

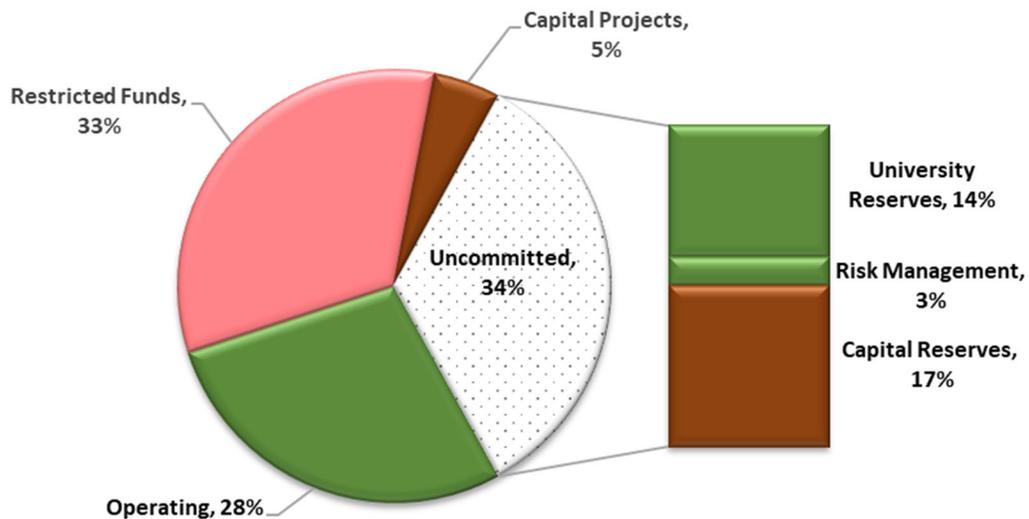
**FY20 University of Northern Colorado  
Notes to FY20 Unaudited Financial Statements  
November 1, 2020**

Highlights of the FY20 financial results are presented below:

**Statement of Net Position**

- A. Year-end cash balances increased from \$42.5 million at June 30, 2019 to \$74.8 million at June 30, 2020 (\$32.3 million). Of this increase, 76%, or \$24.6 million, are the federal Coronavirus Relief Funds (CRF) received through the State of Colorado for use in FY21.

<b>Unrestricted Cash and Cash Equivalents</b>			
as of June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating</b>			
Committed Operating	\$ 20,832,081	\$ 19,598,353	\$ 14,897,034
Uncommitted University Reserves	10,281,476	3,646,068	7,435,376
Uncommitted Risk Management Reserves	<u>2,650,000</u>	<u>2,650,000</u>	<u>2,650,000</u>
Total Operating Cash	<u>33,763,557</u>	<u>25,894,421</u>	<u>24,982,410</u>
<b>Capital</b>			
Committed Capital Projects	3,457,177	3,299,796	4,415,679
Uncommitted Capital Reserves	<u>12,724,039</u>	<u>12,238,454</u>	<u>10,195,365</u>
Total Capital Cash	<u>16,181,216</u>	<u>15,538,250</u>	<u>14,611,044</u>
<b>Restricted Funds</b>			
Committed Restricted	<u>24,817,531</u>	<u>1,054,666</u>	<u>188,151</u>
Total Restricted Cash	<u>24,817,531</u>	<u>1,054,666</u>	<u>188,151</u>
Total unrestricted cash and cash equivalents	<u>\$ 74,762,304</u>	<u>\$ 42,487,337</u>	<u>\$ 39,781,605</u>



