STATE OF COLORADO

UNIVERSITY OF NORTHERN COLORADO

FINANCIAL AND COMPLIANCE AUDITS

YEARS ENDED JUNE 30, 2014 AND 2013

LEGISLATIVE AUDIT COMMITTEE

Senator Lucia Guzman - Chair

Senator David Balmer
Senator Kevin Grantham
Senator Cheri Jahn
Representative Dan Nordberg
Representative Dianne Primavera
Representative Su Ryden
Representative Jerry Sonnenberg

OFFICE OF THE STATE AUDITOR

Dianne E. Ray	State Auditor
Kerri Hunter	Deputy State Auditor
Jarrett Ellis	Contract Monitor
RubinBrown LLP	Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.STATE.CO.US/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 1437F WHEN REQUESTING THIS REPORT

TABLE OF CONTENTS

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

Report Summary

Year Ended June 30, 2014

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged RubinBrown LLP (RubinBrown) to conduct a financial and compliance audit of the University of Northern Colorado (the University) for the year ended June 30, 2014. RubinBrown performed this 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. We conducted the related fieldwork from May 2014 to November 2014.

The purpose and scope of our audit was to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2014. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards.*

- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.

- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2014 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2014.

One audit adjustment was proposed and made to the financial statements of the University at June 30, 2014 and 2013. The adjustment was made to properly reflect certain fund balances of auxiliary revenues to be presented as unrestricted net position in the University's financial statements (as opposed to restricted, expendable net position). The impact of this adjustment increased unrestricted net position and decreased restricted, expendable net position of the University by $12,785,772 and $11,358,524 at June 30, 2014 and 2013, respectively.

We issued a report on the University's internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We identified one deficiency in internal control that we consider to be a significant deficiency. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Summary of Key Audit Finding

Tracking and presentation of restricted net position expendable for auxiliary activities

The University does not have adequate internal controls in place to ensure that restricted net position is reported accurately. As a result the University was required to make a material adjustment to the financial statements that was identified through our audit.

Recommendation and the University's Response

A summary of our recommendation and the response from the University can be found in the Recommendation Locator section of this report. The University's response to the finding has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2013, which was performed by other auditors, included two findings. The status of the prior year findings and recommendations are located in the corresponding section of this report.

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

Financial and Compliance Audit

Recommendation Locator

Year Ended June 30, 2014

Rec no.	Page no.		Agency Response	Implementation Date
1	6	The University of Northern Colorado should revise its financial reporting to present the amount of restricted net position related to auxiliary expenditures in accordance with the master bond indenture.	Agree	Implemented on November 1, 2014

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

Financial and Compliance Audit

Description of the University of Northern Colorado

Year Ended June 30, 2014

Eighteen years after the City of Greeley, Colorado was founded, a movement was started to establish a "normal" school to supply teachers for the community and the State. The law creating the State Normal School, as the University of Northern Colorado (UNC) was first known, was signed April 1, 1889. In 1911, the name was changed to Colorado State Teachers College. UNC retained that name until 1935 when it was renamed Colorado State College of Education. In 1957, another name change occurred making it the Colorado State College. The Act changing the name to the University of Northern Colorado became law on May 1, 1970, thus making official the University-level work which it has offered since 1929.

The Board of Trustees is the governing body of the University and is composed of seven voting members appointed by the Governor, with consent of the Senate, for four-year terms (effective for terms beginning July 1, 1987); one nonvoting faculty member elected by the faculty; and one nonvoting student member elected by the student body.

The University of Northern Colorado seeks to provide all students with a broad general education as well as preparation for selected professions within the fields of business, education, health services, music and related areas; and pre-professions such as prelaw, pre-medicine, and others. Historically, the principal emphasis has been preparing students for careers in education.

The University's student enrollment not including extended studies (full-time equivalent) for the past three years as reported to the Colorado Department of Higher Education was:

	Resident	Non Resident	Total
2014	8,161	1,270	9,431
2013	8,752	1,227	9,979
2012	8,972	1,131	10,103

The authority under which the University operates is Article 40 of Title 23, C.R.S.

FINDINGS AND RECOMMENDATIONS

Tracking and presentation of restricted net position expendable for auxiliary activities

The University of Northern Colorado has approximately $145,000,000 in outstanding bonds payable at June 30, 2014. As part of the master bond indenture, the University is required to pledge certain revenue streams to cover the annual debt service payments. These revenue streams include the University's auxiliary activities, which are comprised of net revenues generated from student housing, dining and similar activities. The University has historically utilized an internal fund accounting system to track the net position balance that is restricted, expendable for auxiliary activities.

The financial statements prepared internally by the University for the years ended June 30, 2014 and 2013 included a presentation of restricted, expendable net position as follows:

		June 30, 2014 (Unadjusted)		June 30, 2013 (As previously Stated)
Auxiliary expenditures	$	12,785,772	$	11,358,524
Scholarships and fellowships		315,193		332,611
Loans		8,417,669		8,295,465
Bond Reserve		750,000		750,000
Other		134,714		157,491
Total restricted, expendable net position	$	22,403,348	$	20,894,091

What was the purpose of the audit work?

The purpose of the audit work was to review the accuracy and classification of the University's presentation of net position that is restricted for a specific use to ensure the financial statements were prepared in accordance with Generally Accepted Accounting Principles.

What audit work was performed and how were results measured?

We reviewed the reconciliations and calculations prepared by management related to each category of the total net position presented on the financial statements. We compared the University-prepared presentation to information that would indicate the presence of an externally imposed constraint and/or any relevant laws or legislation, including the master bond indenture, to ensure the presentation complied with the Statement of Governmental Accounting Standards Board (GASB) 34 (as amended by GASB 63).

GASB 34 (as amended by GASB 63) requires the reporting entity to present net position as restricted when constraints placed upon the use of net position are either:

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other government, or

2. Imposed by law through constitutional provisions or enabling legislation.

Pursuant to our review of the master bond indenture, the University is only required to classify remaining net position for such pledged revenues to the extent that the average annual minimum debt service requirements are not adequately covered by a surety bond/insurance.

What problem did the work identify?

Our audit procedures indicated that management incorrectly restricted the entire portion of the net balance of each of the internal funds that are designated as pledged revenues as restricted expendable for auxiliary expenditures to support the University's bonds. At June 30, 2014 and 2013, the University had retained an adequate amount of surety bonds/insurance to cover the average annual minimum debt service amounts. Thus, pursuant to the requirements of the master bond indenture, the remaining net revenues from the auxiliary activities at June 30, 2014 and 2013 of $12,785,772 and $11,358,524, respectively, should be presented as unrestricted net position.

This financial reporting error in restricted net position was isolated to the amounts related to the restrictions stemming from the auxiliary system and related pledged revenues. The University's other categories of restricted net position (non expendable, and expendable for loans) were properly calculated and categorized.

Why did the problem occur?

The University did not present the restriction related to auxiliary expenditures properly due to an error in the financial reporting process. Specifically, the University misinterpreted the nature of the restrictions in the bond indenture, and therefore presented the amount of the entire remaining net fund balance for the funds that were pledged as revenues to support the bond issuance and related master bond indenture.

Why does this problem matter?

Total restricted net position was overstated and unrestricted net position was understated by $12,785,772 and $11,358,524 at June 30, 2014 and 2013, respectively, and the previous method to report such net position was not in compliance with Governmental Accounting Standards. Unrestricted net position is a key component of the financial statements, as it represents the amount of assets in excess of liabilities that the University is holding at a given point in time that can be expended for use at the University's discretion. Unrestricted net position is also commonly viewed as one, but not an absolute, indicator of an institution's operating reserves.

(Classification of Finding: Significant Deficiency.)

<u>Recommendation 1</u>

The University of Northern Colorado should revise its financial reporting to present the amount of restricted net position related to auxiliary expenditures in accordance with the master bond indenture.

University of Northern Colorado Response:

The University agrees with the audit finding for the 2014 fiscal year regarding the change in restricted and unrestricted net position. This change was implemented October 2014 and is reflected in our FY14 financial statements and all related entries and exhibits that have been submitted to the State of Colorado. The University has adjusted its financial reporting process and related controls to ensure that restricted and unrestricted net position is presented accurately in future reporting periods.

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

Financial and Compliance Audit

Status of Prior Year Findings and Recommendations

Year Ended June 30, 2014

Prior Year Rec no.	Recommendation	Status
1	The University should develop further procedures to ensure appropriate action is taken on delinquent Perkins loans.	Partially implemented. The University has established a policy to document its collection procedures for the Perkins loan program. The implementation of this policy will ensure that the University complies with the specific collection procedures and due diligence related to delinquent loans as prescribed by the Department of Education on a recurring basis in future fiscal years. The University is still in the process of reviewing delinquent loans that are currently in the loan portfolio that meet the criteria to be evaluated for assignment or litigation. As this recommendation is still in process, it has been classified as a control deficiency. The University will complete the implementation of this recommendation by February 15, 2015.
2	The University should ensure that federal requirements for return of funds under federal Title IV programs are met by improving the process for calculating the portion of the term completed by withdrawn students.	Implemented.

FINANCIAL STATEMENTS

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

Independent Auditors' Report

Members of the Legislative Audit Committee:

Report On The Financial Statements

We have audited the accompanying financial statements of the University of Northern Colorado (the University) and its discretely presented component unit, collectively, as an institution of higher education of the State of Colorado as and for the year ended June 30, 2014 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 audit. We did not audit the financial statements of the University of Northern Colorado Foundation (the Foundation), the University's discretely presented component unit, whose statements reflect total assets of $119,672,969 and $107,572,741 as of June 30, 2014 and 2013, respectively, and total revenues of $22,412,585 and $21,659,777 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.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

As discussed in Note 1, the University adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this 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 only that portion of the business-type activities of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 20, the University restated its net position as of June 30, 2013. The impact of this restatement increased unrestricted net position and decreased restricted, expendable net position by $11,358,524 as of June 30, 2013. This restatement had no impact on the change in net position for the year ended June 30, 2013.

Other Matters

Prior-Period Comparative Information

The University's basic financial statements for the year ended June 30, 2013, were audited by other auditors whose report thereon dated November 15, 2013, expressed an unmodified opinion on the respective financial position, changes in its financial position and its cash flows for the year then ended.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 35 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.

Supplementary Information

The information on the Description of the University of Northern Colorado on page 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014 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 4, 2014

Overview

Management Discussion and Analysis

We are pleased to present this financial discussion and analysis of the University of Northern Colorado (the University or UNC). It is intended to make the University's financial statements easier to understand and 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, 2014, and 2013, respectively, with comparative information for fiscal year 2012. 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, 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 units' 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013). 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. We suggest that you combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety.

Financial Highlights

Selected financial highlights for the fiscal year ended June 30, 2014, include:

- University assets total $338.8 million, deferred outflows of resources total $3.5 million, and liabilities total $179.5 million, resulting in a net position of $162.8 million. Of this amount, $9.9 million, or 6.1%, is restricted for purposes for which the donor, grantor, or other external party intended and $101.5 million, or 62.4%, is related to investments in capital assets. The remaining $51.4 million, or 31.5%, is unrestricted and may be used to meet the University's ongoing obligations.
- Net position decreased $9.4 million on the Statement of Revenues, Expenses and Changes in Net Position. In addition to this decrease, the beginning balance of the fiscal year 2013 net position was decreased $1.5 million for the write off of unamortized bond issue costs as of June 30, 2012 in compliance with *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities*. Therefore, the total decrease in net position impacting the financial statements is $10.9 million.
    - The largest single factor impacting the $9.4 million decrease in net position is the decrease of $9.9 million in cash used to cover the cash deficit from operating activities and capital construction projects. Capital assets, net of accumulated depreciation, decreased $3.5 million because depreciation expense was greater than the assets capitalized in fiscal year 2014. Decreases in net position were offset by other receivables, which increased $1.6 million dollars, because UNC delayed the year-end draw of funds for the operating agreement and scholarships from the Foundation to allow for the maximum investment return on those funds. The cash was not received until July, 2014; therefore, the University had a large receivable from the Foundation at June 30, 2014. The decrease in the liability for bonds and capital leases payable from annual debt service payments also offset the decreases in net position by $2.9 million. The remaining $0.5 million decrease was the combination of all other variables affecting the University's net position.
- Total operating revenues of $183.6 million, less total operating expenses of $203.4 million, resulted in a net operating loss of $19.8 million. This operating loss was partially offset by net nonoperating revenues of $8.5 million and other changes of $1.9 million, resulting in the $9.4 million decrease in net position.

Statement of Net Position

The Statement of Net Position is a financial snapshot of the University at June 30, 2014. It presents the fiscal resources of the University (assets), the consumption of net position that applies to future periods (deferred outflows of resources), and the claims against those resources (liabilities), 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, and liabilities, 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,

	2014	2013	2012
Assets			
Current Assets	$ 83,299,916	$ 92,378,317	$ 94,569,503
Capital	247,970,866	251,524,258	255,541,478
Other Noncurrent Assets	7,484,690	7,825,307	8,291,686
Total Assets	338,755,472	351,727,882	358,402,667
Deferred Outflows of Resources			
Deferred Amounts on Debt Refundings	3,503,130	2,899,403	3,085,410
Total Deferred Outflows of Resources	3,503,130	2,899,403	3,085,410
Liabilities			
Current Liabilities	30,062,061	29,439,314	31,588,956
Bonds/Notes Payable, Noncurrent	142,100,055	144,452,299	148,360,218
Other Noncurrent Liabilities	7,333,028	8,579,810	5,501,913
Total Liabilities	179,495,144	182,471,423	185,451,087
Net Position			
Net Investment in Capital Assets	101,486,854	101,168,718	104,819,784
Restricted - Nonexpendable	307,555	307,555	307,555
Restricted - Expendable	9,617,606	9,535,567	9,581,044
Unrestricted	51,351,443	61,144,022	61,328,607
Total Net Position	$ 162,763,458	$ 172,155,862	$ 176,036,990

Assets

Current Assets

Current assets decreased $9.1 million between fiscal year 2013 and fiscal year 2014. The decrease was primarily due to the $9.9 million dollar decrease in total cash. The other large factor was an increase of $1.6 million in accounts receivable from the University of Northern Colorado, Foundation Inc. The cash for the MOU contract and student scholarships remained invested at the Foundation until fiscal year end for maximum returns, and the cash was received by the University in July, 2014.

