

STATE OF COLORADO

UNIVERSITY OF NORTHERN COLORADO



FINANCIAL AND COMPLIANCE AUDIT

YEARS ENDED JUNE 30, 2021 AND 2020

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

The Members of the Legislative Audit Committee
University of Northern Colorado Board of Trustees

We have completed the financial statement audit of University of Northern Colorado as of and for the year ended June 30, 2021. Our audit was conducted 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 were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

RubinBrown LLP

January 28, 2022

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UNIVERSITY OF NORTHERN COLORADO

Report Summary

Year Ended June 30, 2021

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 years ended June 30, 2020 and 2021. 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 2021 to January 2022.

The purpose and scope of our audit was to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2020 and 2021. 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 the University's compliance with laws, regulations, contracts and grants governing the expenditure of federal and state funds
- Evaluate the University's 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 Fiscal Year 2021 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 years ended June 30, 2020 and 2021.

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 two deficiencies in internal controls over financial reporting that we consider to be significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

Summary Of Key Audit Findings

Internal Controls Over Higher Education Emergency Relief Fund (HEERF) Lost Revenue Calculation

We found that the University did not correctly record its federal revenue related to the HEERF grant during Fiscal Year 2021. Specifically, the University miscalculated the Fiscal Year 2020 lost revenue that was claimed during Fiscal Year 2021. Although federal HEERF grant requirements only allowed lost revenue to be calculated for a portion of the Fiscal Year 2020 – from March 13, 2020 through June 30, 2020 – University staff calculated Fiscal Year 2020 lost revenue from July 1, 2019 through June 30, 2020. The University did not have sufficient internal controls in place to ensure that accounting staff were appropriately training on federal grant requirements related to the recording of federal HEERF revenue.

Internal Controls Over the Exhibit K1 Schedule of Federal Assistance

We found that the University misstated its federal expenditures for Fiscal Year 2021 on its Exhibit K1. Specifically, we found that the University omitted Coronavirus Relief Fund (CRF) (Assistance Listing Number 21.019) expenditures of approximately \$24.7 million. We also found that the University reported several inaccurate amounts for the Student Financial Aid (SFA) cluster programs, which resulted in an overstatement of SFA Cluster expenditures of approximately \$6.8 million. These errors resulted in an overall understatement of \$17.9 million in federal expenditures for Fiscal Year 2021.

Recommendation And The University's Response

A summary of our recommendations and the responses from the University can be found in the Recommendation Locator section of this report. The University's responses to the findings have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Summary Of Progress In Implementing Prior-Year Audit Recommendations

The audit report for the year ended June 30, 2020 did not include any findings.

UNIVERSITY OF NORTHERN COLORADO

Financial and Compliance Audit

Recommendation Locator

Year Ended June 30, 2021

| Rec no. | Page no. | | Agency Response | Implementation Date |
|---------|----------|--|-----------------|---------------------|
| 1 | 6 | Internal Controls Over Higher Education Emergency Relief Fund (HEERF) Lost Revenue Calculation | Agree | January 2022 |
| 2 | 8 | Internal Controls Over the Exhibit K1 Schedule of Federal Assistance | Agree | January 2022 |

UNIVERSITY OF NORTHERN COLORADO

Description of the University

Year Ended June 30, 2021

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 comprised of seven members appointed by the Governor, with consent of the Senate, for four-year terms (effective for terms beginning July 1, 1987); one faculty member elected by the faculty and one 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 (full-time equivalent), not including Extended Campus (UNC Online, and sites in Loveland, Denver and Colorado Springs), for the past three years as reported to the Colorado Department of Higher Education was:

| | Resident | Nonresident | Total |
|------|-----------------|--------------------|--------------|
| 2021 | 6,356 | 1,067 | 7,423 |
| 2020 | 7,016 | 1,304 | 8,320 |
| 2019 | 7,257 | 1,436 | 8,693 |

The University’s number of faculty for the past three years was:

| | Full-Time | Part-Time | Total |
|------|------------------|------------------|--------------|
| 2021 | 441 | 290 | 731 |
| 2020 | 482 | 339 | 821 |
| 2019 | 514 | 358 | 872 |

FINDINGS AND RECOMMENDATIONS

Internal Controls Over Higher Education Emergency Relief Fund (HEERF) Lost Revenue Calculation

The University's Accounting Department is responsible for the accurate financial reporting for the University, including the recording of financial transactions in compliance with standards. The Governmental Accounting Standards Board (GASB) establishes the generally accepted accounting principles (GAAP) that the University is required to follow in recording its financial transactions. When the University receives federal funding, GASB standards specify when the transactions are required to be recorded.

The federal *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (CRRSSA) and the American Rescue Plan Act of 2021 (ARPA) appropriated Higher Education Emergency Relief Fund (HEERF) funds that may be utilized by higher education institutions to recoup lost academic and auxiliary revenues or as reimbursement for other pandemic-related expenditures that institutions incurred between March 13, 2020 – the date the national emergency for the COVID-19 disease outbreak was declared -- and July 31, 2021. HEERF funds appropriated through the CRRSSA are referred to as HEERF II funds and HEERF funds appropriated through the ARPA are referred to as HEERF III funds. CRRSSA also allowed for previously awarded *Coronavirus Aid, Relief, and Economic Security Act* (CARES) funds to be used for additional allowable uses under CRRSSA. The University was awarded approximately \$8.7 million and \$22.0 million of HEERF II and HEERF III funds, respectively, to be utilized by July 13, 2021 and July 12, 2022, respectively. The University management reviewed the program requirements and identified eligible expenditures, including lost revenue, in order to recognize revenues when the University has met all applicable eligibility requirements, including time requirements related to these funds.

What was the purpose of our audit work and what work was performed?

The purpose of our audit work was to test the University's financial statement recognition of HEERF revenue during Fiscal Year 2021. We obtained and reviewed the University's supporting documentation for HEERF revenue recognized during Fiscal Year 2021, including any lost revenue calculations and other reimbursed expenditures. We performed inquiries of University staff to understand the related process and internal controls and recalculated the University's calculation of lost revenue.

How were the results of the audit work measured?

CRRSSA Section 314(c)(1) states that institutions of higher education receiving HEERF funds may use the funds received to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll). The *HEERF Lost Revenue Frequently Asked Questions (FAQs)* document contains additional guidance provided by the United States Department of Education and states, "Due to the difficulty of estimating precisely when an institution should have received revenue that it otherwise did not as a result of the COVID-19 pandemic, an institution may estimate its lost revenue for the period from the declaration of the national emergency due to the COVID-19 pandemic (85 FR 15337), on March 13, 2020, through the end of its HEERF grant performance period..."

GASB Statement No. 33, paragraph 21, as amended, specifies that the University should recognize revenues when the University has met all applicable eligibility requirements, including time requirements.

What problem did the audit work identify?

We found that the University did not correctly record its federal revenue related to the HEERF grant during Fiscal Year 2021. Specifically, the University miscalculated the Fiscal Year 2020 lost revenue that was claimed during Fiscal Year 2021. Although federal HEERF grant requirements only allowed lost revenue to be calculated for a portion of Fiscal Year 2020 – from March 13, 2020 through June 30, 2020 - University staff calculated Fiscal Year 2020 lost revenue from July 1, 2019 through June 30, 2020. As a result, the University’s federal revenue for Fiscal Year 2021 was overstated by \$1.7 million.

After we notified the University that we had identified the error, University staff recorded an entry to its financial records to correct the error.

Why did this problem occur?

The University did not have sufficient internal controls in place to ensure that accounting staff were appropriately trained on federal grant requirements related to the recording of federal HEERF revenue. The preparer and reviewer of the Fiscal Year 2020 lost revenue calculation indicated that they were not aware of the program requirement to begin the calculation as of March 13, 2020, and remove any revenues and expenditures from prior to that date of declaration of the national emergency from the calculation.

Why does this problem matter?

Without adequate controls over recognizing federal revenues in compliance with requirements, the University cannot ensure the accuracy and completeness of its reported information, and, ultimately, the State’s financial statements. The University is responsible for utilizing HEERF funds in accordance with CRRSSA requirements and recognizing the corresponding revenue.

| | |
|---|------------------------|
| CLASSIFICATION OF FINDING | SIGNIFICANT DEFICIENCY |
| THIS FINDING DOES NOT APPLY TO A PRIOR AUDIT RECOMMENDATION | |

Recommendation No. 1:

The University of Northern Colorado should improve its internal controls by ensuring that the personnel responsible for lost revenue calculations comply with Higher Education Emergency Relief Fund requirements. This should include ensuring that staff are appropriately trained on federal grant requirements related to revenue recognition.