- B. Student accounts receivable increased \$1.4 million. As of FY21 Q1, student accounts receivable has normalized.
- C. Other receivables increased \$4.8 million from FY19 to FY20. During FY20, the University received direct federal funding under the CARES Act Higher Education Emergency Relief Funds (HEERF) of \$7.6 million. Half of the HEERF funds were provided to students as emergency grants and the other half were used to offset the impact of housing and dining credits. Due to timing, we reflected a receivable of \$4.0 million related to the CARES Act HEERF funding.
- D. The asset balance in loans to students of \$3.5 million relates to Perkins loans receivable. The Perkins loan program was not renewed, effective October 1, 2017. The funds must be remitted back to the US Department of Education as the outstanding loans are collected. UNC recorded a liability of \$3.3 million for the return of program funds. Each year in the future, when payment is made, the liability will be reduced. UNC recorded nonoperating expenditures, related to the Perkins loan program liability, of \$0.3 million.
- E. The decrease in restricted cash and cash equivalents of \$3.6 million is due to the drawdown of the Campus Commons bond proceeds for construction.
- F. Capital assets are reported net of accumulated depreciation. Depreciation expense for FY20 is \$18.7 million.
- G. As required by GASB 65, which was implemented FY14, deferred outflows/inflows of resources on debt refundings is the difference between the price of new bonds and the net carrying value of the old debt. A loss is reported as a deferred outflow and a gain is reported as a deferred inflow. The amounts are then amortized over the remaining economic life and are reported as a noncash component of interest expense.
- H. As required by GASB 68, which was implemented FY15, UNC's proportionate share of the unfunded pension liability (PERA) is represented on the Statement of Net Position as three classifications:
- *Net pension liability* - The proportionate share of the unfunded pension liability FY20 is \$99.1 million.
  - *Deferred amount on pensions as a deferred outflow of resources* - The impact of investment results, experience results, and contributions made after the measurement date (12/31) is reported as the deferred outflow of resources; FY20 is \$6.7 million.
  - *Deferred amount on pensions as a deferred inflow of resources* - The deferred inflow of resources is actuarial changes to the total PERA unfunded liability and recalculation of UNC's proportion share of the liability, which amounted to \$53.2 million in FY20.
  - The total impact to net position was (\$145,626,798) for FY20 and (\$183,968,868) for FY19. During FY19, the State of Colorado committed to fully funding the pension plan within 30 years with the passing of SB 18-200. As a result, the State contributed \$225 million to the plan during both FY19 and FY20.
- I. As required by *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, (OPEB) which was implemented FY18, UNC's proportionate share of the unfunded OPEB liability (PERA Health Care Trust Fund) (HCTF) is represented on the Statement of Net Position as three classifications:
- *Net OPEB liability* - The proportionate share of the unfunded OPEB liability FY19 is \$4.0 million.
  - *Deferred amount on OPEB as a deferred outflow of resources* - The impact of experience results and contributions made after the measurement date (12/31) is reported as the deferred outflow of resources; FY20 is \$0.2 million.
  - *Deferred amount on OPEB as a deferred inflow of resources* - The deferred inflow of resources is the investment results, and the change in UNC's proportion share of the HCTF liability, which amounted to \$1.6 million in FY20.

- J. Accounts payable and accrued liabilities fluctuate primarily based on the normal timing of accrued salaries and payroll expenses and amounts due to outside vendors. The decrease of \$4.3 million from FY19 to FY20 is attributable to a decrease in construction retainage payable of \$2.7 million and a \$1.0 change in the timing of federal payroll taxes due.
- K. Unearned revenue increased \$23.7 million in FY20 due to the unspent Coronavirus Relief Funds (CRF).
- L. Bonds include both the current and noncurrent portion. The decrease to bonds payable of \$4.9 million was due to the current year principal payments, as well as the refinancing of Series 2011A.
- M. Capital leases include both the current and noncurrent portion. The increase to capital leases payable of \$0.9 million was due to new lease agreements.