The most significant change in current assets between fiscal year 2012 and fiscal year 2013 was the change in restricted cash and cash equivalents held with trustee. This cash decreased from $3.2 million in fiscal year 2012 to $0.5 million in fiscal year 2013 to purchase the west campus generator, which is now included in the financial statements as a capital lease. The escrow account for the west campus generator was closed in fiscal year 2014 and the amount of cash with trustee of $1.0 million at June 30, 2014 is for a new scoreboard capital lease for the Athletics Department.

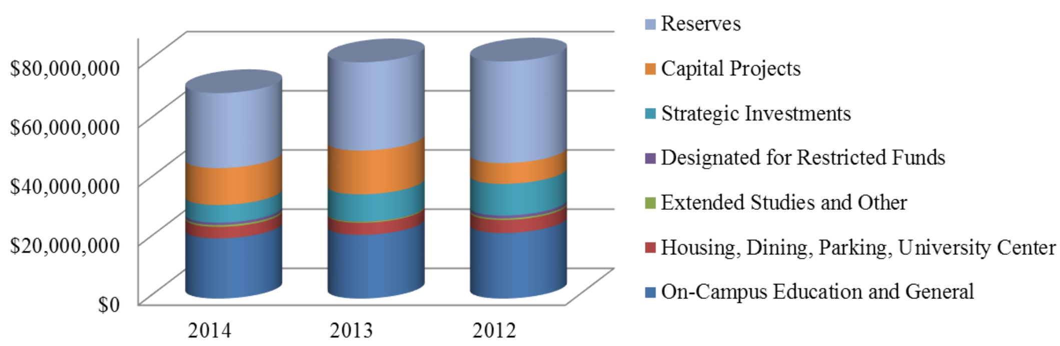
Unrestricted cash and cash equivalents and capital assets are the largest portions of the University’s total assets. At June 30, 2014, 2013, and 2012 cash and cash equivalents was $69.5, $79.9, and $80.2 million, which comprised 20.5%, 22.7%, and 22.4% of the University’s total assets, respectively. The majority of the cash is held by the state treasury and is comprised of general, self-supported, restricted, agency, and other cash funds. Unrestricted cash and cash equivalents decreased $10.4 million during fiscal year 2014 and $0.3 million during fiscal year 2013 and increased $13.9 million during fiscal year 2012.

In fiscal year 2014 management utilized reserves to cover deficits from operating activities and to invest in capital projects, which included addressing deferred maintenance. In fiscal year 2014, the University invested $2.8 million in strategic investments. The remaining amount for strategic investments in the table below is from cash balances that have been redirected to fund activities identified in UNC's nine core strategic plans. The strategic investment cash will be spent over several years. 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,

	2014	2013	2012
Operating			
On-Campus Education and General	$ 20,368,379	$ 21,552,142	$ 22,179,897
Housing, Dining, Parking, University Center	3,888,123	4,083,652	4,416,211
Extended Studies and Other	605,882	387,388	539,809
Designated for Restricted Funds	826,824	60,190	942,169
Strategic Investments	5,953,716	9,165,522	10,708,407
Capital Projects	12,470,925	14,793,010	7,038,391
Reserves	25,377,418	29,848,805	34,355,697
Total Cash and Cash Equivalents	$ 69,491,267	$ 79,890,709	$ 80,180,581

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, 2014, 2013, and 2012 is $6.4, $7.2, and $6.4 million, respectively. The net student accounts receivable decrease of $0.8 million from fiscal year 2013 to 2014, and increases of $0.8 million from fiscal year 2012 to 2013, and $0.7 million from fiscal year 2011 to 2012, or -10.8%, 13.1%, and 12.7%, respectively, were the result of increased costs of attendance and the impact of the economy on families' abilities to support educational expenses.

Inventories, loans to students, and other assets, remained essentially the same amount between fiscal 2012 and fiscal year 2014.

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 $4.3 million in fiscal year 2014, $2.7 million in fiscal year 2013, and $2.8 million in fiscal year 2012. In fiscal year 2014, the University ended the year with a large accounts receivable balance of $2.4 million from the University of Northern Colorado Foundation, Inc. This was a deliberate decision to keep the funds invested at the Foundation for the longest amount of time possible for a maximum return. The cash was collected by UNC in July, 2014.

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, 2014, capital assets of $493.4 million, net of $245.5 million accumulated depreciation, totaled $247.9 million. This is a $3.6 million decrease from fiscal year 2013, when capital assets of $481.6 million, net of $230.1 million accumulated depreciation, totaled $251.5 million. Capital assets of $471.8 million, net of $216.3 million accumulated depreciation, totaled $255.5 million at June 30, 2012. The capital assets decrease of $7.6 million from fiscal year 2012 to 2014 is primarily because depreciation expense has been greater than additions for the past three fiscal years.

In fiscal year 2014 there were $10.9 million of construction projects completed. $7.7 million was reclassified from construction in progress to building and improvements. $3.2 million was reclassified to equipment and vehicles. The building improvements included renovations, repairs and maintenance for Michener Library, Tobey Kendall Dining Hall, Harrison Hall, the University Center main entry and lower level, and the Bursar's office in Carter Hall. The Campus Recreation Center, Ross Hall, Lawrenson Hall, and several buildings within the University Apartments received new roofs. The equipment and vehicles included educational, laboratory, athletic, office, and facilities management equipment. It also included the emergency phone system upgrade and multiple passenger campus golf carts and shuttles.

The University ended the fiscal year with $6.5 million in construction in progress. The larger projects in progress at year end, that will be completed and capitalized in fiscal year 2015, include the Butler Hancock Gym air conditioning and acoustics, the Lawrenson Hall restroom renovation, the Nottingham track replacement, the central campus chiller, the Kepner financial education center, the Carter Hall window replacements, and the non-potable water mainline repair.

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

Capital Assets Net of Accumulated Depreciation

as of June 30,

	2014		2013		2012	
Land and Improvements	$ 24,229,821	9.8%	$ 25,152,778	10.0%	$ 25,717,269	10.1%
Buildings and Improvements	197,809,145	79.8%	202,350,178	80.4%	212,926,135	83.2%
Construction In Progress	6,532,413	2.6%	7,475,411	3.0%	1,948,028	0.8%
Library Books	7,952,596	3.2%	7,744,094	3.1%	7,876,189	3.1%
Equipment	9,741,646	3.9%	7,251,452	2.9%	5,523,512	2.2%
Art and Historical Treasures	1,705,245	0.7%	1,550,345	0.6%	1,550,345	0.6%
Total Capital Assets	$ 247,970,866	100.0%	$ 251,524,258	100.0%	$ 255,541,478	100.0%

Other Noncurrent Assets

Other noncurrent assets consist of loans to students, restricted cash and investments, and other items such as surety deposits. Until the implementation of *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities* in fiscal year 2014, this category included unamortized bond issue costs. The unamortized bond issue costs of $1.5 million were deducted from beginning net assets as of July 1, 2012 and no longer are included on the Statement of Net Position. The unamortized bond issue costs were removed from the fiscal year 2012 presentations in the management discussion and analysis for comparative purposes.

The other noncurrent assets were essentially the same from 2012 to 2014. Loans to students, the largest portion, 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, 2014, totaled $6.1, $6.4, and $6.8 million, at June 30, 2014, 2013, and 2012, respectively.

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 $15.4 million are the most significant non-debt related liabilities and increased $0.3 million in fiscal year 2014. The largest portion of this liability is $12.4 million of payroll earned in June 2014, which is payable to employees on July 1, 2014; therefore, it is an accrued liability at fiscal year-end each year. It was $11.4 million at June 30, 2013.

Unearned revenues of $7.5 million include tuition and fees and certain auxiliary revenues received by June 30, 2014, which are for services to be provided in fiscal year 2015. 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 decreased $0.3 million and the change is primarily related 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 liability for compensated absences was $4.4, $4.1, and $3.8 million, at June 30, 2014, 2013, and 2012, respectively.

University Debt

The single 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 total principal of $137.3 million. The carrying value of these bonds includes $8.0 million in premiums that will be amortized over the remaining life of the bonds; therefore, the liability on the Statement of Net Position is $145.3 million.

Prior to fiscal year 2014, deferred amounts resulting from the refunding of bonds payable were recorded as part of the bond liability. 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 the new financial statement element; deferred outflows of resources.

Deferred outflows of resources represent the future consumption of net position. The University has $3.5 million of deferred amounts from the refunding 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. The value placed in escrow to retire the bonds includes the principal plus the interest that must be paid at the coupon rate through the call-date of the bonds (less the short term interest earned by the escrow account). Therefore, the escrow amount is greater than carrying value of the liability because the escrow amount includes final interest payments. This difference is categorized as a deferred amount on debt refunding, and it is amortized over the life of the new bonds that were issued to refund the original series. This expense is recognized over the same time period that the University is realizing the economic gain from reduced interest expense from the refinancing.

On April 2, 2014, University of Northern Colorado Board of Trustees issued the 2014A Institutional Enterprise Revenue Bonds in the original amount of $52.5 million and they mature in varying amounts through June 1, 2035. Proceeds from the sale of these bonds were used to advance refund $52.7 million of the Series 2005 Auxiliary Revenue Refunding and Improvement bonds. The amount of $56.5 million was placed in escrow with U.S. Bank National Association and the bonds are in-substance defeased and are no longer a liability on the Statement of Net Position.

The Series 2005 bonds were originally issued for $85.0 million and $24.2 million remained unrefunded as of the closing date. This partial advanced refunding will provide the University with an economic gain of $4.0 million through future interest savings, but that is offset by a deferred amount on refunding of $0.8 million, which will be amortized over the life of the 2014A issue.

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

On July 1, 2014, 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 another three year term, ending June 30, 2017. The agreement included the $20.0 million of principal that remained outstanding at June 30, 2014. More details are disclosed in *Note 19: Subsequent Events.*

The University has an underlying rating of ‘A1’ by Moody’s and ‘A’ by Standard and Poor’s, both with stable outlooks. The 2005 and 2008 bonds were issued with ratings of ‘Aaa’ by Moody’s and ‘AAA’ by Standard and Poor’s. The 2011A fixed rate bonds were issued with a rating of ‘Aa2’ by Moody’s and a rating of ‘AA-’ by Standard and Poor’s, based on the University’s participation in the Colorado Higher Education State Aid Intercept Program. The 2011B variable rate demand bonds are not rated and are held solely by Wells Fargo Bank, N.A. The 2014A fixed rate bonds were issued with a rating of “Aa2” from Moody’s and a rating of “AA-” by Standard and Poor’s. The 2014A ratings are also based on the University’s participation in the Colorado Higher Education State Aid Intercept Program.

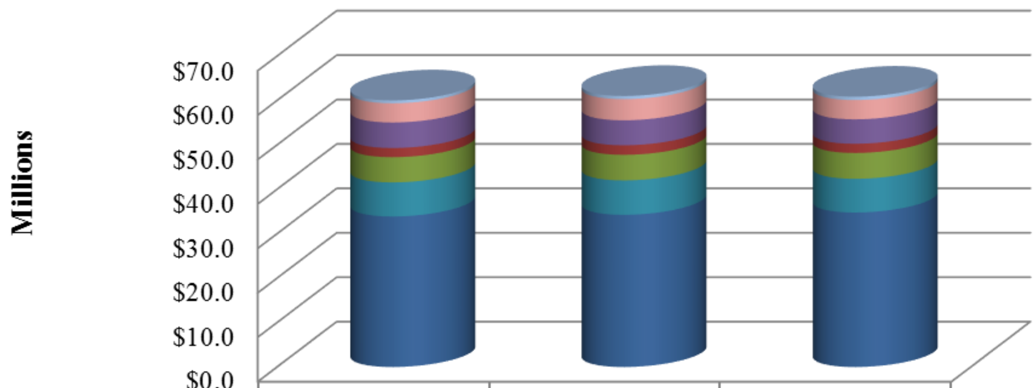
A summary of University debt and the related deferred outflows of resources are shown in the following table:

Summary of Debt Outstanding and Debt-Related Deferred Outflows of Resources
as of June 30,

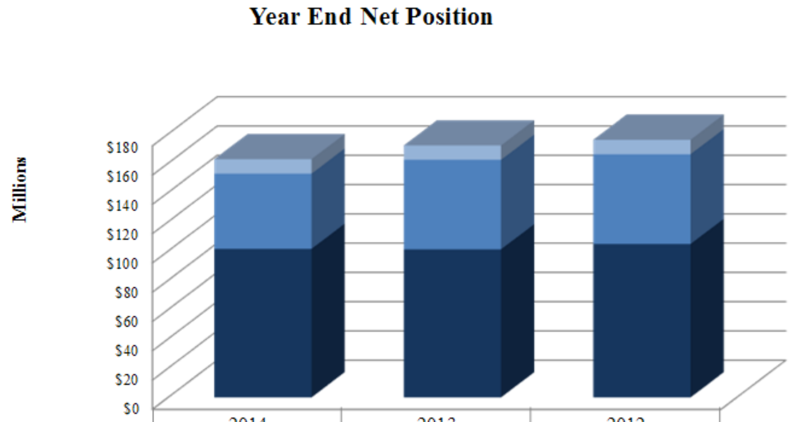
	2014	2013	2012
Revenue Bonds	$ 145,326,818	$ 148,067,299	$ 151,880,218
Deferred Outflows of Resources	(3,503,130)	(2,899,403)	(3,085,410)
Notes Payable	948,823	-	3,185,910
Capital Lease Obligations	4,210,893	5,680,697	1,959,300
Total	146,983,404	150,848,593	153,940,018
Less Current Portion of Debt	(5,525,026)	(4,944,286)	(7,146,458)
Long-Term Debt and Deferred Outflows of Resources	$ 141,458,378	$ 145,904,307	$ 146,793,560

