undesignated	10,870,159	9,872,752
Board-designated	<u>1,189,968</u>	<u>1,403,039</u>
Total unrestricted net assets	12,060,127	11,275,791
Temporarily restricted	31,669,932	24,711,214
Permanently restricted	<u>89,264,426</u>	<u>84,678,307</u>
Total net assets	<u>132,994,485</u>	<u>120,665,312</u>
Total liabilities and net assets	<u>\$ 134,621,051</u>	<u>\$ 122,183,217</u>

UNIVERSITY OF NORTHERN COLORADO FOUNDATION, INC.

Statement of Activities

	For the Year Ended June 30, 2018				Summarized Financial Information for the Year Ended June 30, 2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues, gains, and support					
Contributions, net	\$ 44,983	\$ 6,842,204	\$ 1,719,661	\$ 8,606,848	\$ 5,811,908
Donation of land	-	9,360,000	-	9,360,000	-
Interest and dividends	456,671	322,600	1,308,606	2,087,877	1,954,570
Net realized and unrealized gains	1,727,025	430,271	4,608,397	6,765,693	9,211,422
Change in value of charitable gift annuities and long-term trusts held by others	-	-	636,261	636,261	679,909
Other income	5,593	180,245	-	185,838	403,296
Total revenues, gains, and support	<u>2,234,272</u>	<u>17,135,320</u>	<u>8,272,925</u>	<u>27,642,517</u>	<u>18,061,105</u>
Net assets released from restrictions					
Management fees earned	1,312,047	(133,696)	(1,178,351)	-	-
Satisfaction of program restrictions	<u>12,571,029</u>	<u>(9,999,705)</u>	<u>(2,571,324)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>13,883,076</u>	<u>(10,133,401)</u>	<u>(3,749,675)</u>	<u>-</u>	<u>-</u>
Expenses					
Programs, scholarships, and capital support	14,463,357	-	-	14,463,357	9,664,369
Management and general	<u>806,279</u>	<u>-</u>	<u>-</u>	<u>806,279</u>	<u>833,859</u>
Total expenses	<u>15,269,636</u>	<u>-</u>	<u>-</u>	<u>15,269,636</u>	<u>10,498,228</u>
Other losses					
Provision for uncollectible pledges, net of recoveries	<u>43,708</u>	<u>-</u>	<u>-</u>	<u>43,708</u>	<u>290,452</u>
Total other losses	<u>43,708</u>	<u>-</u>	<u>-</u>	<u>43,708</u>	<u>290,452</u>
Change in net assets	804,004	7,001,919	4,523,250	12,329,173	7,272,425
Transfer of net assets	(19,668)	(43,201)	62,869	-	-
Net assets at beginning of year	<u>11,275,791</u>	<u>24,711,214</u>	<u>84,678,307</u>	<u>120,665,312</u>	<u>113,392,887</u>
Net assets at end of year	<u>\$ 12,060,127</u>	<u>\$ 31,669,932</u>	<u>\$ 89,264,426</u>	<u>\$ 132,994,485</u>	<u>\$ 120,665,312</u>

UNIVERSITY OF NORTHERN COLORADO FOUNDATION, INC.**Statement of Cash Flows**

	For the Year Ended June 30, 2018	Summarized Financial Information for the Year Ended June 30, 2017
Cash flows from operating activities		
Change in net assets	<u>\$ 12,329,173</u>	<u>\$ 7,272,425</u>
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	36,206	45,462
Loss on disposal of property and equipment	-	18,958
Net realized and unrealized gains	(7,103,378)	(9,534,760)
Provision for uncollectible pledges, net of recoveries	43,708	290,452
Accretion in cash surrender value of life insurance policies	(45,069)	(3,635)
Change in value of charitable gift annuities and long-term trusts held by others	(636,261)	(679,909)
Contributions restricted for investment in endowments	(1,719,661)	(1,010,633)
Donated land held for sale	(9,360,000)	-
Changes in assets and liabilities		
Pledges receivable	1,311,576	1,843,773
Accrued interest	34,207	6,098
Prepays and other assets	7,275	28,399
Accounts payable and accrued expenses	99,527	146,135
Assets held for others	<u>(26,498)</u>	<u>(26,760)</u>
	<u>(17,358,368)</u>	<u>(8,876,420)</u>
Net cash used in operating activities	<u>(5,029,195)</u>	<u>(1,603,995)</u>
Cash flows from investing activities		
Sales of investments	17,202,021	15,383,443
Purchases of investments	(15,940,025)	(12,789,478)
Purchase of property and equipment	<u>(9,010)</u>	<u>(739)</u>
Net cash provided by investing activities	<u>1,252,986</u>	<u>2,593,226</u>
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowments	1,719,661	1,010,633
Receipts (payments) of gift annuity obligations	<u>31,996</u>	<u>(19,913)</u>
Net cash provided by financing activities	<u>1,751,657</u>	<u>990,720</u>
Net (decrease) increase in cash and cash equivalents	(2,024,552)	1,979,951
Cash and cash equivalents at beginning of year	<u>4,107,862</u>	<u>2,127,911</u>
Cash and cash equivalents at end of year	<u>\$ 2,083,310</u>	<u>\$ 4,107,862</u>