### **Statement of Revenue, Expenses and Changes in Net Position**

- N. Net student tuition and fees decreased \$4.7 million in FY20 due to a decrease in enrollment. Fall undergraduate FTE decreased 3.7% and fall graduate FTE decreased 6.1%. Undergraduate tuition and fee rate did not increase for FY20 and graduate tuition and fee rates increased about 1.0% to 5.0% depending on the graduate program.
- O. The increase in state and local grants and contracts of \$0.8 million is attributable to an increase in Colorado need-based grants.
- P. State funding includes both fee-for-service and stipend revenue totaling \$47.0 million in FY20 which was an increase of \$4.5 million over FY19. The split between fee-for-service and stipend (included in student tuition revenue) can vary from year to year. The COF stipend increased from \$85 per credit hour in FY19 to \$94 in FY20.
- Q. Nongovernmental grants and contracts are reimbursed on a monthly basis. The increase of \$0.6 million relates to increased use of foundation funds for University programs and scholarships consistent with donor restrictions in FY20.
- R. Gross auxiliary revenue decreased \$6.1 million in FY20. However, during FY20 the University reclassified athletics revenue from other operating to auxiliary. Without this change, auxiliary revenue would have shown a decrease of \$9.1 million due to decreases in the following areas:
  - \$4.7 million in contra-revenue for housing and dining contract credits, of which \$3.8 million was allocated to the CARES HEERF funds
  - \$2.7 million in housing and dining contracts
  - \$1 million in other housing and dining revenue
  - \$0.6 million in parking permits and fines
  - \$0.1 million in recreation center and outdoor pursuits revenue
- S. Other operating revenue decreased \$3.6 million. However, during FY20 the University reclassified athletics revenue from other operating to auxiliary. Without this change, other operating revenues would have shown a decrease of \$0.6. Other operating revenue includes \$1.7 million conferences, workshops, theatre tickets; \$1.6 million foundation scholarship support; \$1.5 million service fees (application, transcript, orientation, etc.); and \$1.7 million loan and accounts receivable collection charges and fines.
- T. Faculty and staff wages decreased \$6.6 million from FY19 to FY20. The decrease was a result of management actions to reduce FY20 personnel budgets and actions related to COVID-19. Actions in response to COVID-19 included limited furloughs in May and June as well as reduced student and hourly staffing. Fringe benefits saw a dramatic swing from FY19 to FY20 due to GASB 68 related expenses. If you were to remove the impact of GASB 68 and GASB 75 the year over year change would reflect a decrease of \$1.9 million.

- U. Operating expenses and cost of sales decreased \$6.5 million from FY19 to FY20, which includes expenditures such as purchased services, supplies and utilities. Travel expenses decreased \$1.1 million from FY19 to FY20.
  - V. Investment income includes Colorado Treasury interest and a year-end adjustment of treasury holdings based on the fair market value. Investment income increased from FY19 to FY20 due to the recording of an unrealized gain associated with treasury holdings.
  - W. The University received \$7.6 million in CARES Act HEERF funds. Of the \$7.6 million, fifty percent was provided directly to students as emergency grants. The remaining fifty percent was for institutional use and the University used those funds to offset the impact of providing housing and dining credits. Additionally, the University received \$24.8 million in CRF funds. At June 30, 2020 we had expended \$2.0 million HEERF student funds, \$3.8 million HEERF institutional funds and \$0.2 million in CRF funds. Per GASB guidance, the corresponding revenue was reflected as non-operating.
  - X. The State of Colorado committed to fully funding the pension plan within 30 years. The first direct distribution to the pension plan of \$225 million was made during FY20. Of that distribution, \$787,639 was allocated to UNC and is reflected as both nonoperating revenue and fringe benefit expense.
  - Y. The University expended \$2.6 million in capital appropriations in FY20. This included \$0.9 for various fire sprinkler projects and \$0.1 million for the McKee chiller replacement. \$1.6 million was related to the COP (certificates of participation) projects, which include replacement of an AHU in Butler Hancock, re-insulation of Frasier tunnel, and fire sprinkler upgrades in Frasier and Gunter.
  - Z. Capital grant and gifts include restricted capital grants/gifts from third parties. In FY19, the Foundation contributed to Campus Commons \$1.2 million and \$0.6 million towards the purchase of Steinway pianos.
- AA. In FY19 we recorded a \$75,000 gain on disposal of assets related to the sale and leaseback of Foundation Hall