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

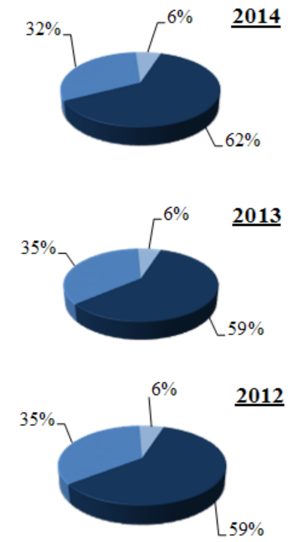
Pledged Revenues for Bonds Payable



	2014	2013	2012
Indirect Cost Recoveries	641,047	706,451	752,411
Extended Studies Net Revenues	4,331,399	4,767,861	4,345,651
Pledged Student Fees	5,748,853	5,624,710	5,501,705
Parking Fees	2,056,702	2,144,058	2,066,786
Other Auxiliary Sales and Services	5,682,843	5,760,574	5,822,890
Pledged Student Tuition	7,677,096	7,758,977	7,589,979
Housing and Food Sales	33,892,676	34,260,875	34,787,704



	2014	2013	2012
Restricted	9,925,161	9,843,122	9,888,599
Unrestricted	51,351,443	61,144,022	61,328,607
Net Investment in Capital Assets	101,486,854	101,168,718	104,819,784



Net Position

Total net position decreased $9.4 million since fiscal year 2012. The decrease originated from $7.9 million of operating results and $1.5 million of the write down of unamortized bond issue costs from the implementation of *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities*. The authoritative guidance in GASB 65 required that the unamortized bond issue costs had to be recorded as an adjustment to the fiscal year 2012 ending net position in order to present financial statements in a comparative manner. The write down of unamortized bond issue costs impacted net investment in capital assets in the net position category of the Statement of Net Position. The following table demonstrates the impact of GASB 65 on prior published financial statements:

Summary of GASB 65 Impact on Net Position

Fiscal year 2012 published beginning net position	$ 172,170,325
Fiscal year 2012 published change in net positon	5,431,292
Fiscal year 2012 retroactive adjustment for GASB 65	(1,564,627)
Restated 2012 ending net position	176,036,990
Fiscal year 2013 published change in net position	(3,952,777)
Fiscal year 2013 retroactive adjustment for GASB 65	71,649
Restated 2013 change in net position	(3,881,128)
Restated 2013 ending net position	172,155,862
Fiscal year 2014 change in net position	(9,392,404)
Fiscal year 2014 ending net position	$ 162,763,458
Change in net position from operating results	$ (7,913,889)
Change in net position from GASB 65	(1,492,978)
Total change in net position 2012 - 2014	$ (9,406,867)

The composition of the University's net asset portfolio shifted from a lower proportion of capital assets net of debt to a higher proportion of unrestricted net position in the years prior to fiscal year 2012. This was the result of a slowdown in major construction activity on campus and a deliberate decision to build unrestricted reserves to smooth the impact of declining state funding for higher education. However, in the past three fiscal years there has been a shift back to net investment in capital assets because management has allocated significant unrestricted cash reserves to capital projects, primarily to address deferred maintenance on campus. The University capitalized $14.0, $6.7, and $9.4 million of new assets in fiscal years 2014, 2013, and 2012 respectively and ended fiscal year 2014 with $6.5 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 asset portfolio as demonstrated in the pie charts on the previous page.

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:

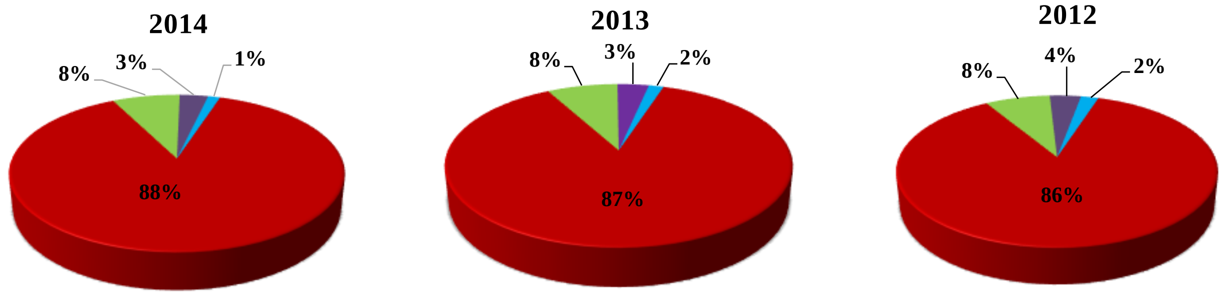
Net Investment In Capital Assets – The University's largest class of net position is its capital assets, net of related debt, which comprises 62%, 59%, and 59% of the University's net position for fiscal years 2014, 2013, and 2012, respectively. This net asset balance equals the cumulative amount expended for capital assets, less the outstanding debt incurred to finance those capital assets and the capital assets' related accumulated depreciation.

These net capital assets represent the University's net investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics, and other purposes.

Restricted Nonexpendable – The University's restricted nonexpendable net 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 Foundation). The majority of the endowment assets benefiting the University are held by the Foundation, which is a discretely presented component unit in the financial statements.

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 restricted nonexpendable endowment net position described above. Allowable expenditures for these funds are scholarships and other academic support expenditures.

Restricted Expendable Net Position



	2014	2013	2012
Revolving Student Loan Funds	8,417,699	8,295,465	8,267,823
Bond Reserve	750,000	750,000	750,000
Scholarships	315,193	332,611	360,394
Other	134,714	157,491	202,827

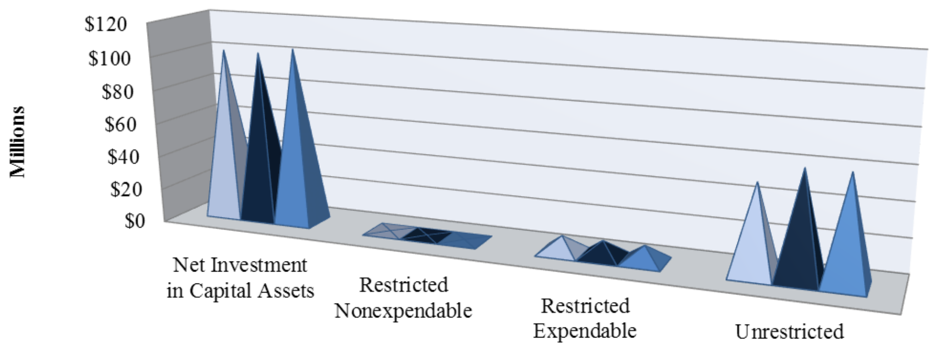
The University's restricted expendable net position at June 30, 2014, 2013, and 2012 was $9.6, $9.5, and $9.6 million, respectively. In fiscal year 2014 university management reviewed the terms related to restricted expendable net position. It was concluded that the University was being conservative in restricting the auxiliary net position because it was not required to be restricted in accordance with the institution's bond covenants. Therefore, a decision was made to reclassify the restricted expendable net assets related to auxiliary expenditures to unrestricted net position. The following chart shows the impact of the change to prior published financial statements:

Restricted Expendable Net Position
Reclassification of Auxiliary Pledged to Debt to Unrestricted Net Position

	Published 2013	Reclassified to Unrestricted Net Position	Restated 2014
Fiscal Year 2013	20,894,091	11,358,524	9,535,567
Fiscal Year 2012	24,260,277	14,679,233	9,581,044

Unrestricted - Unrestricted net position is usually available for spending for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net position for certain purposes during the annual budget process. Unrestricted net position of $51.4 million includes departmental operating funds (now including auxiliary), inventory, self-funded operation working capital, and reserves.

Net Position



	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted
June 30, 2014	101,486,854	307,555	9,617,606	51,351,443
June 30, 2013	101,168,718	307,555	9,535,567	61,144,022
June 30, 2012	104,819,784	307,555	9,581,044	61,328,607

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 only 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 restated, for comparative purposes, to include the impact of *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities.*

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 for which the University earns 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, therefore, are considered nonoperating.

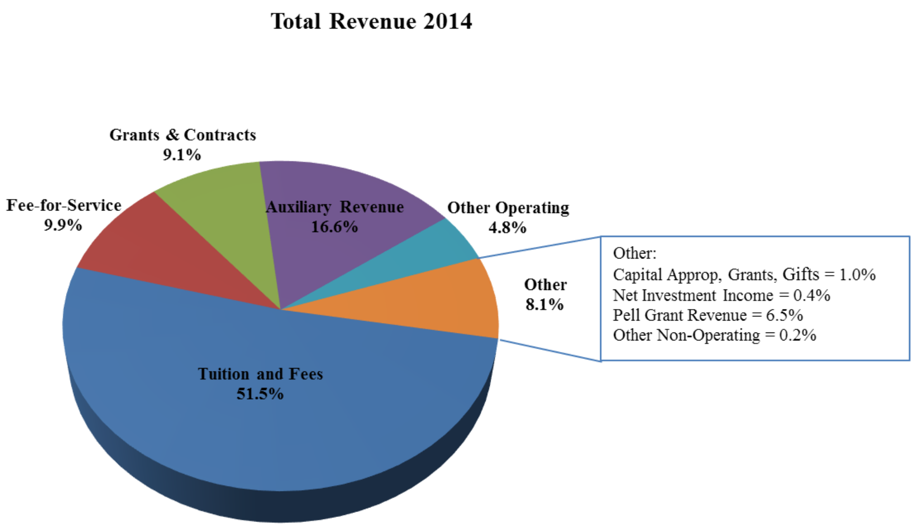
Condensed Statement of Revenues, Expenses, and Changes in Net Position

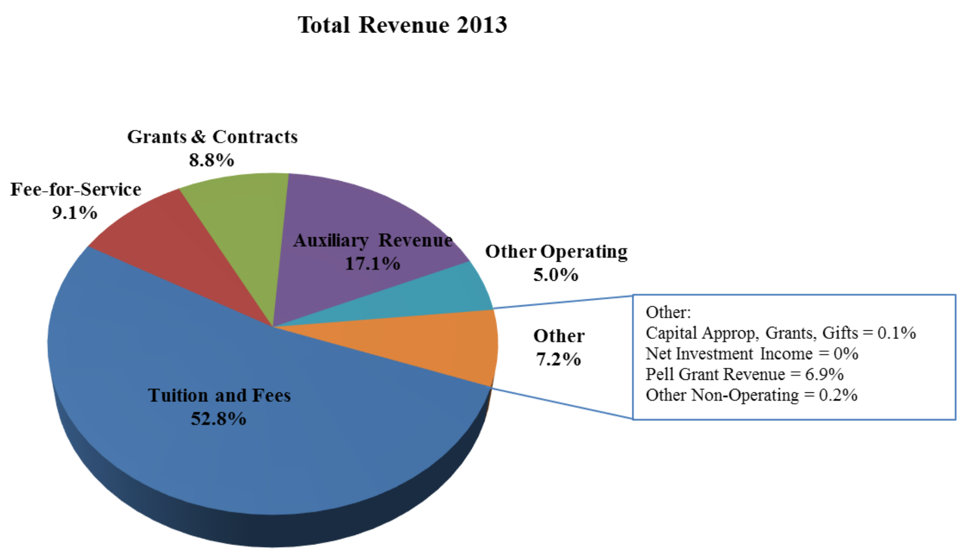
For the Year Ended June 30,

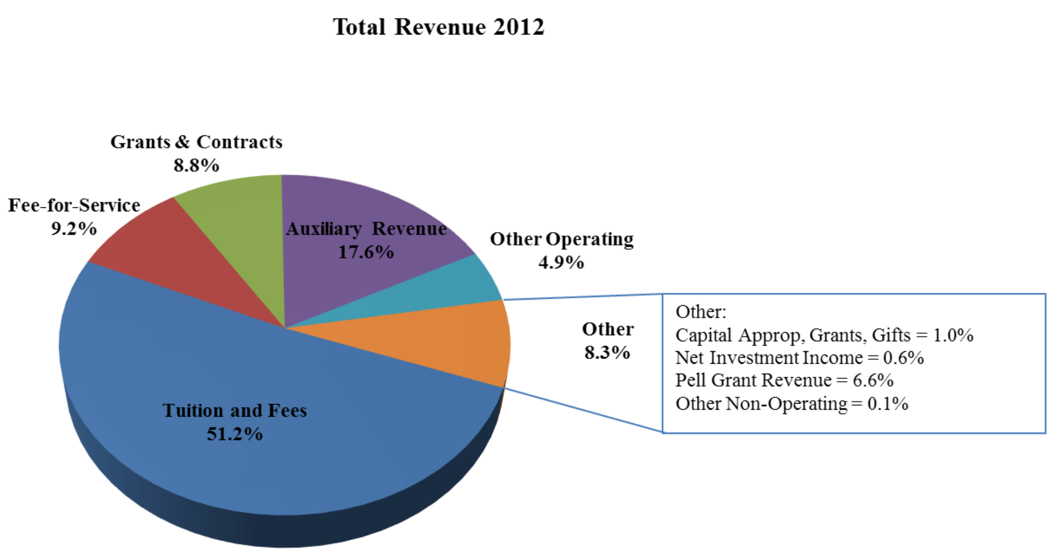
	2014	2013	2012
Operating Revenues			
Net Tuition and Fees	$ 102,853,226	$ 103,803,210	$ 100,834,940
Fee-for-Service	19,782,469	17,915,857	18,116,714
Grants and Contracts	18,238,653	17,222,531	17,343,578
Auxiliary	33,213,951	33,642,896	34,698,245
Other	9,523,404	9,803,557	9,384,852
Total Operating Revenues	183,611,703	182,388,051	180,378,329
Operating Expenses			
Education and General	159,975,065	151,404,933	142,880,121
Auxiliary	26,810,670	26,761,610	26,361,509
Depreciation	16,592,499	16,279,574	16,041,668
Total Operating Expenses	203,378,234	194,446,117	185,283,298
Operating Loss	(19,766,531)	(12,058,066)	(4,904,969)
Nonoperating Revenues & Expenses			
Federal Grant and Contracts	13,024,992	13,638,482	12,990,167
Other Nonoperating Revenue	1,207,412	348,292	1,564,580
Other Nonoperating Expenses	(5,749,898)	(6,010,802)	(6,264,975)
Gain (Loss) before Other Items	(11,284,025)	(4,082,094)	3,384,803
Capital Appropriations and Contributions	1,701,412	207,288	5,630
Capital Grants and Gifts	207,400	-	2,053,248
Loss on Disposal of Assets	(17,191)	(6,322)	(12,389)
Increase (Decrease) in Net Position	(9,392,404)	(3,881,128)	5,431,292
Net Position - Beginning of Year	172,155,862	176,036,990	172,170,325
GASB 65 Adjustment to Net Position	-	-	(1,564,627)
Net Position - End of Year	$ 162,763,458	$ 172,155,862	$ 176,036,990

Total Revenues

Total University revenues of $199.7, $196.5, and $197.0 million in fiscal years 2014, 2013, and 2012, respectively, consist of operating revenue, Pell grants, other nonoperating revenue, capital appropriations and contributions, and capital grants and gifts. Total revenues increased $3.2 million, or 1.6%, between fiscal years 2013 and 2014 and decreased $0.5 million, or -0.2%, between fiscal years 2013 and 2012.