FY 18 Net Tuition & Fees and Operating Revenues			
	Financial Statements	Moody's	CFI
UNC			
Gross Tuition & Fees (w/o capital)	\$ 127,904,389	\$ 127,904,389	\$ 127,904,389
Capital Fee	see below	7,127,013	see below
COF	15,495,879	15,495,879	15,495,879
Pell	see below	14,365,442	see below
Colorado Scholarships / TEACH/ SEOG	see below	5,986,275	see below
Scholarship Allowance	(31,260,047)	(48,759,047)	(31,260,047)
Net Tuition & Fees	\$ 112,140,221	\$ 122,119,951	n/a
Colorado Scholarships / TEACH/ SEOG	5,986,275	see above	5,986,275
State Grants	2,245,098	2,245,098	2,245,098
State Fee-for-Service	24,101,529	24,101,529	24,101,529
Federal Grants	5,864,263	5,864,263	5,864,263
Private Grants	8,900,643	8,900,643	8,900,643
Audiology Lab and Other Sales of Educ Activities	385,959	385,959	385,959
Auxiliary Revenue: Housing, Dining, Conferences, Parking, etc.	32,253,460	32,253,460	32,253,460
Other Operating Revenue: Athletics, PVA, Misc Fees & Fines like transcripts,application, library, collection costs, etc.	10,499,926	10,499,926	10,499,926
Fin Stmt Operating Revenue	202,377,374		
Interest and Rent	1,307,993	not included	1,307,993
Pell	14,365,442	see above	14,365,442
Capital Fee	7,127,013	see above	7,127,013
Capital Appropriation	22,227,857	not included	not included
Capital Gifts	4,217,216	4,217,216	4,217,216
Gain on Disposal of Asset	37,525	not included	not included
Fin Stmt Non-operating & Capital	33,609,611		
FOUNDATION OPERATING REVENUE			
Unrestricted contribution, interest, realized/unrealized gains & losses. Moody's uses 3-year average spending rate		2,866,000	2,234,272
Mangement Fees			1,312,047
Net assets released from restrictions (spent for donor-intended purpose)			12,571,029
Foundation Operating Revenue		2,866,000	16,117,348
Moody's /CFI Operating Revenue		213,454,045	245,512,386