University of Northern Colorado  
Statement of Net Position  
as of June 30, 2020  
(Preliminary and Unaudited)

	Notes	2020	2019	Variance	% Change
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	A	\$ 74,762,304	\$ 42,487,337	\$ 32,274,967	76.0%
Student accounts receivable, net	B	7,398,918	6,048,782	1,350,136	22.3%
Other receivables, net	C	8,224,503	3,456,636	4,767,867	137.9%
Inventories		1,247,449	1,004,371	243,078	24.2%
Loans to students, net, current portion	D	304,252	329,948	(25,696)	-7.8%
Other assets		471,814	510,467	(38,653)	-7.6%
Total Current Assets		<u>92,409,240</u>	<u>53,837,541</u>	<u>38,571,699</u>	<u>71.6%</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	E	2,264,403	5,905,859	(3,641,456)	-61.7%
Restricted investments		530,933	540,536	(9,603)	-1.8%
Loans to students, net, noncurrent portion	D	3,240,786	4,077,392	(836,606)	-20.5%
Capital assets, net	F	281,644,008	289,358,643	(7,714,635)	-2.7%
Total Noncurrent Assets		<u>287,680,130</u>	<u>299,882,430</u>	<u>(12,202,300)</u>	<u>-4.1%</u>
<b>Total Assets</b>		<u>380,089,370</u>	<u>353,719,971</u>	<u>26,369,399</u>	<u>7.5%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on debt refundings	G	2,194,682	2,350,043	(155,361)	-6.6%
Deferred amount on pensions	H	6,733,538	20,138,561	(13,405,023)	-66.6%
Deferred amount on other post-employment benefits	I	204,057	255,113	(51,056)	-20.0%
<b>Total Deferred Outflows of Resources</b>		<u>9,132,277</u>	<u>22,743,717</u>	<u>(13,611,440)</u>	<u>-59.8%</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	J	9,871,229	14,201,829	(4,330,600)	-30.5%
Unearned revenue	K	31,404,821	7,702,708	23,702,113	307.7%
Bonds payable, current portion	L	4,965,000	4,385,000	580,000	13.2%
Capital leases payable, current portion	M	996,358	611,691	384,667	62.9%
Perkins liquidation liability, current portion	D	1,021,086	1,461,600	(440,514)	-30.1%
Other current liabilities		6,275,453	2,131,486	4,143,967	194.4%
Total Current Liabilities		<u>54,533,947</u>	<u>30,494,314</u>	<u>24,039,633</u>	<u>78.8%</u>
<b>Noncurrent Liabilities</b>					
Unearned revenue		-	30,000	(30,000)	-100.0%
Bonds payable, noncurrent portion	L	139,864,899	145,371,052	(5,506,153)	-3.8%
Capital leases payable, noncurrent portion	M	7,295,980	6,768,784	527,196	7.8%
Other noncurrent liabilities		874,959	89,787	785,172	874.5%
Net pension liabilities	H	99,147,013	127,932,022	(28,785,009)	-22.5%
Net other postemployment benefits liabilities	I	4,000,432	5,437,725	(1,437,293)	-26.4%
Perkins liquidation liability, noncurrent portion	D	2,300,412	2,904,441	(604,029)	-20.8%
Compensated absence liabilities		4,763,061	4,622,661	140,400	3.0%
Total Noncurrent Liabilities		<u>258,246,756</u>	<u>293,156,472</u>	<u>(34,909,716)</u>	<u>-11.9%</u>
<b>Total Liabilities</b>		<u>312,780,703</u>	<u>323,650,786</u>	<u>(10,870,083)</u>	<u>-3.4%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amount on debt refundings	G	747,291	784,812	(37,521)	-4.8%
Deferred amount on pensions	H	53,213,323	76,193,407	(22,980,084)	-30.2%
Deferred amount on other postemployment benefits	I	1,639,061	526,874	1,112,187	211.1%
<b>Total Deferred Inflows of Resources</b>		<u>55,599,675</u>	<u>77,505,093</u>	<u>(21,905,418)</u>	<u>-28.3%</u>
<b>NET POSITION</b>					
<b>Total Net Position</b>		<u>\$ 20,841,269</u>	<u>\$ (24,692,191)</u>	<u>\$ 21,013,823</u>	<u>85%</u>

Items highlighted in green are due to GASB 68 requirement for reporting unfunded PERA liability. Total impact on net position (\$145,626,798).