Department Response:

Agree. Implementation Date: January 2022

The provisions and requirements of the Higher Education Emergency Relief Fund were completely new and provided a unique federal funding stream to support the immense financial impact resulting from the COVID-19 pandemic. The University has closely reviewed the lost revenue calculations allowed for FY2020-21 (Lost Auxiliary Revenue and Lost Tuition Revenue) and have consulted with peer institutions and our external auditors. Based on these efforts, we are confident that the error in calculating lost auxiliary revenue for FY2019-20 was an isolated incident based on unique and extenuating circumstances, and that subsequent calculations are accurate and correct.

Internal Controls Over the Exhibit K1 *Schedule of Federal Assistance*

The University reports its fiscal year federal expenditures to the Department of Personnel & Administration's Office of the State Controller (OSC) on the Exhibit K1 (Exhibit K1), *Schedule of Federal Assistance*, for inclusion in the State of Colorado's Schedule of Expenditures of Federal Awards (SEFA). In order to prepare the State's SEFA, the OSC requires state departments and universities to submit an Exhibit K1 each year to report expenditures, receipts, and receivables for each federal grant program administered by the department or university during the fiscal year. For Fiscal Year 2021, the University reported \$109.6 million in federal expenditures on the Exhibit K1.

What was the purpose of our audit work and what work was performed?

The purpose of our audit work was to evaluate whether the University's Exhibit K1 submitted to the OSC for Fiscal Year 2021 was accurate.

We obtained the University's Exhibit K1 and supporting documentation. We performed inquiries of University staff to understand the related process and internal controls over the Exhibit K1 preparation. We performed analytic procedures and reconciliations of amounts reported on the Exhibit K1 to evaluate the accuracy of the information and to assess the University's compliance with federal requirements.

How were the results of the audit work measured?

The University and the State are required to comply with the reporting requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the SEFA. Federal regulations [2 CFR Section 200.510] specifically require that the SEFA include information on each federal award expended during the year. The University is required to report their information to the OSC through the Exhibit K1 in order to ensure that the State's SEFA complies with these requirements.

Per the OSC's Fiscal Procedures Manual (the Manual), all federal award amounts expended during the fiscal year should be reported on the Exhibit K1.

What problem did the audit work identify?

We found that the University misstated its federal expenditures for Fiscal Year 2021 on its Exhibit K1. Specifically, we found that the University omitted Coronavirus Relief Fund (CRF) (Assistance Listing Number 21.019) expenditures of approximately \$24.7 million. We also found that the University reported several inaccurate amounts for the Student Financial Aid (SFA) Cluster programs, which resulted in an overstatement of SFA Cluster expenditures of approximately \$6.8 million. These errors resulted in an overall understatement of \$17.9 million in federal expenditures for Fiscal Year 2021. After we reported these errors to the University, the University submitted a corrected Exhibit K1 to the OSC.

Why did this problem occur?

The University did not have adequate training and oversight in place for University accounting staff to ensure its Exhibit K1 was prepared in accordance with federal requirements and the Manual. The University experienced turnover in the preparer and reviewer functions for the grant tracking and reporting process during the fiscal year and the new preparer and reviewer were not familiar with federal requirements and the guidance for the Exhibit K1 stated in the Manual; this resulted in the omission of the CRF program expenditures and reporting of other inaccurate amounts for the SFA Cluster.

Why does this problem matter?

By failing to properly report expenditures of federal funds on its Exhibit K1, the University was out of compliance with federal requirements. Furthermore, this type of error, if uncorrected, would cause the State's overall SEFA to be inaccurate and out of compliance with federal regulations.

| | |
|---|------------------------|
| CLASSIFICATION OF FINDING | SIGNIFICANT DEFICIENCY |
| THIS FINDING DOES NOT APPLY TO A PRIOR AUDIT RECOMMENDATION | |

Recommendation No. 2:

The University of Northern Colorado should strengthen its internal controls by implementing additional training and oversight of personnel to ensure the Exhibit K1, *Schedule of Federal Assistance*, accurately reflects federal expenditures for the fiscal year.

Department Response:

Agree. Implementation date: January 2022

The Controller and Grant Accountant were new to their positions and had no past experience completing Exhibit K1. The Grant Accountant spent extensive time working through initial exhibit errors with the external auditor and both the Controller and Grant Accountant have thoroughly reviewed the discrepancies that initially occurred with the original submission of the Exhibit K1 and have gained a stronger understanding of how certain federal expenditures should be accurately reported on the annual exhibit. Review and oversight shall be stronger and more effective in the future as the Controller will be more knowledgeable and prepared to provide a more thorough review of Exhibit K1. The University will explore training opportunities to enhance the skill set and knowledge base of both the Grant Accountant and the Controller as it relates to federal grant requirements.

Message from President Feinstein

Fellow Bears,

As I reflect on Fiscal Year 2021 and in the earlier months of FY22, I am once again reminded of the importance of togetherness and how significant that is as we build a brighter future at UNC. Beginning in August, for the first time in 16 months, our entire community was able to come together in person once again. Although a lot of work went into preparing for the fall, I have been re-energized by seeing our campus come to life. It has been a delight to see a full schedule of student activities and events and strong faculty and staff engagement in support of our students. I have also enjoyed engaging with alumni and the Greeley community at special events, including FridayFest, art exhibitions, athletic events, and Homecoming festivities.

While we have continued to navigate the pandemic and the challenges it has presented, there were a number of significant accomplishments to highlight in FY21. We recognized and celebrated more than 1,900 graduates at our May Commencement ceremonies. We welcomed new leaders in academic affairs, including Interim Provost Dr. Lisa Vollendorf and Deans Dr. Kamel Haddad, Dr. Jared Stallones, and Cristina Goletti. We continued to elevate the importance of fostering diversity, equity, and inclusion at UNC, which was reflected at a high level through the creation of a Division of Diversity, Equity, and Inclusion and a Vice President position to oversee this important work. We became the first public university in Colorado to be designated as an All-Steinway school and we broke ground on a 10,000 square foot, multimillion-dollar sports performance center – the first fully donor-funded facility on campus. In total, our donors made gifts and pledges totaling more than \$12 million in FY21. On another financial note, FY21 marked the third consecutive year the university did not spend more than it has brought in, which has allowed us to continue to reinvest in our reserves. These are just a few of the many highlights from the last fiscal year, all signifying what incredible work can be done when we come together as a community.

Our 10-year strategic plan, *Rowing, Not Drifting 2030*, will continue to guide our work moving forward. The five vision elements outlined in the plan serve as the foundation for our work: Students First, Empower Inclusivity, Enhance and Invest, Innovate and Create, and Connect and Celebrate. Significant progress has been made during Phase 1 and we will soon begin identifying key actions and tactics for Phase 2, which will begin towards the end of FY22. I am appreciative of everyone's efforts that contribute to our Students First culture at UNC. The last year was another example showing that when we work together, we will fulfill our promise of delivering an engaging, enriching educational experience for our Bears.

Rowing, Not Drifting,



Andy Feinstein
President



Management's Responsibility for Financial Reporting

The accompanying financial statements of the University of Northern Colorado for the year ended June 30, 2021, were prepared by management in conformity with generally accepted accounting principles.

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

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



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

Independent Auditors' Report

Members of the Legislative Audit Committee:

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities 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 years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Northern Colorado Foundation (the Foundation), the University's discretely presented component unit, whose statements reflect total assets of \$162,995,709 and \$134,921,327 as of June 30, 2021 and 2020, respectively, and total revenues of \$42,759,716 and \$14,335,882, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 42, the Schedules of the University's Proportionate Share of Public Employees' Retirement Association of Colorado (PERA) Pension Liability and PERA Other Post-Employment Benefits (PERA OPEB) Liability and the Schedules of the University's Contributions to PERA Pension and PERA OPEB on pages 102 through 106 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Board of Trustees and administration information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Trustees and administration information 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 January 28, 2022 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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

January 28, 2022

Overview

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the University of Northern Colorado (the University or UNC). It is intended to make the University's financial statements easier to understand and to communicate its financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position and results of operations as of and for the fiscal years ended June 30, 2021 and 2020, respectively, with comparative information for the fiscal year 2019. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, related footnote disclosures, and schedules of supplementary information.

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

Understanding the Financial Statements

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

- ***Independent Auditors' Report*** presents an unmodified opinion prepared by the University's auditors (an independent certified public accounting firm, RubinBrown LLP) on the fairness, in all material respects, of the University and its discretely presented component unit's respective financial position.
- ***Statement of Net Position*** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2021 and 2020, 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, employees, 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 fiscal years ended June 30, 2021 and 2020, 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 fiscal years ended June 30, 2021 and 2020, respectively). Its purpose is to assess the University's ability to generate net cash flows and meet its payment obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Notes. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. University management suggests that the readers of this annual report combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety.