Total Revenue 2014
Grants & Contracts
9.1%
Fee-for-Service
9.9%
Auxiliary Revenue
16.6%
Other Operating
4.8%
Other
8.1%
Other:
Capital Approp, Grants, Gifts = 1.0%
Net Investment Income = 0.4%
Pell Grant Revenue = 6.5%
Other Non-Operating = 0.2%
Tuition and Fees
51.5%


Total Revenue 2013
Grants & Contracts
8.8%
Fee-for-Service
9.1%
Auxiliary Revenue
17.1%
Other Operating
5.0%
Other
7.2%
Other:
Capital Approp, Grants, Gifts = 0.1%
Net Investment Income = 0%
Pell Grant Revenue = 6.9%
Other Non-Operating = 0.2%
Tuition and Fees
52.8%


Total Revenue 2012
Grants & Contracts
8.8%
Fee-for-Service
9.2%
Auxiliary Revenue
17.6%
Other Operating
4.9%
Other
8.3%
Other:
Capital Approp, Grants, Gifts = 1.0%
Net Investment Income = 0.6%
Pell Grant Revenue = 6.6%
Other Non-Operating = 0.1%
Tuition and Fees
51.2%

Operating Revenues

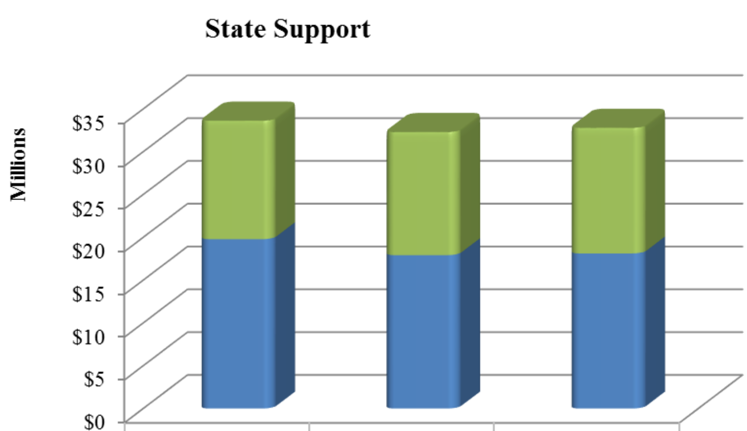
Operating revenue for fiscal years 2014, 2013, and 2012 of $183.6, $182.4, and $180.4 million, respectively, is derived from tuition and fees, auxiliary activity, grants and contracts, state fee-for-service, and other operating revenues. The proportion of operating revenue to total revenue has remained consistent at 92% over the past two fiscal years.

Tuition and fee revenues decreased $0.9 million between fiscal years 2013 and 2014 as a result of a decline in undergraduate enrollment. Between fiscal 2012 and 2013 tuition increased $3.0 million as a result of rate increases because enrollment was flat compared to the prior year. Tuition and fees, the University's largest source of revenue, is shown net of $18.3, $17.9, and $16.0 million in scholarship allowances for fiscal years 2014, 2013, and 2012, respectively. Auxiliary revenue for fiscal years 2014, 2013, and 2012 is net of $5.0, $5.2, and $4.8 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.

During fiscal years 2014, 2013, and 2012, the Colorado Department of Higher Education (CDHE) provided the University $33.6, $32.3, and $32.8 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 $64 per credit hour in fiscal year 2014, a slight increase over the $62 per credit hour the prior two fiscal years. In fiscal years 2014, 2013, and 2012, the University applied $13.9, $14.4, and $14.7 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 2014, 2013, and 2012 CDHE provided the University $19.8, $17.9, and $18.1 million, respectively.

The total amount of COF, and FFS, support has increased $0.8 million since fiscal year 2012.



	2014	2013	2012
College Opportunity Fund	13,857,591	14,398,973	14,689,892
Fee-for-Service	19,782,469	17,915,857	18,116,714
Total	$33,640,060	$32,314,830	$32,806,606

Auxiliary revenues decreased $0.4 million between 2013 and 2014 and had previously decreased $1.1 million between 2012 and 2013. A drop in occupancy from 96.1% in fiscal year 2012 to 86.2% in fiscal year 2013 created the revenue decrease in fiscal year 2013. Room rates are tiered for the various residence halls and price increases for fiscal year 2014 ranged from 1.8% to 9.7%. The Tier 1 hall rates were decreased by 2.4% in 2014. The board rates for meal plans increased from 2.9% to 4.1% depending on the meal plan purchased. The combination of rate increases, offset by a decline in occupancy to 80.4% resulted in the $0.4 million decrease in revenue between 2013 and 2014. Auxiliary revenue is a major source of support for the University's debt service payments. A detailed schedule of actual and estimated revenues and expenses for debt service is included in the Other Budget, Financial, and Enrollment Data section of the annual financial report.

Other operating revenues include the memorandum of understanding support agreement from 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 $9.4 to $9.8 million during the three-year period. The largest single source of revenue in this classification is the MOU agreement between the University and the UNC Foundation, which has been $1.9, $1.7, and $1.4 million in fiscal years 2014, 2013, and 2012, respectively.

Grants and Contracts Revenue

At June 30, 2014, 2013, and 2012, grants and contracts revenue comprised $31.3, $30.9, and $30.3 million or 15.7%, 15.7%, and 15.4% of the University's total revenues, respectively. Grants and contracts revenue is presented on 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, the UNC 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,

	2014	2013	2012
Federal Grants	$ 6,877,981	$ 7,687,878	$ 7,585,107
State and Local Grants	158,495	138,429	94,691
UNC Foundation Grants and Gifts	4,822,218	3,968,696	3,968,965
Other Private Grants	388,768	219,429	211,850
Total Restricted Grants and Contracts	12,247,462	12,014,432	11,860,613
Federal Financial Aid	871,912	710,771	800,783
Federal Pell Financial Aid	13,024,992	13,638,482	12,990,167
State and Non-Gov't Financial Aid	4,376,763	4,331,509	4,024,405
UNC Foundation Scholarships	742,516	165,819	657,778
Total Financial Aid	19,016,183	18,846,581	18,473,133
Total Grants and Contract Revenue	$ 31,263,645	$ 30,861,013	$ 30,333,746

Restricted Grants and Contracts

In fiscal year 2014, total restricted grants were $12.2 million, or 39.2% of total grants and contracts revenue. This is consistent with the past two years where it comprised 38.9% in fiscal year 2013 and 39.1% in fiscal year 2012 of the total grants and contracts revenue. The primary sources of funding for restricted grants and contracts are from the federal government and the UNC Foundation.

In fiscal year 2014, federal funding for restricted grants and contracts made up $6.9 million, or 56.2%, of the total restricted grants and contracts revenue. Federal funding decreased $0.8 million, or 10.5%, from fiscal year 2013 to fiscal year 2014. These decreases were in National Science Foundation awards and other federal sources. The 2014 federal revenue came from the U.S. Department of Education ($3.1 million), the National Science Foundation ($1.7 million), the U.S. Department of Health and Human Services ($0.1 million), and other federal sources ($2.0 million).

UNC Foundation funds are generally donated for grants, program support, and scholarships. Grants and program support are included in the top portion of the Grants and Contracts Revenue table and as shown, remained the same from 2012 to 2013. This support grew to $4.8 million in fiscal year 2014 as a result of increased fundraising efforts and effective utilization of resources contributed by donors. The UNC Foundation grants and gifts is a combination of $0.5 million of specific project grants and $4.3 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 $0.5 million, or 4.5%, of the total restricted grants and contracts revenue in fiscal year 2014. This funding has increased $0.2 million since fiscal year 2012. State, local and private grants do not provide a significant source of restricted grants and contracts revenue.

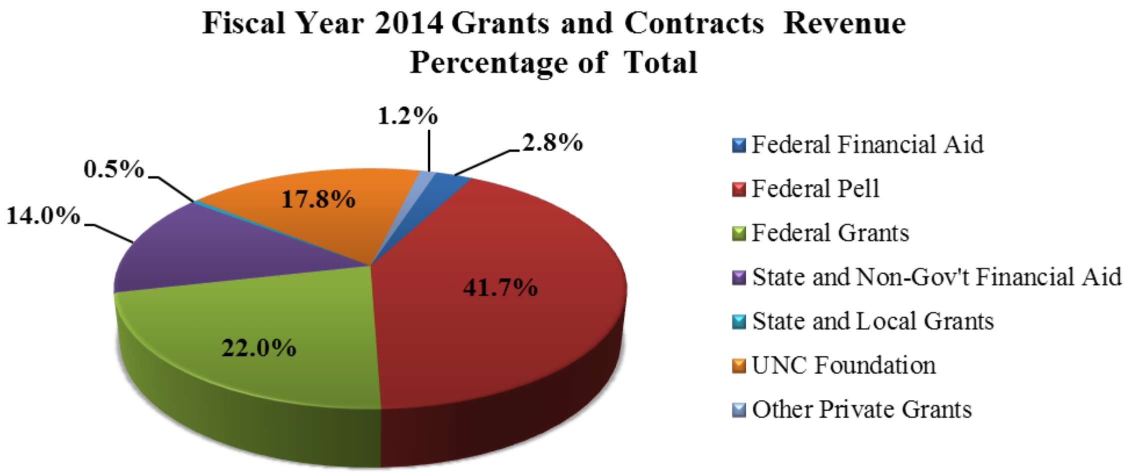
Financial Aid

For the three comparative fiscal years, total financial aid ranged from 60.8% to 61.1% of the total grants and contracts revenue. 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, but other criteria are considered. 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 (the federal government cut Pell funding for the summer semester 2012). Pell awards were $13.0, $13.6, and $13.0 million in fiscal years 2014, 2013, and 2012 respectively.

The UNC Foundation financial aid 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. During the fiscal year 2013 financial planning process, University management made a decision to invest the donations, allowable by donor agreement, at the Foundation for fiscal year 2013 and fund athletic scholarships out of institutional resources. This is why the table reflects a decline from $0.7 million in fiscal year 2012 to $0.2 million in fiscal year 2013. The University changed its policy to raise scholarship funds in one year and utilize those donations for awards to students in the following year. The UNC Foundation financial aid was back to $0.7 million in fiscal year 2014 because it reflects the use of funds raised in the prior year.

State financial aid has grown from $4.0 million in fiscal year 2012 to $4.4 million in fiscal year 2014. These annual amounts are based on state appropriations and the allocation models used to distribute resources within the state university system.



Operating Expenses

For fiscal year 2014, total expenses of $209.2 million included operating expenses of $203.4 million and interest expenses and other losses of $5.8 million. Operating expenses increased 5% each year for the last two fiscal years. The change from fiscal year 2012 to 2013 was $9.2 million, and the change from fiscal year 2013 to 2014 was $8.9 million.

Natural Classification

Operating Expenses by Natural Classification
For the Year Ended June 30,

	2014		2013		2012	
Personnel Costs	$130,561,139	64.2%	$ 122,543,976	63.0%	$ 114,704,535	61.9%
Cost of Goods Sold	4,770,100	2.3%	5,210,668	2.7%	5,467,052	3.0%
Other Current Expenses	51,454,496	25.3%	50,411,899	25.9%	49,070,043	26.5%
Depreciation	16,592,499	8.2%	16,279,574	8.4%	16,041,668	8.6%
Total Operating Expenses	$203,378,234	100.0%	$ 194,446,117	100.0%	$ 185,283,298	100.0%

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 $7.8 million from fiscal year 2012 to 2013 and $8.0 million from fiscal year 2013 to 2014.

The largest portion of cost of goods sold expense in the University is in auxiliary services. It decreased $0.7 million over the past two fiscal years in relation to the $1.5 million two-year decline in auxiliary revenue. Other current expenditures represent all other operating expense, which includes supplies, purchased services, utilities, and travel. It increased $1.0 million, or 2.1%, from fiscal year 2013 to 2014, and $1.3 million, or 2.7%, from fiscal year 2012 to 2013.

Depreciation increased $0.6 million since fiscal year 2012 as a result of capitalizing more depreciable assets.