UNC Key Financial Indicator Trends

University of Northern Colorado Trends including Foundation (\$ in thousands)	Moody's	CFI	2013	2014	2015	2016	2017	2018
Market Profile								
Moodys Bond Rating	x		A1	A1	A1	A1	A2	A3
Total FTE (Per Moodys)	x		11,148	10,612	10,634	11,126	11,337	11,179
% of Enrollment that is Undergraduate	x		83.8%	83.8%	82.7%	81.7%	80.5%	80.7%
Operating Revenue	x		\$ 187,678	\$ 189,321	\$ 192,172	\$ 199,305	\$ 205,356	\$ 213,453
Annual Change in Operating Revenue	x		1.4%	0.9%	1.5%	3.7%	3.0%	3.9%
Composite Financial Index		x	2.07	1.39	0.78	0.44	1.40	1.60
Reserves & Liquidity								
Monthly Days Cash on Hand	x		169	134	117	90	98	72
Numerator: Cash and investments that can be liquidated within a month (x 365)			\$ 79,905	\$ 66,661	\$ 60,991	\$ 46,121	\$ 53,198	\$ 39,881
Denominator: Operating expenses (excludes scholarships, depreciation & PERA non-cash; includes interest on debt)			\$ 172,473	\$ 181,305	\$ 189,946	\$ 186,426	\$ 198,134	\$ 202,457
Total Cash & Investments	x		\$ 178,092	\$ 181,434	\$ 174,079	\$ 161,468	\$ 170,311	\$ 169,711
Primary Reserve		x	50%	43%	37%	33%	32%	26%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			\$ 104,426	\$ 94,316	\$ 84,190	\$ 75,095	\$ 75,574	\$ 65,304
Denominator: Total expenses (excludes investment losses & capital expenditures)			\$ 209,874	\$ 220,720	\$ 225,805	\$ 227,923	\$ 239,830	\$ 252,498
Operating Performance								
Operating Cashflow Margin	x		11.3%	7.3%	3.9%	9.0%	6.3%	7.3%
Numerator: Operating Cash Flow			\$ 21,215	\$ 13,766	\$ 7,522	\$ 18,001	\$ 12,840	\$ 15,676
Denominator: Total Operating Revenue			\$ 187,678	\$ 189,321	\$ 192,172	\$ 199,305	\$ 205,356	\$ 213,453
Net Operating Revenue Ratio		x	-1.6%	-4.2%	-5.8%	-5.4%	-5.3%	-2.8%
Numerator: Net income before capital			(3,403)	(8,878)	(12,367)	(11,621)	(12,068)	(6,986)
Denominator: Discounted revenue (net of institutional aid)			206,471	211,842	213,438	216,302	227,761	245,512
Return on Net Assets		x	3.1%	0.5%	-2.5%	-4.5%	5.9%	8.0%
Numerator: Change in total net assets			\$ 8,362	\$ 1,428	\$ (7,056)	\$ (12,373)	\$ 15,202	\$ 21,906
Denominator: Beginning total net assets			\$ 269,317	\$ 277,679	\$ 279,107	\$ 272,021	\$ 259,649	\$ 274,851
Debt & Leverage								
Spendable Cash & Investments to Total Debt	x		73%	70%	66%	59%	54%	53%
Numerator: Spendable Cash & Investments			\$ 107,571	\$ 99,449	\$ 90,683	\$ 82,497	\$ 85,431	\$ 80,245
Denominator: Total Direct Bond Debt			\$ 147,721	\$ 142,475	\$ 137,125	\$ 139,825	\$ 157,465	\$ 152,551
Viability		x	68%	63%	59%	51%	45%	40%
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)			\$ 104,426	\$ 94,316	\$ 84,190	\$ 75,095	\$ 75,574	\$ 65,304
Denominator: Current & long-term debt including capital leases			\$ 153,748	\$ 150,487	\$ 143,805	\$ 146,139	\$ 167,396	\$ 161,965

FY18 Key Financial Indicators--Comparison to Colorado Schools and Moody's Medians