Financial Highlights

In fiscal year 2021, the University was awarded funding through the Higher Education Emergency Relief Fund (HEERF) provisions of both the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) enacted on December 27, 2020, and the American Rescue Plan (ARP) enacted on March 11, 2021. The CRRSAA award of \$12.6 million and the ARP award of \$22.1 million included provisions for emergency grants to students impacted by the coronavirus of \$3.8 million and \$11.1 million, respectively. The remaining awarded funds of \$8.8 million and \$10.9 million, respectively, may be used by the institution to “defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and make additional emergency grants to students.”

Selected financial highlights for the fiscal year ended June 30, 2021, include:

- University assets total \$350.2 million, deferred outflows of resources total \$12.8 million, liabilities total \$264.3 million, and deferred inflows of resources total \$34.0 million resulting in a net position of \$64.6 million. Of the ending net position, \$3.5 million is restricted for purposes for which the donor, grantor, or other external party intended and \$129.5 million is related to investments in capital assets. The remaining deficit of \$68.4 million, which is unrestricted net position, is comprised of a deficit of \$107.1 million from the impact of *GASB 68: Accounting and Financial Reporting for Pensions* and a deficit of \$4.9 million from the implementation of *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, offset by positive net position of \$43.6 million, which may be used to meet the University's ongoing obligations.
- Net position increased \$43.8 million on the Statement of Revenues, Expenses, and Changes in Net Position. The increase in net position is primarily attributable to the change in the University's net pension liability and associated deferred outflows and inflows of resources on pensions, which decreased \$38.5 million from fiscal year 2020 to 2021. The net pension liability decreased due to the implementation of Senate Bill 18-200 which seeks to eliminate the unfunded liability of the plan within 30 years. As part of this plan the State made a direct distribution of \$225 million during calendar year 2019 (the University's fiscal year 2020). The University's portion of the direct distribution was \$0.8 million. The direct distribution is intended to continue until there are no unfunded actuarial accrued liabilities in any division of the plan. However, House Bill 20-1379, signed into law in 2020, suspended the direct distribution for the 2020-21 fiscal year.
- Total operating revenues of \$153.9 million, less total operating expenses of \$157.2 million, resulted in a net operating loss of \$3.3 million. This operating loss was offset by net nonoperating revenues of \$36.7 million and other changes of \$10.4 million, resulting in the \$43.8 million increase in net position. Other changes of \$10.4 million include capital appropriations and contributions from the State of Colorado of \$2.6 million, student capital fee revenue of \$7.4 million, and capital gifts and grants of \$0.4 million.

Summary of Changes in Net Position

as of June 30, 2021

(in millions)

| | |
|--|-----------------------|
| Current year GASB 68 impact on net position | \$ 38.5 |
| Current year GASB 75 impact on net position | 0.5 |
| Current year impact from University operations | <u>4.8</u> |
| Total change in net position | <u>\$ 43.8</u> |

Detail of change in net position:

Net pension liability - GASB 68

| | |
|--|-------------|
| Decrease in net pension liability (GASB 68) | \$ 12.7 |
| Net decrease in deferred outflows and inflows related to pension (GASB 68) | <u>25.8</u> |

Change in net position from GASB 68 **\$ 38.5**

Net OPEB liability - GASB 75

| | |
|---|--------------|
| Decrease in net OPEB liability (GASB 75) | \$ 1.0 |
| Net increase in deferred outflows and inflows related to OPEB (GASB 75) | <u>(0.5)</u> |

Change in net position from GASB 75 **\$ 0.5**

Change in net position from University operations

| | |
|--|--------------|
| Decrease in cash used to cover operating deficits and capital construction | \$ (18.3) |
| Decrease in restricted cash for drawdown of Campus Commons bond funds | (1.2) |
| Net decrease in student accounts receivable, other receivables, loans, inventory, and other assets | (1.9) |
| Decrease in capital assets net of depreciation (primarily Campus Commons construction in progress) | (8.6) |
| Net decrease in compensated absences and other liabilities | 3.9 |
| Decrease in accounts payable, accrued liabilities and unearned revenues | 22.7 |
| Decrease in bonds and capital leases payable | 7.6 |
| Decrease in Perkins Loan Program liquidation liability | 0.7 |
| Net decrease in deferred outflows and inflows related to bond refundings | <u>(0.1)</u> |

Change in net position from University Operations **\$ 4.8**

Statement of Net Position

The Statement of Net Position is a financial snapshot of the University as of June 30, 2021. It presents the fiscal resources of the University (assets), the consumption of net position that applies to future periods (deferred outflows of resources), the claims against those resources (liabilities), the acquisition of net position that applies to future periods (deferred inflows of resources), and the residual available for future operations (net position). Assets and liabilities are classified by liquidity as either current or noncurrent. Net Position is classified into three categories: net investment in capital assets, restricted, and unrestricted. The Statement of Net Position presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; with the difference between the financial statement elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the strength of the financial position of the University.

Condensed Statements of Net Position
as of June 30,

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|------------------------|
| Assets | | | |
| Current assets | \$ 72,693,418 | \$ 92,409,240 | \$ 53,837,541 |
| Capital assets, net | 273,024,984 | 281,644,008 | 289,358,643 |
| Other noncurrent assets | 4,459,390 | 6,036,122 | 10,523,787 |
| Total assets | <u>350,177,792</u> | <u>380,089,370</u> | <u>353,719,971</u> |
| Deferred outflows of resources | | | |
| Deferred amounts on debt refundings | 2,035,866 | 2,194,682 | 2,350,043 |
| Deferred amount on pensions (GASB 68) | 10,609,119 | 6,733,538 | 20,138,561 |
| Deferred amount on OPEB ¹ (GASB 75) | 161,747 | 204,057 | 255,113 |
| Total deferred outflows of resources | <u>12,806,732</u> | <u>9,132,277</u> | <u>22,743,717</u> |
| Liabilities | | | |
| Current liabilities | 27,833,768 | 54,533,947 | 30,494,314 |
| Bonds payable, noncurrent | 134,272,064 | 139,864,899 | 145,371,052 |
| Net pension liabilities (GASB 68) | 86,476,674 | 99,147,013 | 127,932,022 |
| OPEB ¹ liabilities (GASB 75) | 3,031,644 | 4,000,432 | 5,437,725 |
| Perkins liquidation liability, noncurrent | 1,668,520 | 2,300,412 | 2,904,441 |
| Other noncurrent liabilities | 11,058,661 | 12,934,000 | 11,511,232 |
| Total liabilities | <u>264,341,331</u> | <u>312,780,703</u> | <u>323,650,786</u> |
| Deferred inflows of resources | | | |
| Deferred amounts on debt refundings | 709,770 | 747,291 | 784,812 |
| Deferred amount on pensions (GASB 68) | 31,224,814 | 53,213,323 | 76,193,407 |
| Deferred amount on OPEB ¹ (GASB 75) | 2,072,546 | 1,639,061 | 526,874 |
| Total deferred inflows of resources | <u>34,007,130</u> | <u>55,599,675</u> | <u>77,505,093</u> |
| Net Position | | | |
| Net investment in capital assets | 129,524,159 | 131,808,478 | 138,958,949 |
| Restricted - nonexpendable | 307,555 | 307,555 | 307,555 |
| Restricted - expendable | 3,232,412 | 547,679 | 2,093,902 |
| Unrestricted (GASB 68) | (107,092,369) | (145,626,799) | (183,986,867) |
| Unrestricted (GASB 75) | (4,942,443) | (5,435,437) | (5,709,486) |
| Unrestricted | 43,606,749 | 39,239,792 | 23,643,756 |
| Total net position | <u>\$ 64,636,063</u> | <u>\$ 20,841,269</u> | <u>\$ (24,692,191)</u> |

¹ OPEB - Other post employment benefits

Assets

Current Assets

Current assets decreased \$19.7 million for fiscal year 2021, increased \$38.6 million for fiscal year 2020, and increased \$2.6 million for fiscal year 2019.

Unrestricted cash and cash equivalents and capital assets are the largest portions of the University's total assets. On June 30, 2021, 2020, and 2019, cash and cash equivalents were \$56.5, \$74.8, and \$42.5 million which comprised 16.1%, 19.7%, and 12.0%, of the University's total assets, respectively. The majority of the cash is held in the State Treasury and includes operating, restricted, agency, and other cash funds. Unrestricted cash and cash equivalents decreased \$18.3 million in fiscal year 2021, increased \$32.3 million in fiscal year 2020, and increased \$2.7 million in fiscal year 2019.