Wages and Benefits
For the Year Ended June 30,

	2014	2013	Change	% Chg
Faculty	$ 42,874,021	$ 39,996,664	$ 2,877,357	7.2%
Administrative	25,222,765	23,342,016	1,880,749	8.1%
Graduate and Teaching Assistants	9,801,063	9,387,362	413,701	4.4%
Classified	19,470,505	18,882,299	588,206	3.1%
Student	6,254,999	5,971,453	283,546	4.7%
Other	1,078,595	1,250,975	(172,380)	-13.8%
Subtotal Wages	104,701,948	98,830,769	5,871,179	5.9%
Fringe Benefits	25,859,191	23,713,207	2,145,984	9.0%
Total Wages and Benefits	$ 130,561,139	$ 122,543,976	$ 8,017,163	6.5%

The University did not award salary increases to employees for fiscal years 2010, 2011, and 2012, and refrained from hiring personnel, other than critical positions, during a portion of that three-year time period. The increases in personnel costs in those years were primarily from graduate tuition waivers and employee benefits.

In fiscal year 2013, the University began embarking on a five-year compensation plan to move the average salaries to 90% of the average salaries of institutions identified as UNC's peer group. In fiscal 2013, management planned a 3% one-time performance incentive payment for classified staff who met performance expectations, a 3% maintenance-of-effort increase for faculty and administrative employees who met performance expectations, and a 2% pool of funds for faculty and administrative personnel to address parity and equity. In addition, graduate stipends were also increased 3%, and adjunct faculty contracts were increased 2%.

In fiscal year 2014, the University continued working toward the five-year compensation plan by raising salaries 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. Graduate stipends and adjunct faculty salaries were not increased in fiscal year 2014.

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

The increase in fringe benefits is primarily due to the changes in contributions 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. In fiscal year 2013, the University resumed contribution of the full 10.15% of the employer portion of the PERA retirement plan. In fiscal years 2011 and 2012, the state legislature passed a bill to shift 2.5% of the employer basic PERA contribution to the employee, reducing the University's contribution to 7.65%. This provision expired on July 1, 2012.

The Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) percentages have increased from 2.2% and 1.5% in fiscal 2011, to 3.8% and 3.5%, respectively, by the end of fiscal 2014. More information related to PERA is in Note 10: Defined Benefit Pension Plan and Note 11: Other PERA Retirement Plans.

Functional Classification

Operating Expenses by Functional Classification
For the Year Ended June 30,

	2014		2013		2012	
Instruction	$ 76,012,865	37.4%	$ 72,014,268	37.0%	$ 67,604,674	36.5%
Research	2,947,862	1.4%	2,623,764	1.3%	2,490,339	1.3%
Public Service	1,931,855	0.9%	1,987,222	1.0%	2,117,438	1.1%
Academic Support	20,587,076	10.1%	20,133,142	10.4%	18,572,469	10.0%
Student Services	24,471,870	12.0%	22,584,357	11.6%	22,037,795	11.9%
Institutional Support	12,360,397	6.2%	10,441,919	5.4%	8,470,634	4.6%
Operation of Plant	10,431,782	5.1%	9,916,575	5.1%	9,286,508	5.0%
Scholarships and Fellowships	11,231,358	5.5%	11,703,686	6.0%	12,300,264	6.6%
Auxiliary Operating Expenditures	26,810,670	13.2%	26,761,610	13.8%	26,361,509	14.2%
Depreciation	16,592,499	8.2%	16,279,574	8.4%	16,041,668	8.8%
Total Operating Expenses	$203,378,234	100.0%	$194,446,117	100.0%	$185,283,298	100.0%

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, student services, and institutional support. Of the $9.0 million increase in total operating expenses, $8.0 million is attributable to increases in wages of $5.9 million plus benefits of $2.1 million, which are reflected throughout all of the functional categories.

The remaining $1.0 million increase is a combination of a cost of goods sold decrease of $0.4 million (primarily in auxiliaries), other current expenses increase of $1.1 million ($0.5 million increase in utilities, $0.2 million increase in travel, and $0.4 increase in all other expense categories) and an increase of depreciation expense of $0.3 million. Depreciation has a separate functional category, but all the other expenses are distributed throughout the remaining functional classifications.

A matrix in *Note 14: 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 grant and contract revenue” is Pell and it is the largest portion of nonoperating revenue. The University received $0.6 million more in fiscal year 2013 than in fiscal year 2012 and then $0.6 million less in fiscal year 2014. The amount of Pell revenue is based on student need and several other factors set by the federal government. The University financial aid office 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. In fiscal year 2014 the investment gain of $0.8 million was from interest earned from cash invested with the state treasury and an unrealized gain in the fair market value of those investments. In fiscal year 2013 investment loss was primarily from a $1.1 million decrease in the fair market value of our share of the investments held by the State Treasurer for University operations.

Interest on capital asset related debt has decreased $0.5 million since fiscal year 2012. This is savings realized from bond refinancing and favorable 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 than what is reflected on the Statement of Cash Flows. The Statement of Cash Flows represents the cash payments, and the Statement of Revenues, Expenses and Changes in Net Position includes both the cash payments and the non-cash amortization transactions related to the bond refunding.

Other Changes

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 photochrom prints for the library and a spectrometer. There were no significant items in other changes in fiscal 2013. In fiscal year 2012 the University received a capital gift of $2.1 million from the UNC Foundation, which was used for refunding the 2001A auxiliary revenue bonds.

Economic Outlook

The University's financial (or economic) position is impacted primarily by enrollment and it is also affected by funding from the state legislature. The combination of tuition, fees, and auxiliary revenue generated from students is 66.6% of the University's operating revenue. The College Opportunity Fund plus the Fee- for-Service contract comprised 18.3% of the University's operating revenues in fiscal year 2014. That percentage will remain the same in fiscal year 2015 even though the University received an increase of $3.7 million for these State funded revenues.

The economic outlook from Legislative Council is optimistic for the next two fiscal years and they report that the Colorado economy performed better than the U.S. economy in 2013. Companies are hiring staff, the state's unemployment rate remained below the national average while total earnings from wages, investments, and other ventures grew the sixth fastest of any state in the country. The real estate markets in Denver and the northern regions of the state are of the strongest in the nation. They expect the Colorado economy to continue to strengthen further in 2014 and 2015. Hopefully this will translate to better ability for students to afford college in the upcoming years and to obtain employment after graduation.

The September 2014, Legislative Council revenue estimates were positive. State general fund revenue is forecasted to be 1.3% higher than the current year budget plus the prior year $235.8 million surplus. In fiscal 2016, they are anticipating 9.8% growth over the 2015 budget. Positive forecasts and budget surpluses provide a more optimistic outlook for the maintenance of higher education funding. University management anticipates modest changes in state support in the near term.

Student Headcount Enrollment

Fall Final (for Fiscal Year)	Under Graduate	Graduate	Total	Percent Change
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%
Fall 10 (FY11)	10,464	2,566	13,030	2.5%
Fall 09 (FY10)	10,290	2,421	12,711	1.7%

The University's enrollment history over the past five years peaked in fall 2010. It remained relatively flat until fall 2013, when it dipped 2.8% from fall 2012. The outlook for fall 2014 is that new student enrollment will be about the same as fall 2013, but we will have fewer continuing students because of large graduating classes in the past two years.

The University continues to focus on increasing enrollment and the University President, Kay Norton, set a goal of growing to more than 15,000 students by fall of 2018. The University has been focusing on improving the undergraduate persistence rate, which increased from 80.8% to 82.1% over the past year. To reach the targeted enrollment goals, the University is focusing specifically on:

- Continuing our targeted efforts to reach new first-time freshmen
- Increasing the number of transfer students with targeted outreach and distinct pipelines from other institutions
- Increasing graduate student enrollment by offering flexible programs and responding to emerging needs for new programs
- Increasing the diversity of our students by enrolling more international students and students of color
- Increasing the number of non-resident, Western Interstate Commission for Higher Education (WICHE) and Western Undergraduate Exchange (WUE) students
- Using scholarships and assistantships to support our enrollment goals
- Focusing our efforts to increase student success to graduation.

The management of the University of Northern Colorado continues to implement changes in the way it operates. The institution developed a Strategic Framework which includes nine core plans for the following: Student Support Services; Research, Scholarship and Creative Works; Community and Civic Engagement; Compensation Identity; Academic Portfolio; Equity and Diversity; Sustainability; Internationalization; and Enrollment Plan and Pricing Strategy. Through these plans, and support plans for Staffing, Marketing, Facilities, Information Technology, and Fundraising, the University continues to align its financial resources with its strategic priorities of building exemplary academic programs, advancing the research focus, and building ever-stronger community relationships.

For additional information regarding this report please contact:

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

STATEMENT OF NET POSITION

As of June 30, 2014

	University of Northern Colorado	University of Northern Colorado Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	$ 69,491,267	$ 758,543
Restricted cash and cash equivalents with trustee	975,319	-
Student accounts receivable, net of allowance of $7,722,611	6,435,476	-
Pledges receivable, net	-	1,286,791
Other receivables	4,345,974	174,329
Investments	-	32,034,807
Inventories	1,121,832	-
Loans to students, net	480,161	-
Other assets	449,887	100,914
Total Current Assets	83,299,916	34,355,384
Noncurrent Assets		
Restricted cash and cash equivalents	750,000	-
Restricted investments	624,183	-
Pledges receivable, net	-	2,320,889
Loans to students, net	6,110,507	-
Investments permanently restricted for endowment	-	81,966,963
Capital assets, net	247,970,866	1,029,733
Total Noncurrent Assets	255,455,556	85,317,585
TOTAL ASSETS	338,755,472	119,672,969
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refundings	3,503,130	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,503,130	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	15,427,073	2,556,978
Unearned revenue	7,490,285	-
Bonds/notes payable, current portion	4,175,586	-
Capital leases payable, current portion	1,349,440	-
Funds held for the University of Northern Colorado	-	629,860
Other current liabilities	1,619,677	-
Total Current Liabilities	30,062,061	3,186,838
Noncurrent Liabilities		
Bonds/notes payable	142,100,055	-
Capital leases payable	2,861,453	-
Other noncurrent liabilities	84,000	-
Annuity obligations	-	142,498
Compensated absence liabilities	4,387,575	-
Total Noncurrent Liabilities	149,433,083	142,498
TOTAL LIABILITIES	179,495,144	3,329,336
NET POSITION		
Net investment in capital assets	101,486,854	1,029,733
Restricted for:		
Nonexpendable		
Scholarships and fellowships	306,155	43,801,686
Academic support	1,400	-
Other	-	38,165,277
Expendable		
Scholarships and fellowships	315,193	4,565,067
Loans	8,417,699	-
Bond reserve	750,000	-
Other	134,714	14,226,908
Unrestricted	51,351,443	14,554,962
TOTAL NET POSITION	$ 162,763,458	$ 116,343,633

See Notes to Financial Statements

STATEMENT OF NET POSITION

For the Year Ended June 30, 2013

	University of Northern Colorado	University of Northern Colorado Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	$ 79,890,709	$ 1,436,723
Restricted cash and cash equivalents with trustee	494,825	-
Student accounts receivable, net of allowance of $6,530,925	7,212,570	-
Pledges receivable, net	-	2,396,341
Other receivables	2,699,623	193,728
Investments	-	28,126,713
Inventories	1,118,782	-
Loans to students, net	410,966	-
Other assets	550,842	190,250
Total Current Assets	92,378,317	32,343,755
Noncurrent Assets		
Restricted cash and cash equivalents	750,000	-
Restricted investments	641,628	-
Pledges receivable, net	-	3,451,918
Loans to students, net	6,433,679	-
Investments permanently restricted for endowment	-	70,733,014
Capital assets, net	251,524,258	1,044,054
Total Noncurrent Assets	259,349,565	75,228,986
TOTAL ASSETS	351,727,882	107,572,741
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refundings	2,899,403	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,899,403	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	15,123,425	1,231,018
Unearned revenue	7,808,363	-
Bonds/notes payable, current portion	3,615,000	-
Capital leases payable, current portion	1,329,286	-
Funds held for the University of Northern Colorado	-	667,737
Other current liabilities	1,563,240	-
Total Current Liabilities	29,439,314	1,898,755
Noncurrent Liabilities		
Bonds/notes payable	144,452,299	-
Capital leases payable	4,351,411	-
Other noncurrent liabilities	142,000	-
Annuity obligations	-	150,762
Compensated absence liabilities	4,086,399	-
Total Noncurrent Liabilities	153,032,109	150,762
TOTAL LIABILITIES	182,471,423	2,049,517
NET POSITION		
Net investment in capital assets	101,168,718	1,044,054
Restricted for:		
Nonexpendable		
Scholarships and fellowships	306,155	36,536,362
Academic support	1,400	-
Other	-	34,196,652
Expendable		
Scholarships and fellowships	332,611	5,060,353
Loans	8,295,465	-
Bond reserve	750,000	-
Other	157,491	15,949,350
Unrestricted	61,144,022	12,736,453
TOTAL NET POSITION (restated)	$ 172,155,862	$ 105,523,224

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

`	University of Northern Colorado	University of Northern Colorado Foundation, Inc.
Operating Revenues		
Student tuition and fees, net	$ 102,853,226	$ -
Contributions	-	6,273,357
Contributed services	-	258,574
Federal grants and contracts	7,749,893	-
State and local grants and contracts	4,535,258	-
State fee-for-service	19,782,469	-
Nongovernmental grants and contracts	5,953,502	-
Sales and services of educational activities	358,672	-
Auxiliary operating revenue	33,213,951	-
Interest and dividends	-	1,979,064
Net realized and unrealized gain	-	13,422,869
Other operating revenue	9,164,732	478,721
Total Operating Revenues	183,611,703	22,412,585
Operating Expenses		
Educational and general		
Instruction	76,012,865	-
Research	2,947,862	-
Public service	1,931,855	-
Academic support	20,587,076	-
Student services	24,471,870	-
Institutional support	12,360,397	-
Operation of plant	10,431,782	-
Scholarships and fellowships	11,231,358	-
Program	-	10,627,487
Management and general	-	690,289
Fundraising	-	243,150
Pledged receivable write off	-	31,250
Auxiliary operating expenditures	26,810,670	-
Depreciation and amortization	16,592,499	-
Total Operating Expenses	203,378,234	11,592,176
Operating Income (Loss)	(19,766,531)	10,820,409
Nonoperating Revenues (Expenses)		
Investment income, net of investment expense	829,573	-
Interest on capital asset related debt	(5,749,898)	-
Federal grants and contracts revenue	13,024,992	-
Other nonoperating revenue	377,839	-
Net Nonoperating Revenues (Expenses)	8,482,506	-
Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)	(11,284,025)	10,820,409
Capital appropriations	1,701,412	-
Capital grants and gifts	207,400	-
Loss on disposal of capital assets	(17,191)	-
Total Other Changes	1,891,621	-
Increase (Decrease) in Net Position	(9,392,404)	10,820,409
Net Position, Beginning of Year (restated)	172,155,862	105,523,224
Net Position, End of Year	$ 162,763,458	$ 116,343,633