Items highlighted in blue are due to GASB 75 requirement for reporting unfunded OPEB liability. Total impact on net position (\$5,435,436).

University of Northern Colorado  
Statement of Revenues Expenses and Changes in Net Position  
as of June 30, 2020  
(Preliminary and Unaudited)

	Notes	2020	2019	Variance	% Change
<b>Operating Revenues</b>					
Student tuition and fees, net	N	\$ 109,063,757	\$ 113,778,534	\$ (4,714,777)	-4.1%
Federal grants and contracts		5,356,669	5,798,009	(441,340)	-7.6%
State and local grants and contracts	O	9,986,191	9,140,372	845,819	9.3%
State Fee-For-Service contract	P	29,466,067	25,931,112	3,534,955	13.6%
Nongovernmental grants and contracts	Q	9,408,397	9,994,618	(586,221)	-5.9%
Sales and services of educational activities		341,911	364,688	(22,777)	-6.2%
Auxiliary operating revenue	R	25,307,949	31,437,537	(6,129,588)	-19.5%
Other operating revenue	S	6,533,159	10,114,700	(3,581,541)	-35.4%
Total Operating Revenues		<u>195,464,100</u>	<u>206,559,570</u>	<u>(11,095,470)</u>	<u>-5.4%</u>
<b>Operating Expenses</b>					
Faculty and staff wages	T	100,843,696	107,471,111	(6,627,415)	-6.2%
GA/TA stipends and waivers		11,110,040	12,131,026	(1,020,986)	-8.4%
Fringe benefits	T	(8,514,299)	12,234,929	(20,749,228)	-169.6%
Operating expenses & cost of sales	U	33,958,745	40,416,650	(6,457,905)	-16.0%
Travel	U	3,530,740	4,642,999	(1,112,259)	-24.0%
Student scholarships		15,768,438	16,470,808	(702,370)	-4.3%
Depreciation		18,699,827	17,948,148	751,679	4.2%
Total Operating Expenses		<u>175,397,187</u>	<u>211,315,671</u>	<u>(35,918,484)</u>	<u>-17.0%</u>
<b>Operating Income (Loss)</b>		<u>20,066,913</u>	<u>(4,756,101)</u>	<u>24,823,014</u>	<u>521.9%</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income, net of investment expense	V	2,452,571	1,908,531	544,040	28.5%
Interest on capital asset related debt		(5,551,086)	(5,904,675)	353,589	6.0%
Federal grants and contracts revenue		12,402,367	13,631,987	(1,229,620)	-9.0%
Federal grants and contracts revenue - CARES Act	W	6,013,181	-	6,013,181	100.0%
Perkins return of federal loan program contributions (expense)	D	(274,140)	(192,555)	(81,585)	-42.4%
Other nonoperating revenue (expense)		(435,029)	641,700	(1,076,729)	-167.8%
Net Nonoperating Revenues (Expenses)		<u>14,607,864</u>	<u>10,084,988</u>	<u>4,522,876</u>	<u>44.8%</u>
<b>Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)</b>		34,674,777	5,328,887	29,345,890	550.7%
State support for pensions	X	787,639	882,458	(94,819)	-10.7%
Capital appropriations	Y	960,184	4,857,892	(3,897,708)	-80.2%
Capital appropriations - certificates of participation	Y	1,636,448	14,346	1,622,102	11307.0%
Capital grants and gifts	Z	1,625	2,023,382	(2,021,757)	-99.9%
Student capital fee revenue		7,472,787	7,869,333	(396,546)	-5.0%
Gain (Loss) on disposal of capital assets	AA	-	37,525	(37,525)	-100.0%
<b>Total Other Changes</b>		<u>10,858,683</u>	<u>15,684,936</u>	<u>(4,826,253)</u>	<u>-30.8%</u>
<b>Increase (Decrease) in Net Position</b>		45,533,460	21,013,823	24,519,637	116.7%
<b>Net Position</b>					
Beginning of year, as previously reported		(24,692,191)	(45,706,014)	21,013,823	46.0%
Prior period adjustment from change in accounting principle		-	-	-	0%
Net Position, beginning of year, as restated		<u>(24,692,191)</u>	<u>(45,706,014)</u>	<u>21,013,823</u>	<u>46.0%</u>
<b>Net Position, End of Year</b>		<u>\$ 20,841,269</u>	<u>\$ (24,692,191)</u>	<u>\$ 45,533,460</u>	<u>184.4%</u>