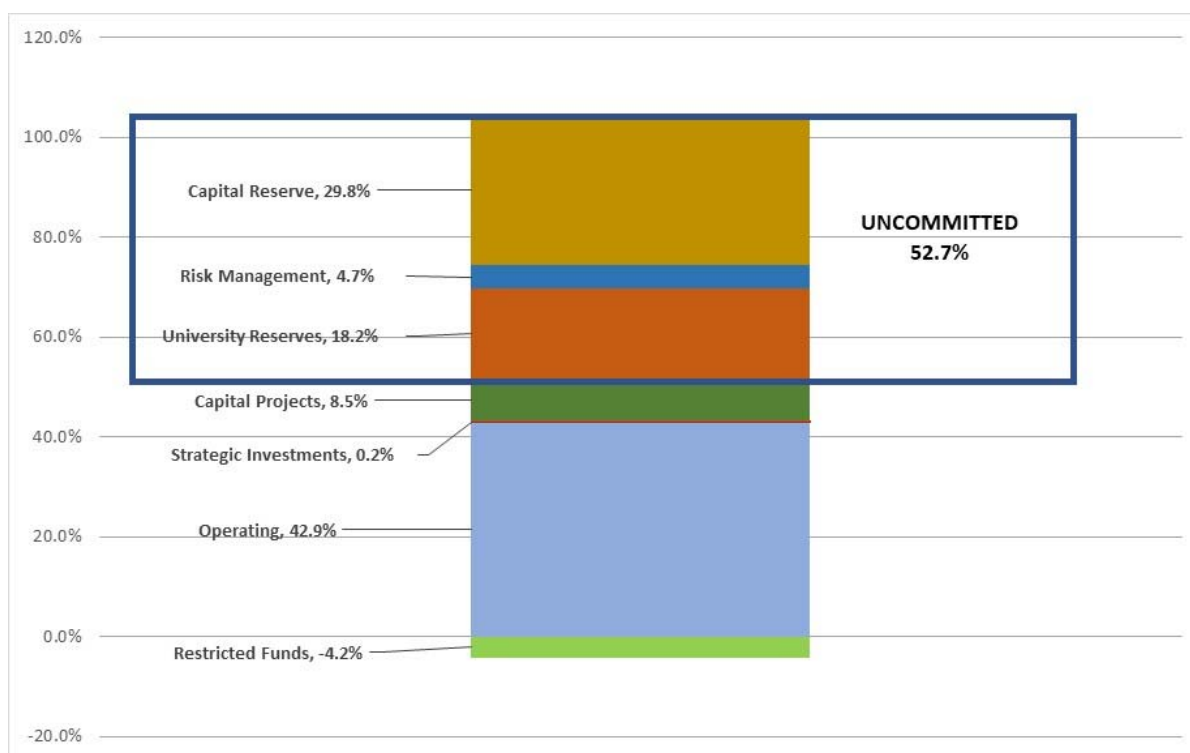
The large decrease to cash and cash equivalents from fiscal year 2020 to fiscal year 2021 is due to the University expending Coronavirus Relief Funds (CRF) received from the Governor's office in May 2020, of which \$24.6 million were unspent and included in the cash balance at June 30, 2020.

On the Cash and Cash Equivalents table on the following page, the CRF funds are included in the restricted funds and account for the significant decrease in that category. The committed capital projects cash balance as of June 30, 2021, 2020, and 2019, includes only the remaining cash expenditures expected to complete the projects approved from the prior fiscal years. At the beginning of each fiscal year funds are transferred from reserves to capital projects to fund that year's projects, as needed.

Internally, management designates the unrestricted cash into committed and uncommitted within each category of operating, capital, and restricted funds. Committed operating cash is used to support the annual operating budget and strategic investment projects. Committed capital project cash is funded annually from capital reserves, state appropriations and bond proceeds. These balances carryforward until project completion. Uncommitted capital reserves are funded from University reserves, donor capital funds, student capital fees (net of debt service) and a portion of auxiliary revenues. Committed restricted cash includes Perkins loan funds and funds to cover grant related expenses. By nature, restricted funds are committed so there is no uncommitted balance.

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

| Unrestricted Cash and Cash Equivalents | | | |
|---|-----------------------------|-----------------------------|-------------------------------|
| as of June 30, | | | |
| | 2021 | 2020 | Change |
| Operating | | | |
| Committed Operating | \$ 24,324,421 | \$ 20,832,081 | \$ 3,492,340 |
| Uncommitted University Reserves | 10,281,476 | 10,281,476 | - |
| Uncommitted Risk Management Reserves | 2,650,000 | 2,650,000 | - |
| Total Operating Cash | <u>37,255,897</u> | <u>33,763,557</u> | <u>3,492,340</u> |
| Capital | | | |
| Committed Capital Projects | 4,799,206 | 3,457,177 | 1,342,029 |
| Uncommitted Capital Reserves | 16,803,783 | 12,724,039 | 4,079,744 |
| Total Capital Cash | <u>21,602,989</u> | <u>16,181,216</u> | <u>5,421,773</u> |
| Restricted Funds | | | |
| Committed Restricted | <u>(2,398,545)</u> | <u>24,817,531</u> | <u>(27,216,076)</u> |
| Total Restricted Cash | <u>(2,398,545)</u> | <u>24,817,531</u> | <u>(27,216,076)</u> |
| Total unrestricted cash and cash equivalents | <u><u>\$ 56,460,341</u></u> | <u><u>\$ 74,762,304</u></u> | <u><u>\$ (18,301,963)</u></u> |



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, 2021, 2020, and 2019, was \$5.5, \$7.4, and \$6.0, respectively. The net student accounts receivable decreased \$1.9 million or 25.8% from fiscal year 2020 to 2021, increased \$1.4 million or 22.3% from fiscal year 2019 to 2020, and increased \$0.2 million or 5.2% from fiscal year 2018 to 2019.

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 \$9.1 million in fiscal year 2021, \$8.2 million in fiscal year 2020, and \$3.5 million in fiscal year 2019. Approximately \$3.0 million of the \$9.1 million in other receivables for fiscal year 2021 was related to the direct CARES Act HEERF funding the University received.

Inventories, loans to students, and other assets make up the remainder of current assets. These three categories combined were \$1.7 million in fiscal year 2021, \$2.0 million in fiscal year 2020, and \$1.8 million in fiscal year 2019.

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, 2021, capital assets of \$634.4 million, net of \$361.4 million accumulated depreciation, totaled \$273.0 million.

As of June 30, 2020, capital assets of \$625.2 million, net of \$343.6 million accumulated depreciation, totaled \$281.6 million. As of June 30, 2019, capital assets of \$614.4 million, net of \$325.0 million accumulated depreciation, totaled \$289.4 million.

The University ended fiscal year 2021 with \$5.4 million in construction in progress. The larger projects in progress at year end, that will be completed and capitalized in fiscal year 2022, include Michener fire sprinkler system upgrades, the Sports Performance Center, and upgrades to Nottingham field.

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

| Capital Assets Net of Accumulated Depreciation as of June 30, | | | | | | |
|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| | 2021 | | 2020 | | 2019 | |
| Land and improvements | \$ 19,023,548 | 7.1% | \$ 19,816,678 | 7.1% | \$ 20,662,072 | 7.2% |
| Buildings and improvements | 231,216,605 | 80.5% | 226,797,689 | 80.5% | 230,964,173 | 79.8% |
| Construction in progress | 5,422,773 | 5.9% | 16,717,399 | 5.9% | 20,081,318 | 6.9% |
| Library books | 10,478,257 | 3.7% | 10,311,871 | 3.7% | 10,003,014 | 3.5% |
| Equipment | 5,109,117 | 2.2% | 6,225,687 | 2.2% | 5,873,382 | 2.0% |
| Art and historical treasures | 1,774,684 | 0.6% | 1,774,684 | 0.6% | 1,774,684 | 0.6% |
| Total capital assets net of accumulated depreciation | <u>\$ 273,024,984</u> | <u>100.0%</u> | <u>\$ 281,644,008</u> | <u>100.0%</u> | <u>\$ 289,358,643</u> | <u>100.0%</u> |

Other Noncurrent Assets

Other noncurrent assets consist of loans to students, restricted cash and cash equivalents, and investments. Restricted cash and cash equivalents consist of \$1.2 million of unspent proceeds from the Campus Commons bond issue. The remaining \$0.5 million are gifts directly donated to the University of Northern Colorado in the past and cannot be legally transferred to the UNC Foundation. The value of this donation portfolio changes minimally each year based on the market gains or losses on the investments.