2018 Colorado Higher Education Institutions including Foundations (\$ in thousands)	Moody's	2018 University of Northern Colorado	2018 Colorado State University System	2018 University of Colorado System	2018 Colorado School of Mines	2018 Adams State	2018 Colorado Mesa	2018 Fort Lewis	2018 MSU Denver	2018 Western State	2018 Moody's A3 Medians	2018 Moody's A2 Medians	2018 Moody's A1 Medians
Market Profile													
Moody's Bond Rating	x	A3	Aa3	Aa1	A1	A3	A2	A2	A1	Baa1	A3	A2	A1
Total FTE (Per Moody's)	x	11,179	39,644	55,684	5,991	3,018	7,498	3,072	15,087	2,448	7,191	7,297	11,191
% of Enrollment that is Undergraduate	x	80.7%	80.8%	81.1%	80.3%	61.2%	99.0%	99.2%	96.8%	87.3%			
Operating Revenue	x	\$ 213,453	\$ 1,391,897	\$ 4,215,331	\$ 268,982	\$ 53,678	\$ 126,310	\$ 72,144	\$ 203,867	\$ 54,312	\$ 154,072	\$ 145,911	\$ 256,339
Annual Change in Operating Revenue	x	3.9%	10.1%	8.7%	4.9%	-1.9%	1.9%	-0.1%	5.4%	2.4%	1.6%	0.7%	1.5%
Composite Financial Index	x	1.6	3.1	4.0	3.3	(0.0)	2.2	1.0	0.8	1.3			
Reserves & Liquidity													
Monthly Days Cash on Hand	x	72	150	247	174	124	159	170	118	132	74	163	168
Numerator: Cash & investments that can be liquidated within a month (x 365)		\$ 39,881	\$ 512,057	\$ 2,574,576	\$ 117,483	\$ 16,968	\$ 46,830	\$ 31,359	\$ 62,012	\$ 18,080	\$ 35,535	\$ 66,857	\$ 104,599
Denominator: Operating expenses (excludes scholarships, depreciation & PERA non-cash; includes interest on debt)		\$ 202,457	\$ 1,241,867	\$ 3,810,708	\$ 245,739	\$ 49,987	\$ 107,774	\$ 67,251	\$ 192,307	\$ 49,843	\$ 158,476	\$ 154,005	\$ 246,264
Total Cash & Investments	x	\$ 169,711	\$ 1,109,195	\$ 4,322,200	\$ 500,217	\$ 41,812	\$ 80,625	\$ 53,018	\$ 82,524	\$ 38,433	\$ 122,460	\$ 118,294	\$ 223,050
Primary Reserve	x	26%	57%	61%	86%	37%	46%	54%	32%	36%			
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)		65,304	837,261	3,137,044	257,473	22,232	65,298	43,494	76,483	21,650			
Denominator: Total expense (excludes investment losses & capital expenditures)		252,498	1,471,883	5,150,776	299,647	59,788	142,402	80,471	236,354	60,932			
Operating Performance													
Operating Cashflow Margin	x	7.3%	13.8%	11.4%	12.1%	13.8%	21.7%	9.5%	7.9%	17.3%	7.6%	10.5%	11.7%
Numerator: Operating Cash Flow		\$ 15,676	\$ 191,617	\$ 480,811	\$ 32,473	\$ 7,426	\$ 27,357	\$ 6,823	\$ 16,019	\$ 9,400			
Denominator: Total Operating Revenue		\$ 213,453	\$ 1,391,897	\$ 4,215,331	\$ 268,982	\$ 53,678	\$ 126,310	\$ 72,144	\$ 203,867	\$ 54,312	\$ 154,072	\$ 145,911	\$ 256,339
Net Operating Revenue Ratio	x	-2.8%	2.8%	1.3%	0.8%	-13.9%	4.6%	-10.6%	-3.0%	-3.0%			
Numerator: Net income before capital (net of institutional aid)		\$ (6,985)	\$ 42,923	\$ 56,991	\$ 2,398	\$ (7,321)	\$ 6,792	\$ (7,586)	\$ (6,978)	\$ (1,789)			
Denominator: Discounted revenue		\$ 245,512	\$ 1,522,641	\$ 4,549,447	\$ 302,045	\$ 52,763	\$ 147,208	\$ 71,407	\$ 229,369	\$ 59,143			
Return on Net Assets	x	8.0%	8.3%	8.1%	2.4%	-2.1%	3.9%	-3.0%	-2.8%	3.8%			
Numerator: Change in total net assets		\$ 21,906	\$ 142,309	\$ 427,394	\$ 15,522	\$ (1,839)	\$ 11,141	\$ (5,280)	\$ (3,562)	\$ 3,377			
Denominator: Beginning total net assets		\$ 274,851	\$ 1,714,084	\$ 5,278,608	\$ 645,037	\$ 85,911	\$ 283,578	\$ 178,736	\$ 127,317	\$ 89,109			
Debt & Leverage													
Spendable Cash & Investments to Total Debt	x	53%	74%	221%	109%	37%	27%	82%	54%	20%	86%	50%	115%
Numerator: Spendable Cash & Investments		\$ 80,245	\$ 836,056	\$ 3,705,333	\$ 311,167	\$ 25,597	\$ 57,498	\$ 41,099	\$ 78,439	\$ 17,986	\$ 71,621	\$ 88,383	\$ 167,591
Denominator: Total Direct Bond Debt		\$ 152,551	\$ 1,126,000	\$ 1,679,000	\$ 286,000	\$ 70,000	\$ 215,000	\$ 50,000	\$ 145,000	\$ 89,000			
Viability	x	40%	66%	172%	83%	32%	30%	82%	54%	24%			
Numerator: Unrestricted & expendable net assets (excludes capital assets & endowment)		\$ 65,304	\$ 837,261	\$ 3,137,044	\$ 257,473	\$ 22,232	\$ 65,298	\$ 43,494	\$ 76,483	\$ 21,650			
Denominator: Current & long-term debt including capital leases		\$ 161,965	\$ 1,271,291	\$ 1,818,648	\$ 311,949	\$ 70,008	\$ 218,559	\$ 53,020	\$ 142,364	\$ 89,243			