See notes to the financial statements

GASB 68 and 75 require that current year fringe benefit expense be increased (decreased) as the unfunded pension liability increases (decreases). For the second year in a row, UNC saw a decrease in the unfunded pension liability for FY20. As a result of that decrease, fringe benefit expenses were also reduced. If the expense changes from GASB 68 and 75 were removed for FY19 and FY18, fringe benefit expense would show an decrease of \$1,916,494 or 6.0%. (FY20 Fringe benefit expense without GASB \$30,119,820; FY19 Fringe benefit expense without GASB \$32,036,314)

## Attachment 1 – Composite Financial Index

The Composite Financial Index (CFI) is a tool developed by KPMG and Prager, Sealy and Co., LLC to help institutions monitor their financial health relative to strategic actions over time. The CFI includes four basic ratios to address resource sufficiency (Primary Reserve), operating results (Net Operating Revenues), debt management (Viability) and asset performance (Return on Net Assets). The ratios are then translated to a “strength factor” on a 1-10 scale and then weighted to come up with a single CFI. We believe it is a useful tool, but not a definitive indicator.

There are a few notable caveats. First, the tool is intended to be used as a relative indicator over time, giving consideration to strategic intentions. As we have discussed, while we are intentionally and strategically investing in improving student success, the use of reserves necessarily results in reduced ratios. Second, the calculations include both UNC and the UNC Foundation financial results, thus financial market performance has a significant effect on the net operating revenue and return on net asset ratios. Third, we exclude the GASB68 and GASB75 non-cash pension and OPEB expense and pension and OPEB liabilities from our calculations.

As shown in table 1, our FY20 preliminary CFI of 1.80 is based upon the four raw ratios, converted to a 1-10 scale strength factor and weighted as prescribed by the developers of the CFI.

Table 1. FY20 CFI Calculation

2020				
RATIO	RATIO VALUE	STRENGTH FACTOR	WEIGHTING FACTOR	SCORE
Primary Reserve	0.3508	2.64	35%	0.92
Net Operating Revenues	0.0125	0.96	10%	0.10
Viability	0.5314	1.27	35%	0.45
Return on Net Assets	0.0331	1.66	20%	0.33
Composite Financial Index 2020				1.80

Table 2 and Figure 1 on the next page show a ten-year history of the CFI, with each of the four strength factors. The FY20 CFI increased from 0.83 to 1.80.

Table 2. Ten-year CFI and Strength Factor History

CFI Factor - Unweighted	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Primary Reserve 35%	2.49	3.62	3.67	3.74	3.21	2.80	2.48	2.37	1.94	1.86	2.64
Net Oper Rev 10%	-0.37	2.78	1.63	-1.24	-3.15	-4.36	-4.04	-3.98	-2.14	-1.27	0.96
Viability 35%	0.95	1.45	1.55	1.63	1.50	1.40	1.23	1.08	0.97	0.96	1.27
Return on Net Asset 20%	2.51	3.77	0.03	1.55	0.26	-1.26	-2.27	2.93	3.99	-0.16	1.66
<b>Composite Financial Index</b>	<b>1.67</b>	<b>2.80</b>	<b>2.00</b>	<b>2.07</b>	<b>1.39</b>	<b>0.78</b>	<b>0.44</b>	<b>1.40</b>	<b>1.60</b>	<b>0.83</b>	<b>1.80</b>

Attachment 1 – Composite Financial Index

Figure 1.