Loans to students are included in other noncurrent assets. These are primarily Federal Perkins loans that are managed under the appropriate federal guidelines through a third-party loan processor. Loans to students, net of allowance for doubtful accounts, that are due after June 30, totaled \$2.8, \$3.2, and \$4.1 million at June 30, 2021, 2020, and 2019, 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 Revenue* provides more detailed information for current liabilities expected to be paid within one year and noncurrent liabilities expected to be paid after one year.

The net pension liability of \$86.5 million represents the University's proportionate share of the PERA State Division Trust Fund net pension liability. The liability decreased \$12.7 million from fiscal year 2020 to 2021. The University is required by GASB 68 to recognize its proportionate share of the net pension liability and its related deferred outflows and inflows of resources, but UNC is only statutorily obligated to pay the employer contribution, plus the AED and SAED. Detailed information on the changes in the Plan are included in *Note 10: Defined Benefit Pension Plan*.

The net OPEB liability of \$3.0 million represents the University's proportionate share of the PERA Health Care Trust Fund. The University implemented *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions* in fiscal year 2018. Under GASB 75, the University is required to recognize its proportionate share of the net OPEB liability and its related deferred outflows and inflows of resources. PERA diverts 1.02% of the basic employer contribution to fund the HCTF. Detailed information on other postemployment benefits is included in *Note 13: Other Postemployment Benefits (OPEB)*.

The Perkins liquidation liability of \$2.6 million for fiscal year 2021 decreased \$0.7 million from fiscal year 2020. The liability was first recorded in fiscal year 2018 and is based on the University's estimate of the return of the Federal portion of original funding for the Perkins loan program to the United States Department of Education. More information on the closure of the Perkins loan program is included in *Note 7: Liabilities and Unearned Revenue*.

Accounts payable and accrued liabilities decreased \$1.2 million in fiscal year 2021. This change is due to a decrease in accounts payable of \$0.6 million and a decrease in Colorado taxes payable of \$0.3 million.

Current unearned revenue of \$10.0 million includes tuition and fees and certain auxiliary revenues received by June 30, 2021, which are for services to be provided in fiscal year 2022. 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.

Compensated absences are an estimate of the amounts payable to employees in the future for their vested rights under the various leave and retirement programs. This estimate is based on personnel policies that define vacation and sick leave to which the employees may be entitled (see *Note 1: Nature of Operations and Summary of Significant Accounting Policies*). The noncurrent liability for compensated absences was \$4.5, \$4.8, and \$4.6 million as of June 30, 2021, 2020, and 2019, respectively.

University Debt

The largest liability for the University is outstanding bonds payable. The University has six fixed rate bond issues outstanding for a total principal of \$131.5 million. The carrying value of these bonds includes \$7.9 million in premiums that will be amortized over the remaining life of the bonds; consequently, the combined current and noncurrent liability on the Statement of Net Position is \$139.4 million.

New Debt and Refinancing of Debt

On August 29, 2019, the University of Northern Colorado Board of Trustees issued Institutional Enterprise Revenue Refunding Bonds, Series 2019A for \$32.9 million at par. Bond proceeds of \$32.6 million were used to refund the Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A with an outstanding principal balance of \$30.6 million. The underwriter's discount and cost of issuance totaled \$0.2 million. The Series 2019A bonds are guaranteed by the State Intercept program, have coupon rates of 1.9% to 2.6% and are set to mature on June 1, 2031.

Debt-Related Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the future consumption of net position and deferred inflows of resources represent the acquisition of net position that applies to future periods. The University has \$2.0 million of deferred outflows of resources and \$0.7 million of deferred inflows of resources from the refunding activities of bonds payable.

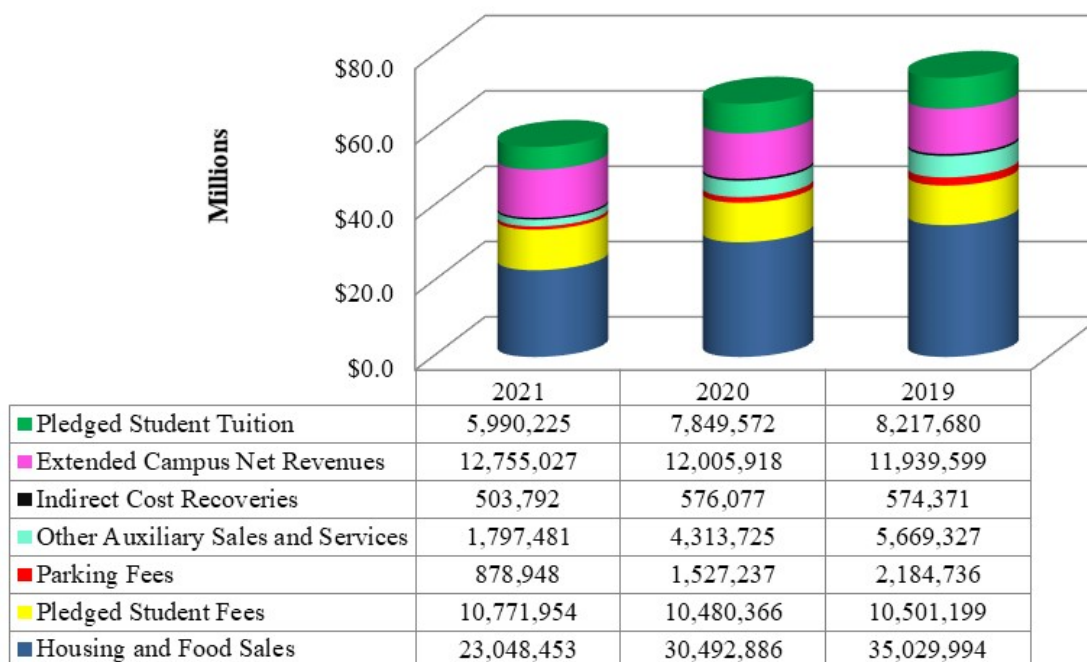
The deferred amounts resulting from refunding bonds payable originate from the difference in the carrying value of the bonds (principal plus unamortized discount or premium) and the amount it costs to retire or refinance the bonds. A book loss on refunding is classified as a deferred outflow of resources and a book gain is classified as a deferred inflow of resources. As each is amortized, the expense or reduction of expense is recognized over the same time period that the University is realizing the economic gain from reduced interest expense related to the refunding transactions. Details of the deferred amounts on debt refundings are included in *Note 14: Deferred Outflows and Inflows of Resources*.

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

| Summary of Debt Outstanding and Debt-Related Deferred Outflows and Inflows of Resources | | | |
|--|-----------------------|-----------------------|-----------------------|
| as of June 30, | | | |
| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Revenue bonds | \$ 139,417,064 | \$ 144,829,899 | \$ 149,756,052 |
| Deferred outflows of resources | (2,035,866) | (2,194,682) | (2,350,043) |
| Deferred inflows of resources | 709,770 | 747,291 | 784,812 |
| Capital lease obligations | 6,140,469 | 8,292,338 | 7,380,475 |
| Total | <u>144,231,437</u> | <u>151,674,846</u> | <u>155,571,296</u> |
| Less current portion of debt | (5,790,390) | (5,961,358) | (4,996,691) |
| Total long-term debt and deferred outflows and inflows of resources | <u>\$ 138,441,047</u> | <u>\$ 145,713,488</u> | <u>\$ 150,574,605</u> |