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

	University of Northern Colorado	University of Northern Colorado Foundation, Inc.
Operating Revenues		
Student tuition and fees, net	$ 103,803,210	$ -
Contributions	-	12,237,663
Contributed services	-	131,250
Federal grants and contracts	8,398,649	-
State and local grants and contracts	4,469,938	-
State fee-for-service	17,915,857	-
Nongovernmental grants and contracts	4,353,944	-
Sales and services of educational activities	384,826	-
Auxiliary operating revenue	33,642,896	-
Interest and dividends	-	2,351,007
Net realized and unrealized gain	-	6,251,757
Other operating revenue	9,418,731	688,100
Total Operating Revenues	182,388,051	21,659,777
Operating Expenses		
Educational and general		
Instruction	72,014,268	-
Research	2,623,764	-
Public service	1,987,222	-
Academic support	20,133,142	-
Student services	22,584,357	-
Institutional support	10,441,919	-
Operation of plant	9,916,575	-
Scholarships and fellowships	11,703,686	-
Program	-	6,964,885
Management and general	-	855,859
Fundraising	-	1,570,546
Pledged receivable write off	-	25,375
Auxiliary operating expenditures	26,761,610	-
Depreciation and amortization	16,279,574	-
Total Operating Expenses	194,446,117	9,416,665
Operating Income (Loss)	(12,058,066)	12,243,112
Nonoperating Revenues (Expenses)		
Investment income, net of investment expense	(81,481)	-
Interest on capital asset related debt	(6,010,802)	-
Federal grants and contracts revenue	13,638,482	-
Other nonoperating revenue	429,773	-
Net Nonoperating Revenues (Expenses)	7,975,972	-
Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)	(4,082,094)	12,243,112
Capital appropriations	207,288	-
Capital grants and gifts	-	-
Loss on disposal of capital assets	(6,322)	-
Total Other Changes	200,966	-
Increase (Decrease) in Net Position	(3,881,128)	12,243,112
Net Position, Beginning of Year (restated)	176,036,990	93,280,112
Net Position, End of Year (restated)	$ 172,155,862	$ 105,523,224

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	2014	2013
Operating Activities		
Cash Received		
Tuition and fees	$ 103,223,837	$ 96,645,670
Colorado State fee for service	19,782,469	17,915,857
Sales and services of educational activities	389,634	362,541
Sales and services of auxiliary activities	32,719,600	33,855,148
Grants and contracts	6,367,546	8,659,029
Federal financial aid	749,153	612,206
State financial aid	4,376,763	4,331,509
UNC Foundation grants	1,364,965	447,290
UNC Foundation gifts	4,199,768	3,687,225
Other receipts	8,817,113	15,548,988
Student loans collected	1,020,580	1,129,418
Cash Payments		
Payments to or for employees	(129,203,645)	(122,463,568)
Payments to suppliers	(45,257,162)	(43,362,969)
Scholarships disbursed	(11,231,358)	(11,703,685)
Student loans disbursed	(865,846)	(957,364)
Net cash provided (used) by operating activities	(3,546,583)	4,707,295
Noncapital Financing Activities		
Federal pell grant non-operating funds	13,024,992	13,638,482
Other nonoperating revenues-rental, lease, other	971,095	421,773
Agency inflows -campus organizations and scholarships	14,018,334	12,826,579
Agency outflows -campus organizations and scholarships	(13,834,387)	(13,392,800)
Agency inflows -student loans	75,786,377	80,341,495
Agency outflows - student loans	(75,786,377)	(80,341,495)
Net cash provided by noncapital financing activities	14,180,034	13,494,034
Capital & Related Financing Activities		
Acquisition and construction of capital assets	(11,354,886)	(12,065,443)
Proceeds and payments related to notes/lease payable	975,319	1,819,650
Proceeds from 2014A bonds issued	56,927,597	-
Proceeds from 2014A issue placed in escrow	(56,533,740)	-
Bond refinancing costs paid	(393,857)	-
Principal paid on note payable	(26,496)	-
Principal paid on bonds payable	(4,455,000)	(3,520,000)
Principal paid on capital leases	(1,469,804)	(1,280,893)
Interest paid on capital debt and note payable	(5,068,552)	(6,124,735)
Net cash provided (used) by capital & related financing activities	(21,399,419)	(21,171,421)
Investing Activities		
Investment earnings/ or (loss)	847,019	(53,762)
Net cash provided (used) by investing activities	847,019	(53,762)
Decrease in Cash and Cash Equivalents	(9,918,949)	(3,023,854)
Cash and Cash Equivalents, Beginning of year	81,135,535	84,159,389
Cash and Cash Equivalents, End of year	$ 71,216,586	$ 81,135,535

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (19,766,531)	$ (12,058,066)
Depreciation and amortization expense	16,592,499	16,279,574
Student loan cancellations	109,572	113,070
Changes in operating assets and liabilities		
Student accounts receivable, net	547,038	(622,465)
Other receivables, net	(1,627,335)	194,946
Loans to students, net	144,405	225,862
Inventories	(3,050)	68,870
Other current assets	100,954	(109,457)
Accounts payable	(655,770)	572,243
Accrued payroll	999,233	(180,569)
Unearned revenues	(318,077)	(40,002)
Other liabilities	8,491	(22,209)
Accrued compensated absences	321,988	285,498
Net cash provided (used) by operating activities	$ (3,546,583)	$ 4,707,295
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	$ 69,491,267	$ 79,890,709
Restricted cash with trustee	975,319	494,825
Restricted cash and cash equivalents	750,000	750,000
Total cash and cash equivalents	$ 71,216,586	$ 81,135,534
Supplemental Cash Flows Information		
Cash assets financed by state capital contribution	$ 1,701,412	$ 207,288
Loss on disposal of assets	$ 17,191	$ 6,322

See Notes to Financial Statements

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

Nature of Operations and Governance

The University of Northern Colorado (the University or UNC) is a public institution of higher education 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 Foundation).

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

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 (the Foundation) is a legally separate, tax-exempt component unit of the University, incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1966 to promote the welfare, development, and growth of the University and also to permit the Foundation to engage in activities 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.

Restatement

The fiscal year 2012 Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows and associated notes to the financial statement were restated to reflect compliance with *GASB 34: Basic Financial Statements and Management's Discussion and Analysis*, footnote 41, which states that proprietary fund revenues should be reported net of discounts and allowances. University of Northern Colorado and all other Colorado higher education institutions implemented compliance with this in fiscal year 2013 by reclassifying bad debt expense to contra-revenue. Although the financial statement presentation includes the fiscal year 2014 and 2013 Statement of Revenues, Expenses and Changes in Net Position, restated comparative information for fiscal year 2012 is included in the Management Discussion and Analysis.

The fiscal year 2013 financial statements and the fiscal year 2012 comparative information published in the Management Discussion and Analysis have been restated to comply with *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities*. GASB 65 required the write off of unamortized bond issuance costs which required restatement of current assets, noncurrent assets, and net investment in capital assets on the Statement of Net Position. This change also impacted other nonoperating revenue on the Statement of Revenues Expenses and Changes in Net Position. GASB 65 also requires that deferred amounts on debt refunding are presented on the Statement of Net Position as a separate financial statement element; deferred outflows of resources. Previously it was included as part of the noncurrent liability; bonds and notes payable.

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 Treasurer, and all highly liquid investments with original maturities of three months or less. As of June 30, 2014, and 2013, cash equivalents consisted primarily of funds invested through the State Treasurer's cash management program.

Restricted Cash and Cash Equivalents

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

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 are recorded net of estimated uncollectible amounts.

Inventories

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was $2,363,600 and $2,209,918 at June 30, 2014, and 2013, respectively.

Capital Assets

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

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

University Interest Capitalized and Expensed	2014	2013
Interest capitalized on self-funded capital projects	$ (76,163)	$ (48,244)
Interest charged to expense for bonds and capital leases	5,826,061	6,059,046
Total interest	$ 5,749,898	$ 6,010,802

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 of Resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to future periods; therefore, it will not be recognized as an outflow of resources (expense/expenditure) until that time. The deferred amount on advance refunding of debt is recorded as a deferred outflow. A deferred amount on advanced refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Capital Lease Liabilities

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

Unearned Revenues

The University prorates the summer session revenues on a fifty percent 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 No. 9: Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and *GASB No. 34*: *Basic Financial Statements and Management's Discussion and Analysis*.

Pell grants of $13,024,992 and $13,638,482 at June 30, 2014, and 2013, 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 no income tax liability related to income generated from activities unrelated to the University's exempt purposes as of June 30, 2014, or 2013.

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 expenses, scholarship allowances, and accounts receivable bad debt allowances 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. In fiscal year 2014, the compensated absence liability included the pay rates in effect at the financial statement date plus the estimated 3% pay increase for fiscal year 2015.

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. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third-parties making payments on behalf of the students.

Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately $23.3 million and $23.0 million for the years ended June 30, 2014, and 2013, respectively.

Bad Debt Allowance

Bad debt expense and an allowance against receivables are estimated based upon the age of the receivables 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 fund daily operating purposes.

Unrestricted Cash and Cash Equivalents	2014	2013
Cash on hand	$ 50,990	$ 45,445
Cash with U.S. financial institutions	11,858,350	803,212
Cash with Colorado State Treasurer	57,327,063	78,910,716
Unrealized gain (loss) -- cash with State Treasurer	254,864	131,336
Total unrestricted cash and cash equivalents	$ 69,491,267	$ 79,890,709

The University deposits its unrestricted cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer 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 Treasury is invested until the cash is needed. As of June 30, 2014, the University had total cash on deposit with the State Treasurer of $58.1 million ($57.3 million unrestricted and $0.8 restricted), which represented approximately 0.8% of the total $7,462.0 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at 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 Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer 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 Treasurer's 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, 2014, none of the investments in the State Treasurer's 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, 2014, and 2013, all of the cash and cash equivalents held by the State Treasurer and U.S. financial institutions were therefore not subject to custodial credit risk. The treasurer's pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2014. Additional information on investments of the state treasurer's pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2014.

Restricted Cash and Cash Equivalents with Trustee

At June 30, 2014, the University holds $975,319 of current restricted cash with a trustee, Commerce Trust Company. These funds are in a short term escrow account to pay for capital equipment that is being financed. The funds held in trust at Commerce Trust Company on June 30, 2014, are insured and collateralized.

At June 30, 2013, the University held $494,825 of current restricted cash with a trustee, Sovereign Bank. The funds were in a short term escrow account to pay for capital equipment. The funds were drawn down in fiscal year 2014 and the escrow account was closed.

Note 3: Investments

The University's investments on June 30, 2014, are certain endowments held at the Foundation and are restricted by the donors. These investments are subject to Colorado Revised Statutes Title 15, Article 1, Part 11 "Uniform Prudent Management of Institutional Funds" or UPMIFA.

Fair value of investments held at June 30, 2014, and 2013, are detailed in the following table:

Investment Types	2014	2013	Maturity
Fixed Income U.S. Government Obligations	$ 448,483	$ 536,714	1-5 years
Fixed Income U.S. Government Obligations	155,126	50,678	Less than 1 year
Money Market Funds	20,574	54,236	Less than 1 year
Total University Restricted Investments	$ 624,183	$ 641,628	

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 balances of the University's investments are endowment funds managed by the Foundation according to the custodial agreement between the University and the Foundation approved on December 14, 1988. These securities are held in the Foundation's name as agent of the University and are not subject to custodial credit risk.

Interest Rate Risk – Investments

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

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

Credit Quality Risk

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

State law limits investments in securities, at the time of purchase, to securities with the top two ratings issued by nationally recognized statistical rating organizations. The University does not have a formal policy related to investment credit quality risk that would further limit its investment choices. All of the University's investments 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, 2014, and 2013, are detailed below:

2014				
Maturities and Credit Ratings by Investment Type	**Fair Value**	**Duration to Maturity**	**Weighted - Average Maturity**	**S&P Credit Rating**
The University				
U.S. Government Obligations	$ 603,609	1.84 yrs	1.92 yrs	AA+
Money Market Funds	20,574	N/A	N/A	N/A
Total Investments as of June 30	$ 624,183			

2013				
Maturities and Credit Ratings by Investment Type	**Fair Value**	**Duration to Maturity**	**Weighted - Average Maturity**	**S&P Credit Rating**
The University				
U.S. Government Obligations	$ 587,392	2.47 yrs	2.61 yrs	AA+
Money Market Funds	54,236	N/A	N/A	N/A
Total Investments as of June 30	$ 641,628			

The UNC Foundation's investments held at June 30, 2014, and 2013, are detailed below:

Investment Types	**2014**	**2013**
The Foundation		
Cash and cash equivalents	$ 3,092,235	$ 2,150,177
Equities	46,686,442	41,276,793
Fixed income	25,708,141	22,869,354
Alternative investments	14,402,422	13,574,314
Other	24,112,530	18,989,089
Total Foundation Investments	$ 114,001,770	$ 98,859,727

Note 4: Accounts, Contributions, and Loans Receivable

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

Accounts, Contributions, and Loans Receivable	2014	2013
Student accounts receivable - current	$ 14,158,087	$ 13,743,495
Allowance for doubtful accounts	(7,722,611)	(6,530,925)
Subtotal student accounts receivable - net	6,435,476	7,212,570
Student loans receivable - current	1,999,761	1,721,749
Allowance for doubtful accounts	(1,519,600)	(1,310,783)
Subtotal student loans receivable - net	480,161	410,966
Student loans receivable - noncurrent	6,954,507	7,332,814
Allowance for doubtful accounts	(844,000)	(899,135)
Subtotal noncurrent student loans receivable - net	6,110,507	6,433,679
Other receivables - current		
Sponsored programs - federal grants receivable	812,597	853,245
Sponsored programs - nonfederal grants receivable	45,014	21,539
Student loans program - federal loans receivable	167,172	167,172
Accounts receivable related party - the Foundation	2,445,631	941,309
Other accounts receivable	875,560	716,358
Subtotal other receivables - current	4,345,974	2,699,623
Total University accounts, loans & other receivables	$ 17,372,118	$ 16,756,838

Related Party Receivable

Gifts and grants receivable from the Foundation to the University were $2.4 and $0.9 million at June 30, 2014, and 2013, respectively.