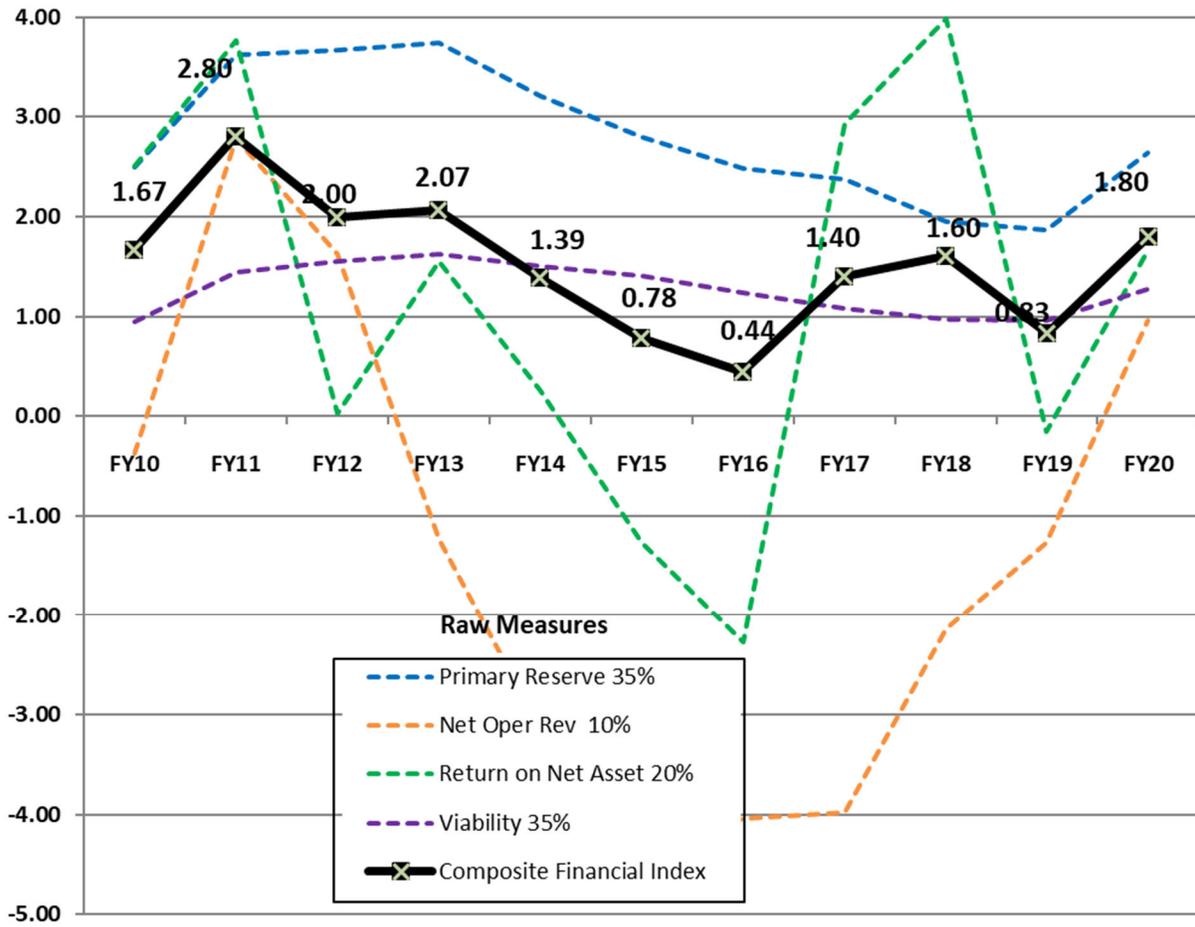
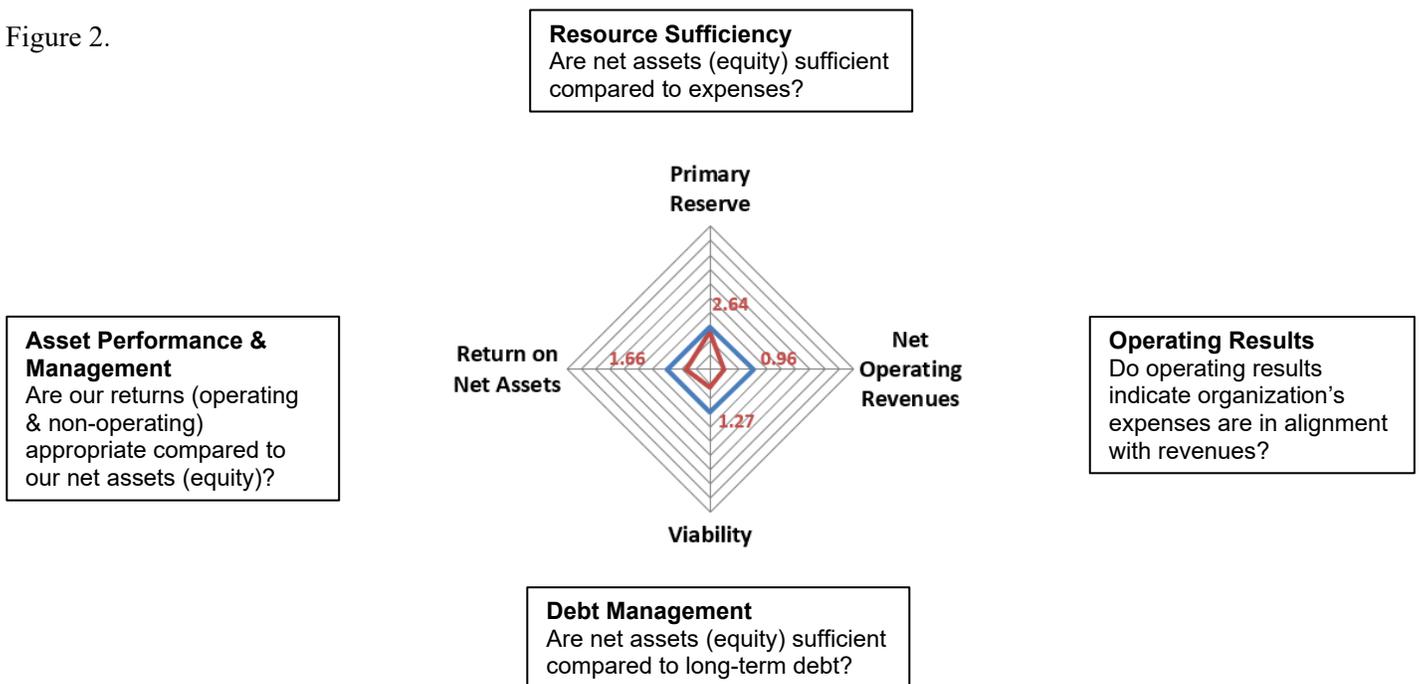


Figure 2 is the recommended graphical representation of UNC’s CFI, showing how each of the factors (in red) on a 1-10 scale compare to a square of 3.0 strength factors (in blue). The 3.0 levels are used as threshold measures for normal levels of financial health.

Figure 2.



**Resource Sufficiency**  
Are net assets (equity) sufficient compared to expenses?

**Asset Performance & Management**  
Are our returns (operating & non-operating) appropriate compared to our net assets (equity)?

**Operating Results**  
Do operating results indicate organization’s expenses are in alignment with revenues?

**Debt Management**  
Are net assets (equity) sufficient compared to long-term debt?