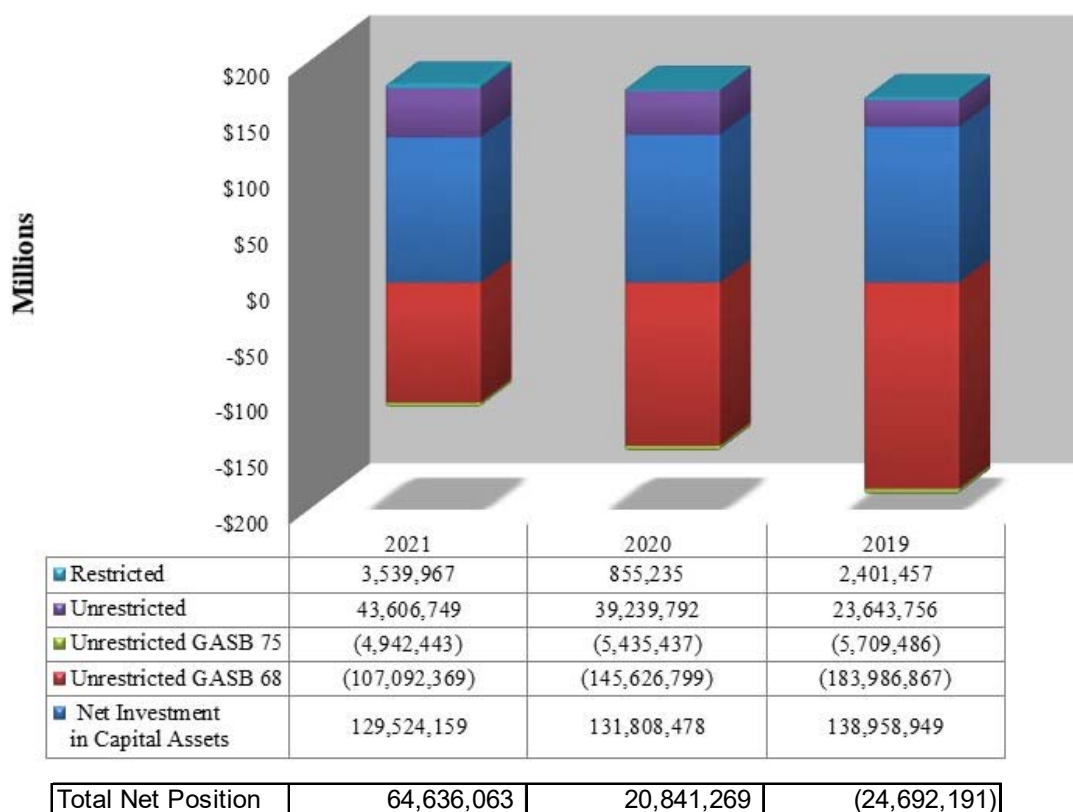
The debt service payments on the revenue bonds are made from pledged revenues comprised of auxiliary housing, food service, parking and other sales, plus identified pledged student fees, Extended Campus net revenues, and a portion of student tuition revenues. A more detailed schedule, including debt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

Pledged Revenues for Bonds Payable



The pledged revenues, net of expenses of \$18.7 million, and bond coverage ratios are included in *Note 8: Bonds and Capital Leases Payable*.

Year End Net Position



Net Position

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

Net Investment In Capital Assets

Net investment in capital assets is the gross cost of assets less accumulated depreciation and outstanding debt service related to the acquisition of the assets. It represents the University's investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics, and other purposes related to the mission of the institution. This is the University's largest class of net position, which comprises \$129.5, \$131.8, and \$139.0 million of the University's net position for fiscal years 2021, 2020, and 2019, respectively. The University capitalized \$21.0, \$14.3, and \$78.0 million of new assets in fiscal years 2021, 2020, and 2019, respectively, and ended fiscal year 2021 with \$5.4 million in construction in progress.

Restricted Nonexpendable

The University's restricted nonexpendable net position is comprised of endowment funds for which the donor has required that the original principal is 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, Incorporated. 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. For fiscal year 2021, the majority of the restricted expendable net position category consisted of unexpended Foundation funding for capital projects, including the new Sports Performance Center.

The University's restricted expendable net position as of June 30, 2021, 2020, and 2019, was \$3.2, \$0.5, and \$2.1 million, respectively.

Unrestricted

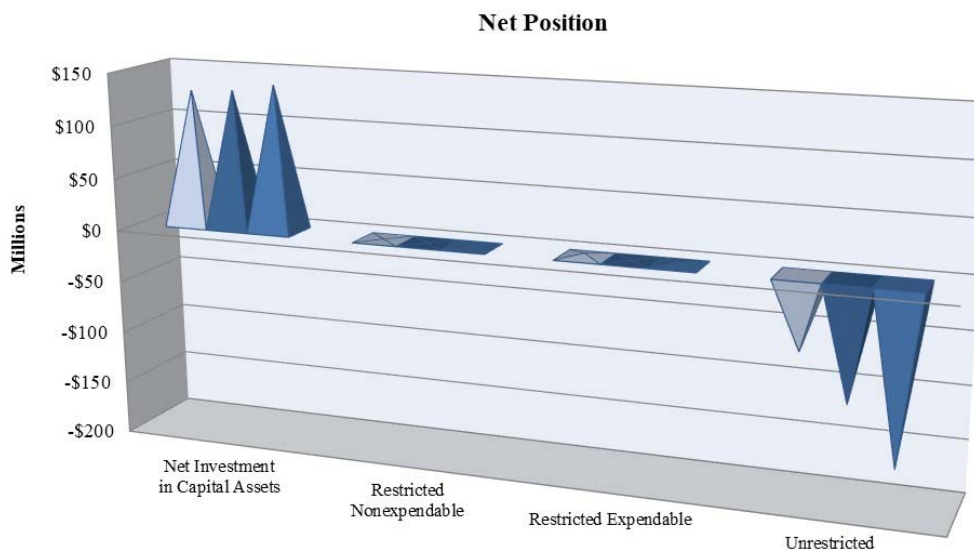
Unrestricted net position is usually available to be used for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net position for certain purposes during the annual budget process. The unrestricted net position deficit of \$68.4 million is comprised of a deficit of \$107.1 million from the impact of GASB 68 and a deficit of \$4.9 million from GASB 75, offset by positive net position of \$43.6 million, which may be used to meet the University's ongoing obligations.

In fiscal year 2018, the University implemented *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The University recognizes its proportionate share of the underfunded other postemployment benefits liability of the PERA Health Care Trust Fund (HCTF) and its related deferred outflows and inflows of resources. The University's proportionate share of the liability was \$3.0, \$4.0, and \$5.4 million in fiscal years 2021, 2020 and 2019, respectively.

The following table outlines the change in net position:

| Summary of Changes in Net Position | |
|--|----------------|
| <i>(in millions)</i> | |
| Net position as of June 30, 2020 | \$ 20.8 |
| Current year impact of GASB 68 ¹ | 38.5 |
| Current year impact of GASB 75 | 0.5 |
| Current year impact from University operations | 4.8 |
| Net position as of June 30, 2021 | <u>64.6</u> |
| <u>¹Detail of GASB 68 impact to Statement of Net Position</u> | |
| Deferred outflows of resources | 3.8 |
| Net pension liability | 12.7 |
| Deferred inflows of resources | 22.0 |
| GASB 68 impact on change in net position | <u>\$ 38.5</u> |

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



| | Net Investment in Capital Assets | Restricted Nonexpendable | Restricted Expendable | Unrestricted |
|-----------------|----------------------------------|--------------------------|-----------------------|---------------|
| ■ June 30, 2021 | 129,524,159 | 307,555 | 3,232,412 | (68,428,063) |
| ■ June 30, 2020 | 131,808,478 | 307,555 | 547,679 | (111,822,443) |
| ■ June 30, 2019 | 138,958,949 | 307,555 | 2,093,902 | (166,052,597) |

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the financial activity of the University over the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. A key component of this statement is the differentiation between operating and nonoperating activities. The tables and charts related to the Statement of Revenue, Expenses, and Changes in Net Position that follow have been adjusted, for comparative purposes, to include the impact of *GASB 68: Accounting and Financial Reporting of Pensions*, which was implemented in fiscal year 2015. The tables also reflect the impact of *GASB 75: Accounting and Financial Reporting for Postemployment Benefits other than Pensions* which was implemented in fiscal year 2018.

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

Nonoperating revenues include investment income, state appropriations, Pell Grant revenue, capital grants and gifts, and gains or losses on the disposal of capital assets. These revenues are not earned from the sale of goods and services and are considered nonoperating. Nonoperating expenses include the repayment of prior federal capital contributions for the Federal Perkins Loan program, bond issue costs, and closing cost on the sale of property, when applicable. In fiscal year 2018, all the Institutions of Higher Education of the State of Colorado began presenting revenue from student capital fees in nonoperating revenues as a capital financing activity rather than part of tuition and fees.