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 discounted by using a risk-free interest rate. An allowance for uncollectible contributions is established by Foundation management based on management's analysis of specific pledge receivables.

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 in the accompanying Statement of Net Position as of June 30 and are detailed below:

Other Assets	2014	2013
The University		
Inventories for supply use	$ 801,806	$ 866,647
Inventories for resale	320,026	252,135
Subtotal inventories	1,121,832	1,118,782
Prepaid expenses	449,887	550,842
Total inventories and other current assets	$ 1,571,719	$ 1,669,624
The Foundation		
Prepaid expenses and other current assets	$ 100,914	$ 190,250

Note 6: Capital Assets

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

2014

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets					
Land	$ 10,270,198	$ -	$ -	$ -	$ 10,270,198
Land improvements	20,926,997	-	-	-	20,926,997
Non-depreciable land improvements	4,264,026	-	-	-	4,264,026
Buildings and improvements	373,528,654	-	-	7,674,838	381,203,492
Equipment and vehicles	18,905,976	1,083,286	(1,066,599)	3,255,391	22,178,054
Software	3,018,568	-	-	-	3,018,568
Library materials	40,653,759	1,837,095	(208,929)	-	42,281,925
Non-depreciable art/historical	1,550,345	154,900	-	-	1,705,245
Leasehold improvements	1,059,732	-	-	-	1,059,732
Construction in progress	7,475,411	9,987,231	-	(10,930,229)	6,532,413
Total capital assets	481,653,666	13,062,512	(1,275,528)	-	493,440,650
Less accumulated depreciation					
Land improvements	10,638,796	866,524	-	-	11,505,320
Buildings and improvements	171,178,476	12,215,871	-	-	183,394,347
Equipment and vehicles	11,773,993	1,757,300	(1,043,193)	-	12,488,100
Software	2,899,099	67,777	-	-	2,966,876
Library materials	32,909,665	1,628,594	(208,930)	-	34,329,329
Leasehold improvements	729,379	56,433	-	-	785,812
Total accumulated depreciation	230,129,408	16,592,499	(1,252,123)	-	245,469,784
Net capital assets	$ 251,524,258	$ (3,529,987)	$ (23,405)	$ -	$ 247,970,866

2013

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets					
Land	$ 10,270,198	$ -	$ -	$ -	$ 10,270,198
Land improvements	20,577,273	-	-	349,724	20,926,997
Non-depreciable land improvements	4,264,026	-	-	-	4,264,026
Buildings and improvements	371,951,523	-	-	1,577,131	373,528,654
Equipment and vehicles	16,230,316	3,220,401	(628,859)	84,118	18,905,976
Software	2,990,525	28,043	-	-	3,018,568
Library materials	41,039,884	1,489,931	(1,876,056)	-	40,653,759
Non-depreciable art/historical	1,550,345	-	-	-	1,550,345
Leasehold improvements	1,059,732	-	-	-	1,059,732
Construction in progress	1,948,028	7,538,356	-	(2,010,973)	7,475,411
Total capital assets	471,881,850	12,276,731	(2,504,915)	-	481,653,666
Less accumulated depreciation					
Land improvements	9,781,014	857,782	-	-	10,638,796
Buildings and improvements	159,025,388	12,153,088	-	-	171,178,476
Equipment and vehicles	10,909,387	1,479,088	(614,482)	-	11,773,993
Software	2,787,942	111,157	-	-	2,899,099
Library materials	33,163,695	1,622,026	(1,876,056)	-	32,909,665
Leasehold improvements	672,946	56,433	-	-	729,379
Total accumulated depreciation	216,340,372	16,279,574	(2,490,538)	-	230,129,408
Net capital assets	$ 255,541,478	$ (4,002,843)	$ (14,377)	$ -	$ 251,524,258

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

Foundation Capital Assets	2014	2013
Capital assets		
Buildings and improvements	$ 1,260,071	$ 1,226,998
Equipment and vehicles	245,702	240,157
Total capital assets	1,505,773	1,467,155
Less accumulated depreciation	(476,040)	(423,101)
Net capital assets	$ 1,029,733	$ 1,044,054

Note 7: Liabilities and Unearned Revenues

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

The University Liabilities and Unearned Revenues	2014	2013
Accounts payable and accrued liabilities		
Accounts payable	$ 2,338,021	$ 2,911,388
Accrued salaries and benefits	12,423,602	11,438,382
Accrued interest expense	448,195	483,785
Other accrued liabilities	217,255	289,870
Total accounts payable and accrued liabilities	15,427,073	15,123,425
Current unearned revenue		
Summer tuition and other activities	6,712,534	7,049,818
Restricted grants and contracts	469,211	185,375
Foundation contract	-	-
Auxiliary and housing	263,152	565,170
Broadband lease	45,388	8,000
Total current unearned revenue	7,490,285	7,808,363
Other current liabilities		
Deposits held	806,509	720,300
Insurance liability	80,919	102,324
Deposits held in custody for agency funds	327,642	356,823
Compensated absences liability	404,607	383,793
Subtotal other current liabilities	1,619,677	1,563,240
Other noncurrent liabilities		
Long-term deposit liabilities held	30,000	30,000
Broadband lease unearned revenue	4,000	12,000
Auxiliary and housing unearned revenue	50,000	100,000
Compensated absences liability	4,387,575	4,086,399
Subtotal other noncurrent liabilities	4,471,575	4,228,399
Bonds, capital leases and notes payable		
Current notes payable	320,586	-
Current bonds and capital leases	5,204,440	4,944,286
Noncurrent bonds, capital leases	144,961,508	148,803,710
Total bonds, capital leases and notes payable	150,486,534	153,747,996
Total liabilities and unearned revenue	$ 179,495,144	$ 182,471,423

The Foundation – Liabilities and Unearned Revenues

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

The Foundation Liabilities and Unearned Revenues		2014		2013
Accounts payable and accrued liabilities	$	2,556,978	$	1,231,018
Funds held for the University		629,860		667,737
Annuity obligations		142,498		150,762
Total liabilities and unearned revenues	$	3,329,336	$	2,049,517

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		2014		2013
Assets held under gift contracts	$	228,656	$	220,509
Less associated liabilities		(142,498)		(150,762)
Present value of assets held under contract	$	86,158	$	69,747

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 2014	Balance 2013
Fixed Rate - Auxiliary Revenue Bonds	2.0%-5.0%	2040	$ 125,366,818	$ 127,512,299
Variable Rate - Institutional Enterprise				
Revenue Bonds (2011B)	0.806%	2036	19,960,000	20,555,000
Capital Leases Payable	1.49%-6.02%	2018	4,210,893	5,680,697
Note Payable	1.52%	2014	948,823	-
Total Bonds, Capital Leases and Notes Payable			$ 150,486,534	$ 153,747,996

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, 2014, was 0.806%. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

Changes in Bonds, Capital Leases and Notes Payable

The tables below present the summary of changes in bonds, capital leases, and notes payable for the years ended June 30, 2014, and 2013:

2014					
Changes in Bonds, Capital Leases, and Notes Payable	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable	$ 142,040,000	$ 52,465,000	$ 57,190,000	$ 137,315,000	$ 3,855,000
Plus unamortized premiums	6,027,299	4,462,597	2,478,078	8,011,818	-
Total revenue bonds payable	148,067,299	56,927,597	59,668,078	145,326,818	3,855,000
Capital leases payable	5,680,697	-	1,469,804	4,210,893	1,349,440
Notes payable	-	975,319	26,496	948,823	320,586
Total Bonds, Capital Leases, and Notes Payable	$ 153,747,996	$ 57,902,916	$ 61,164,378	$ 150,486,534	$ 5,525,026

2013					
Changes in Bonds, Capital Leases, and Notes Payable	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable	$ 145,560,000	$ -	$ 3,520,000	$ 142,040,000	$ 3,615,000
Plus unamortized premiums	6,320,218	-	292,918	6,027,299	-
Total revenue bonds payable	151,880,218	-	3,812,918	148,067,299	3,615,000
Capital leases payable	1,959,300	5,002,290	1,280,893	5,680,697	1,329,286
Notes payable	3,185,910	-	3,185,910	-	-
Total Bonds, Capital Leases, and Notes Payable	$ 157,025,428	$ 5,002,290	$ 8,279,721	$ 153,747,996	$ 4,944,286

Revenue and Refunding Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2014, and 2013, 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 2005, 2008, 2011A, 2014A). The variable rate demand bond interest is paid monthly and principal is payable 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 2005 and 2008 Bonds payable are secured by a first lien, but not necessarily an exclusive first lien, derived from 10 percent of gross general fund tuition revenues, net student fee revenues, and net auxiliary facility system revenues. The 2011A, 2011B, and 2014A bonds are also secured by a pledge of the revenues derived from net extended studies revenues and gross facility and administrative indirect cost recoveries. The University has pledged these revenues through 2040 to repay $137,315,000 in auxiliary revenue bonds. As of June 30, 2014, and 2013, total pledged revenue and the associated debt service coverage are summarized in the table on the following page:

Net Pledged Revenue Available for Revenue Bond Debt Service	**2014**	**2013**
Gross auxiliary facility and student fee revenues	$ 47,381,074	$ 47,790,217
Less auxiliary facility and student fee operating expenses	30,561,136	30,745,424
Net auxiliary and student fee facility revenue	16,819,938	17,044,793
Other pledged tuition and revenue		
10% of tuition revenue	7,677,096	7,758,977
Indirect cost recoveries	641,047	706,451
Extended campus net revenue	4,331,399	4,767,861
Subtotal other pledged tuition and revenue	12,649,542	13,233,289
Total Net Pledged Revenue	$ 29,469,480	$ 30,278,082
Net prior bonds debt service (2005, 2008 bonds)	4,442,856	5,750,756
Series 2011A, 2011B and 2014A	5,621,895	4,398,469
Total Net Debt Service	$ 10,064,751	$ 10,149,225
Prior debt service coverage (2005, 2008 bonds)	5.51x	4.31x
2011A, 2011B and 2014A bond debt service coverage	4.45x	5.58x
Total net debt service as a percentage of gross auxiliary facilities and student fee revenues	21.2%	21.2%
Total net debt service as a percentage of total net pledged revenues	34.2%	33.5%

Refunding Revenue Bond Activity

On April 2, 2014, the University issued at par $52,465,000 Series 2014A Institutional Enterprise Revenue Refunding Bonds for the purpose of currently refunding $52,735,000 of then outstanding Series 2005 Auxiliary Revenue Refunding and Improvement bonds. The Series 2014A bonds bear fixed interest rates of 2.00% to 5.00%, payable semiannually. Principal maturities began June 1, 2014, and continue through June 1, 2035. The current refunding resulted in a decrease in payments to service the new debt versus the old debt of $5,592,412, an economic gain of $3,955,122, and a deferred amount on refunding of $799,172. The deferred amount on refunding is being amortized as a deferred outflow of resources over the remaining life of the new debt.

The proceeds of $56,533,740 from the 2014A issue were deposited to the Series 2005 Escrow Account as in-substance defeased debt 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.

The Series 2005 bonds maturing on June 1, 2014, 2015 and 2036-2040 remained unrefunded and outstanding in the aggregate principal amount of $24,215,000 at the time of refunding on April 2, 2014.