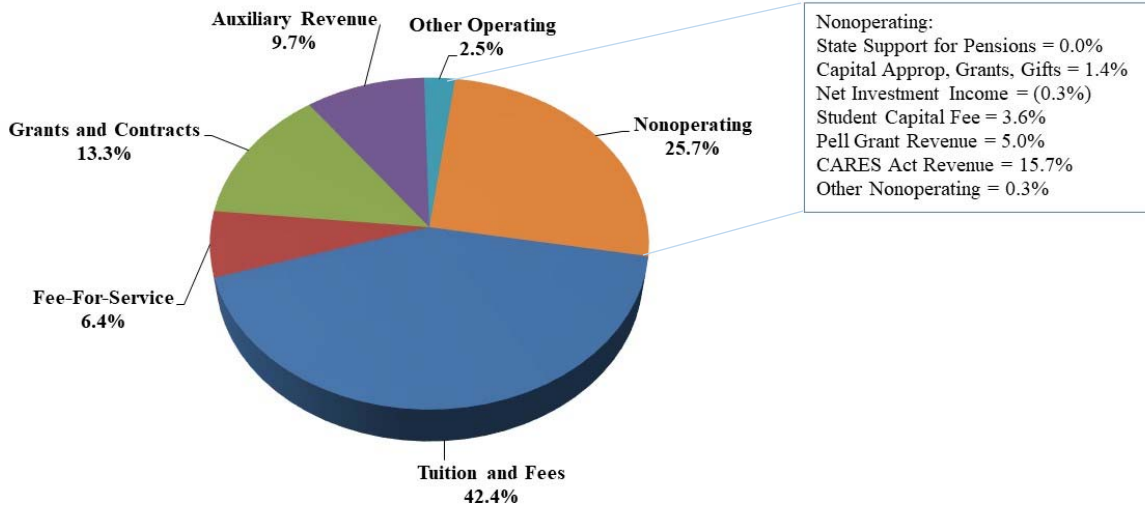
Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,

| | 2021 | 2020 | 2019 |
|--|----------------------|----------------------|------------------------|
| Operating revenues | | | |
| Net tuition and fees | \$ 87,846,945 | \$ 109,063,757 | \$ 113,778,534 |
| Fee-For-Service | 13,290,665 | 29,466,067 | 25,931,112 |
| Grants and contracts | 27,521,495 | 24,751,257 | 24,932,999 |
| Auxiliary | 20,127,011 | 25,307,949 | 31,437,537 |
| Other | 5,065,590 | 6,875,070 | 10,479,388 |
| Total operating revenues | <u>153,851,706</u> | <u>195,464,100</u> | <u>206,559,570</u> |
| Operating expenses | | | |
| Education and general | 152,224,871 | 163,479,466 | 187,600,440 |
| Operating expenses (GASB 68) | (38,534,429) | (38,360,069) | (19,794,947) |
| Operating expenses (GASB 75) | (492,994) | (274,049) | (6,438) |
| Auxiliary | 25,602,148 | 31,852,012 | 25,568,468 |
| Depreciation | 18,369,273 | 18,699,827 | 17,948,148 |
| Total operating expenses | <u>157,168,869</u> | <u>175,397,187</u> | <u>211,315,671</u> |
| Operating gain (loss) | <u>(3,317,163)</u> | <u>20,066,913</u> | <u>(4,756,101)</u> |
| Nonoperating revenues (expenses) | | | |
| Federal grants and contracts | 10,311,251 | 12,402,367 | 13,631,987 |
| Federal grants and contracts - CARES Act | 32,391,390 | 6,013,181 | - |
| Perkins return of Federal loan contributions | (211,056) | (274,140) | (192,555) |
| Other nonoperating revenue | 42,135 | 3,257,158 | 2,718,799 |
| Other nonoperating expense | (381,634) | (1,239,616) | (168,568) |
| Nonoperating capital interest expense | (5,405,717) | (5,551,086) | (5,904,675) |
| Net nonoperating revenue (expense) | <u>36,746,369</u> | <u>14,607,864</u> | <u>10,084,988</u> |
| Gain (Loss) before other items | <u>33,429,206</u> | <u>34,674,777</u> | <u>5,328,887</u> |
| State support for pensions | - | 787,639 | 882,458 |
| Capital appropriations | 1,945,466 | 960,184 | 4,857,892 |
| Capital grants and gifts | 1,015,047 | 1,638,073 | 2,037,728 |
| Student capital fee revenue | 7,405,075 | 7,472,787 | 7,869,333 |
| Gain on disposal of assets | - | - | 37,525 |
| Loss on disposal of assets | - | - | - |
| Total other changes | <u>10,365,588</u> | <u>10,858,683</u> | <u>15,684,936</u> |
| Increase (decrease) in Net Position | <u>43,794,794</u> | <u>45,533,460</u> | <u>21,013,823</u> |
| Net Position - beginning of year | <u>20,841,269</u> | <u>(24,692,191)</u> | <u>(45,706,014)</u> |
| Net Position - end of year | <u>\$ 64,636,063</u> | <u>\$ 20,841,269</u> | <u>\$ (24,692,191)</u> |

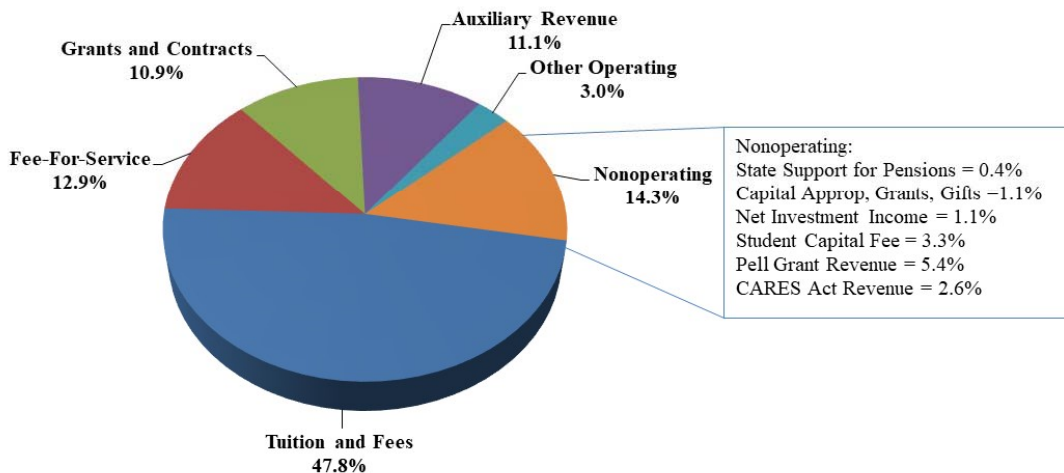
Total Revenues

Total University revenues of \$207.0, \$228.0, and \$238.6 million, in fiscal years 2021, 2020, and 2019, respectively, consist of operating revenue, federal grants and contracts (Pell), other nonoperating revenue, capital appropriations and contributions, capital grants and gifts, student capital fee revenue and the gain on the disposal of assets. Total revenues decreased \$21.0 million or 9.2% from fiscal year 2020 to 2021 and decreased \$10.6 million or 4.4% from fiscal year 2019 to 2020.

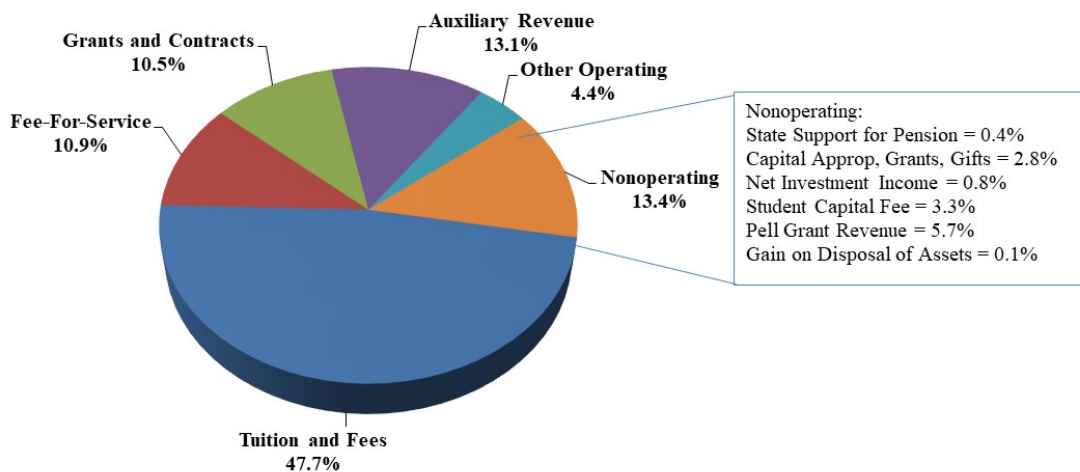
Total Revenue 2021



Total Revenue 2020



Total Revenue 2019



Operating Revenues

Operating revenue for fiscal years 2021, 2020, and 2019, of \$153.9, \$195.5, and \$206.6 million, respectively, is derived from tuition and fees, auxiliary activity, grants and contracts, the State Fee-For-Service contract, and other operating revenues. The proportion of operating revenue to total revenue for fiscal years 2021, 2020, and 2019, has been 74.3%, 85.7%, and 86.6%, respectively.

In fiscal year 2018, the public universities in Colorado began recognizing student capital fee revenue in nonoperating revenues and treating it as a capital financing activity for financial statement purposes.

Tuition and fee revenue decreased \$21.2 million between fiscal years 2020 and 2021 and decreased \$4.7 million between fiscal years 2019 and 2020. The decrease in revenue from fiscal year 2020 to 2021 is the result of a decrease of \$11.1 million in College Opportunity Fund (COF) revenue received from the Colorado Department of Higher Education (CDHE) as well as enrollment declines discussed in the next paragraph. Additionally, after multiple years of undergraduate resident tuition increases, there were no increases imposed for fiscal years 2020 or 2021.