Revenue Bond Detail	**Original Issuance**	**Outstanding Balance 2014**	**Outstanding Balance 2013**
Fixed Rate Revenue Bonds			
Series 2005			
3.25%-5.00%, Auxiliary Revenue Refunding and Improvement Bonds, issued July 28, 2005, in the original amount of $85,000,000, and maturing in varying amounts through June 1, 2040. On April 2, 2014 $52,735,000 was advanced refunded using proceeds from the 2014A issue. The Series 2005 bonds maturing on June 1, 2014, 2015 and 2036-2040 remain unrefunded and outstanding in the aggregate principal amount of $24,215,000 at the time of refunding.	$ 24,215,000	$ 22,810,000	$ 76,950,000
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	5,155,000	5,485,000
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	37,765,000	39,050,000
Series 2014A	52,465,000	51,625,000	-
2%-5% 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.			
Total Fixed Rate Revenue Bonds	$ 127,515,000	$ 117,355,000	$ 121,485,000
Add unamortized premium		8,011,818	6,027,299
Less unamortized discount		-	-
Total Outstanding Fixed Rate Revenue Bonds Payable	**$ 127,515,000**	**$ 125,366,818**	**$ 127,512,299**
Variable Rate Revenue Bonds			
Series 2011B			
Variable rate demand institutional enterprise revenue refunding 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 NA and the demand begins July 1, 2014. These bonds refunded all of the outstanding Colorado Educational and Cultural Facilities Authority, Student Housing LLC Revenue Bonds (Arlington Park)	$ 21,130,000	$ 19,960,000	$ 20,555,000
Add unamortized premium		-	-
Less unamortized discount		-	-
Total Outstanding Variable Rate Revenue Bonds	**$ 21,130,000**	**$ 19,960,000**	**$ 20,555,000**
Total bonds before premium, discount and deferred amounts	$ 231,110,000	$ 137,315,000	$ 142,040,000
Add total unamortized premium		8,011,818	6,027,299
Less unamortized discount		-	-
Total Outstanding Revenue Bonds Payable	**$ 231,110,000**	**$ 145,326,818**	**$ 148,067,299**

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, 2014, are reported in the tables below:

Fixed Rate Bonds Debt Service Requirements		
Year Ending June 30	Principal	Interest
2015	$ 3,240,000	$ 5,378,338
2016	3,380,000	5,276,600
2017	3,515,000	5,144,625
2018	3,650,000	5,006,137
2019	3,810,000	4,850,988
2020-2024	21,640,000	21,627,600
2025-2029	27,370,000	15,911,431
2030-2034	24,770,000	9,256,563
2035-2039	21,285,000	4,322,300
2040	4,695,000	234,750
Total	$ 117,355,000	$ 77,009,332

Variable Rate Bonds Debt Service Requirements		
Year Ending June 30	Principal	Interest
2015	$ 615,000	$ 160,878
2016	640,000	155,921
2017	660,000	150,762
2018	685,000	145,443
2019	710,000	139,922
2020-2024	3,935,000	609,699
2025-2029	4,670,000	439,753
2030-2034	5,545,000	237,850
2035-2039	2,500,000	30,386
2040	-	-
Total	$ 19,960,000	$ 2,070,614

The University calculates the interest for the 2011B variable rate bonds using a rate of 0.806 percent in effect on June 30, 2014, the financial statement date. The stated interest rate is 3.5 percent.

Combined Fixed and Variable Rate Bond Debt Service Requirements			
Year Ending June 30	Principal	Interest	Total
2015	$ 3,855,000	$ 5,539,216	$ 9,394,216
2016	4,020,000	5,432,521	9,452,521
2017	4,175,000	5,295,387	9,470,387
2018	4,335,000	5,151,580	9,486,580
2019	4,520,000	4,990,910	9,510,910
2020-2024	25,575,000	22,237,299	47,812,299
2025-2029	32,040,000	16,351,184	48,391,184
2030-2034	30,315,000	9,494,413	39,809,413
2035-2039	23,785,000	4,352,686	28,137,686
2040	4,695,000	234,750	4,929,750
Total	$ 137,315,000	$ 79,079,946	$ 216,394,946

Capital Lease Obligations

Assets under capital leases at June 30, 2014, and 2013, include equipment totaling $7,227,005 and $7,269,099, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

The University debt service payments, including interest, required for these capital leases payable as of June 30, 2014, are detailed below:

Capital Lease Minimum Payments

Fiscal Years Ending June 30,	Lease Payments
2015	$ 1,408,119
2016	1,336,817
2017	1,180,322
2018	398,606
Total minimum lease payments	4,323,864
Less amount representing interest	(112,971)
Amount representing principal for future minimum lease payments	$ 4,210,893

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 years ended June 30, 2014, and 2013, was $931,245 and $862,266, respectively. The University's future minimum lease payments under non-cancelable operating leases as of June 30, 2014, are detailed below:

Fiscal Years Ending June 30,	Lease Payments
2015	$ 877,130
2016	752,348
2017	321,068
2018	317,120
2019	306,031
2020-2024	189,595
Total	$ 2,763,292

Note 10: Defined Benefit Pension Plan

Plan Description

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

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

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

Funding Policy

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for state troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent (20.15 percent for state troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded, both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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

The department/institution's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2014, 2013, and 2012 were $6,312,995, $5,542,755 and $4,402,762, respectively. These contributions met the contribution requirement for each year.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which takes effect in fiscal year 2015, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The University provides certain employees with pension benefits through the State's multiple-employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the University, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability will negatively impact the University's future unrestricted net position. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Note 11: Other PERA Retirement Plans

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for State Troopers) effective in fiscal years 2011 and 2012 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 participants.

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 2013, 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 $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in fiscal years 2011 and 2012. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

Voluntary Tax-Deferred Retirement Plan

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

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: Citistreet, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal years 2014 and 2013, the employee contributed 8 percent and the University contributed 11.5 percent. The University's contribution to the ORP for the years ending June 30, 2014, 2013, and 2012 was $5,482,013, $5,377,642 and $4,974,845, respectively. 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 2014 and $54,500 in fiscal year 2013. The contribution to be paid in fiscal year 2015 is expected to be $54,500.

Note 13: Post-Retirement Healthcare and Life Insurance Benefits

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 10, *Defined Benefit Pension Plan Funding Policy.* Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed $378,357, $351,143, and $354,062 as required by statute in fiscal years 2014, 2013, and 2012, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing, multiple-employer insurance purchasing pool which allows for post-employment health coverage until the retiree is eligible for Medicare. 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, 2014, there were 13 participants utilizing post-retirement coverage from the trust membership, of which four are from the University.

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

For the Year Ended June 30, 2014								
	Wages and Benefits	Cost of Sales	Other Current Expenses	Scholarships	Utilities	Travel	Depreciation	Total
Instruction	$ 68,694,486	$ 119,751	$ 6,087,797	$ -	$ -	$ 1,110,831	$ -	$ 76,012,865
Research	1,764,317	-	693,409	-	-	490,136	-	2,947,862
Public Service	1,122,339	142,064	626,445	-	1,207	39,800	-	1,931,855
Academic Support	14,468,719	42,774	5,835,673	-	-	239,910	-	20,587,076
Student Services	15,623,906	216,103	6,043,719	-	292,801	2,295,341	-	24,471,870
Institutional Support	6,991,103	116,240	5,098,901	-	-	154,153	-	12,360,397
Operation of Plant	5,911,854	-	1,543,121	-	2,974,829	1,978	-	10,431,782
Scholarships	-	-	-	11,231,358	-	-	-	11,231,358
Auxiliary	15,984,415	4,133,168	3,495,038	-	3,162,534	35,515	-	26,810,670
Depreciation	-	-	-	-	-	-	16,592,499	16,592,499
Total Expenses	$ 130,561,139	$ 4,770,100	$ 29,424,103	$ 11,231,358	$ 6,431,371	$ 4,367,664	$ 16,592,499	$ 203,378,234

For the Year Ended June 30, 2013								
	Wages and Benefits	Cost of Sales	Other Current Expenses	Scholarships	Utilities	Travel	Depreciation	Total
Instruction	$ 64,778,739	$ 116,604	$ 5,975,091	$ -	$ -	$ 1,143,834	$ -	$ 72,014,268
Research	1,455,350	444	654,772	-	-	513,198	-	2,623,764
Public Service	1,192,338	245,584	492,394	-	-	56,906	-	1,987,222
Academic Support	13,566,770	65,560	6,317,173	-	-	183,639	-	20,133,142
Student Services	14,525,698	207,725	5,457,095	-	275,167	2,118,672	-	22,584,357
Institutional Support	6,076,146	181,944	4,064,728	-	-	119,101	-	10,441,919
Operation of Plant	5,855,465	-	1,277,468	-	2,780,431	3,211	-	9,916,575
Scholarships	-	-	-	11,703,686	-	-	-	11,703,686
Auxiliary	15,093,470	4,392,807	4,455,619	-	2,796,834	22,880	-	26,761,610
Depreciation	-	-	-	-	-	-	16,279,574	16,279,574
Total Expenses	$ 122,543,976	$ 5,210,668	$ 28,694,340	$ 11,703,686	$ 5,852,432	$ 4,161,441	$ 16,279,574	$ 194,446,117

Summary of Wages and Benefits

Wages and Benefits	2014		2013	
Faculty	$ 42,874,021	32.8%	$ 39,996,664	32.6%
Administrative	25,222,765	19.3%	23,342,016	19.0%
Graduate and Teaching Assistants	9,801,063	7.5%	9,387,362	7.7%
Classified	19,470,505	14.9%	18,882,299	15.4%
Student	6,254,999	4.8%	5,971,453	4.9%
Other	1,078,595	0.8%	1,250,975	1.0%
Subtotal Wages	104,701,948	80.1%	98,830,769	80.6%
Fringe Benefits	25,859,191	19.9%	23,713,207	19.4%
Total Wages and Benefits	$130,561,139	100.00%	$122,543,976	100.00%

Note 15: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund. In prior years, the annual appropriations bill included certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2014, and 2013, appropriated expenditures were within the authorized spending authority. For the years ended June 30, 2014, and 2013, the University had a total appropriation of $33,640,060 and $32,314,830, respectively.

For years ended June 30, 2014, and 2013, the University's appropriated funds consisted of $13,857,591 and $14,398,973, respectively, received from students who qualified for stipends from the College Opportunity Fund and $19,782,469 and $17,915,857, respectively, 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.

Capital Construction State Appropriations

Capital construction state appropriations are recognized only to the extent of current expenditures of $1,701,412. At June 30, 2014, there were no unexpended capital construction state appropriations. State appropriations for capital construction include University cash funded projects and controlled maintenance.

University Cash Funded Appropriated Projects

During the 2009 regular session of the Colorado General Assembly, Senate Bill 09-290 was passed. This bill changed the statutes that affected higher education capital construction. It provided greater flexibility and changed the way higher education capital construction is approved and recorded for state budgeting. During the transition in implementing this bill, it was determined that projects previously appropriated under the prior statutory rules would continue to follow those rules and would continue to be recorded on the state's budget as appropriated cash projects. The University did not have cash-funded projects in fiscal year 2014.

Controlled Maintenance

The University incurs approved expenditures for various controlled maintenance projects. At June 30, 2013, the University had one project, a chiller replacement, which was classified as controlled maintenance. As of June 30, 2013, there were current expenditures of $207,288 and unexpended appropriation of $1,701,412 for that project. The project was completed as of June 30, 2014.

Note 16: 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 expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

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 17: 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 $3,000,000 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 $25,000 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 $5,000 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 2014 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, 2014, and 2013, was $81,000 and $101,317, respectively.

Note 18: Other Disclosures

Multi-Year Employment Contracts

During 2014, 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.

Note 19: Subsequent Events

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 then 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, National Association to continue holding 100% of the Series 2011B Bonds for another term of three years, ending June 30, 2017. 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.

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 S&P 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, 2014, was 0.806%. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

Note 20: Restatements

In fiscal year 2014, *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities* was implemented. The authoritative guidance in GASB 65 required that unamortized bond issue costs had to be recorded as an adjustment to the fiscal year 2012 ending net position in order to present financial statements in a comparative manner. The write off of unamortized bond issue costs impacted current assets, noncurrent assets, and net investment in capital assets in the Statement of Net Position. The following table demonstrates the impact of GASB 65 on net position:

Summary of GASB 65 Impact on Net Position

Fiscal year 2012 published beginning net position	$ 172,170,325
Fiscal year 2012 published change in net positon	5,431,292
Fiscal year 2012 retroactive adjustment for GASB 65	(1,564,627)
Restated 2012 ending net position	176,036,990
Fiscal year 2013 published change in net position	(3,952,777)
Fiscal year 2013 retroactive adjustment for GASB 65	71,649
Restated 2013 change in net position	(3,881,128)
Restated 2013 ending net position	172,155,862
Fiscal year 2014 change in net position	(9,392,404)
Fiscal year 2014 ending net position	$ 162,763,458
Change in net position from operating results	$ (7,913,889)
Change in net position from GASB 65	(1,492,978)
Total change in net position 2012 - 2014	$ (9,406,867)

Also in fiscal year 2014, University of Northern Colorado reclassified restricted expendable net position for auxiliaries to unrestricted net position and restated the fiscal year 2013 financial statements. Fiscal year 2012 was restated for the Management Discussion and Analysis. The following chart demonstrates the impact of the restatement:

Restricted Expendable Net Position
Reclassification of Auxiliary Pledged to Debt to Unrestricted Net Position

	Published 2013	Reclassified to Unrestricted Net Position	Restated 2014
Fiscal Year 2013	20,894,091	11,358,524	9,535,567
Fiscal Year 2012	24,260,277	14,679,233	9,581,044

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

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component units of the University of Northern Colorado (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of Northern Colorado Foundation (the Foundation) as described in our report on the University's financial statements. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the Findings and Recommendations section of this report as Recommendation No. 1, that we consider to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

December 4, 2014

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

Required Auditor Communications

Members of the Legislative Audit Committee

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the University of Northern Colorado (the University), an institution of higher education in the State of Colorado, as of and for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated April 23, 2014 and our meeting with University Management and the State Auditor on May 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

During our audit, we identified a deficiency in internal control that we have classified as a significant deficiency. A summary of this deficiency and management's response is included in this report and can be found in the recommendation locator section.

Qualitative Aspects Of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. The University adopted GASB 65 during the current year. The University has not adopted any other significant new accounting policies in the current year. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the University's financial statements were:

- Management's estimate of the allowance for uncollectible student accounts receivable is based on a review of the aged student accounts receivable and a historical collection percentage of such amounts. We evaluated the key factors and assumptions used to develop management's estimate of the allowance for uncollectible student accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the useful lives of property and equipment is based on the historic economic lives of similar assets. We evaluated the key factors and assumptions used to develop management's estimate of the useful lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Investments in Note 3 to the financial statements
- Liabilities and unearned revenues in Note 7 to the financial statements
- Restatements in Note 20 to the financial statements

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We encountered one misstatement related to the classification of unrestricted and restricted net position. Management has corrected this misstatement. There were no other corrected or uncorrected misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2014.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction On Use

This information is intended solely for the use the members of the Legislative Audit Committee, Board of Trustees of the University of Northern Colorado and management of the University of Northern Colorado, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

RubinBrown LLP

December 4, 2014