The FTE enrollment and credit hours referenced in this paragraph are based on the calculations UNC uses for bond compliance. Undergraduate full-time equivalent headcount (FTE) is calculated using full-time headcount plus part-time credit hours divided by 12. Graduate FTE is calculated using full-time headcount plus part-time credit hours divided by 9. Annual credit hours are based on fall, interim, spring, and summer terms in that order. Undergraduate resident tuition increased 0.0%, 0.0%, and 3.0%, in fiscal years 2021, 2020, and 2019, respectively. Undergraduate non-resident tuition increased 0.0%, 2.0%, and 2.7%, in fiscal years 2021, 2020, and 2019, respectively. Graduate tuition is tiered by program of study. Graduate tuition increased 0.0% in fiscal year 2021, in a range from 1.0% to 5.0% in fiscal year 2020, and 1.7% to 5.3% in fiscal year 2019 depending on program of study. UNC's fall final 2020 undergraduate FTE enrollment was down 12.8% from the prior fall. The undergraduate fall final FTE decreased 3.8% in 2019 and 1.2% in 2018. The graduate fall final 2020 FTE was down 0.5% from the prior fall. The graduate fall final FTE decreased 5.2% in 2019 and 2.4% in 2018.

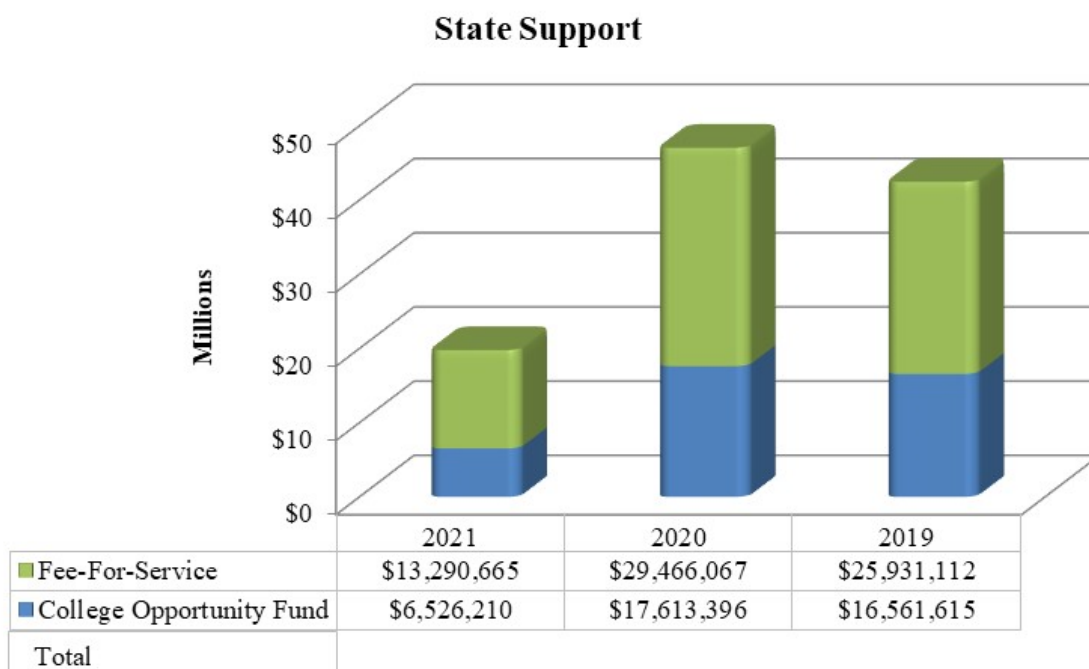
Tuition and fee revenue is shown net of \$31.3, \$31.4, and \$31.1 million in scholarship allowances for fiscal years 2021, 2020, and 2019, respectively. Auxiliary revenue for fiscal years 2021, 2020, and 2019 is net of \$6.4, \$7.5, and \$7.7 million in scholarship allowances, respectively. Scholarship 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 general institutional scholarships. The scholarship allowance calculation includes all scholarships, institution, state, and federal funds.

During fiscal years 2021, 2020, and 2019, the Colorado Department of Higher Education (CDHE) provided the University \$19.8, \$47.1, and \$42.5 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 for a portion of their tuition. The COF stipend provided to students was \$40, \$94, and \$85 per credit hour in fiscal years 2021, 2020 and 2019, respectively. In fiscal years 2021, 2020, and 2019, the University applied \$6.5, \$17.6, and \$16.6 million of COF stipends against student tuition bills, respectively. This amount is included in tuition revenues on the Statement of Revenues, Expenditures, and Changes in Net Position.
- State FFS contract revenue helps to support graduate and specialized undergraduate education services. These funds are in addition to tuition paid by students. During fiscal years 2021, 2020, and 2019 the

Colorado Department of Higher Education provided the University \$13.3, \$29.5, and \$25.9 million of contract revenue, respectively.

The total amount of COF and FFS support has decreased \$22.7 million since fiscal year 2019.



Room and Board revenue, a component of auxiliary revenue, decreased \$2.6 million, or 11%, between fiscal years 2020 and 2021. This decrease is primarily due to lower housing occupancy associated with decreased enrollment exacerbated by the restrictions of on-campus activities and experiences necessitated by the pandemic. Room and Board revenue decreased \$7.4 million, or 23%, between fiscal years 2019 and 2020 as a result of the spring campus closure due to COVID-19. In lieu of a refund, the University provided impacted students a credit to be used in a future semester resulting in contra-revenue of \$4.7 million.

Other auxiliary revenues, which includes catering, conferences, parking permits, retail sales, recreation center memberships and athletic game guarantees, decreased \$3.6 million in fiscal year 2021 and increased \$1.2 million in fiscal year 2020.

Auxiliary scholarships allowance decreased \$1.1 million in fiscal year 2021 and \$0.2 million in fiscal year 2020.

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

Other operating revenues include the operating agreement between UNC and the Foundation, accounts receivable service charges, and various other charges for services. Generally, the largest single source of revenue in this classification is the unrestricted support of University scholarships from the UNC Foundation, which has been \$1.6 million since fiscal year 2018.

Grants and Contracts Revenue

On June 30, 2021, 2020, and 2019, grants and contracts revenue comprised \$70.2, \$43.2, and \$38.6 million or 33.9%, 18.9%, and 16.2%, of the University's total revenues, respectively. Grants and contracts revenue is presented in the table below in two categories: restricted and financial aid. The restricted sources are from sponsored programs and UNC Foundation support. Financial aid is received by the University from federal, state, foundation, and other private sponsors. The financial aid reported as revenue is based on generally accepted accounting principles for proper financial statement recognition and is not a comprehensive measure of all financial aid available to students. It does not include amounts received by students from third parties, institutional support, or loans.

| Grants and Contracts Revenue | | | |
|---|----------------------|----------------------|----------------------|
| For the Years Ended June 30, | | | |
| | 2021 | 2020 | 2019 |
| Federal grants | \$ 4,625,515 | \$ 4,438,223 | \$ 4,691,171 |
| Federal grants - CARES Act | 32,391,390 | 6,013,181 | - |
| State and local grants | 718,567 | 823,877 | 838,721 |
| UNC Foundation grants and gifts | 6,718,244 | 4,441,428 | 4,546,541 |
| Other private grants | 267,840 | 421,692 | 1,045,198 |
| Total restricted grants and contracts | <u>44,721,556</u> | <u>16,138,400</u> | <u>11,121,631</u> |
| Federal financial aid | 1,297,466 | 918,446 | 1,106,838 |
| Federal Pell financial aid | 10,311,251 | 12,402,367 | 13,631,987 |
| State and non-gov't financial aid | 9,291,507 | 9,162,315 | 8,301,651 |
| UNC Foundation named and endowed | 4,168,199 | 4,039,827 | 3,854,774 |
| UNC Foundation scholarships | 434,158 | 505,450 | 548,105 |
| Total financial aid | <u>25,502,581</u> | <u>27,028,405</u> | <u>27,443,355</u> |
| Total grants, contracts and financial aid revenue | <u>\$ 70,224,137</u> | <u>\$ 43,166,805</u> | <u>\$ 38,564,986</u> |

Restricted Grants and Contracts

In fiscal year 2021, federal funding, excluding CARES Act funding, for restricted grants and contracts made up \$4.6 million, or 10.3%, of the total restricted grants and contracts revenue. Federal funding, excluding CARES Act funding, increased \$0.2 million, or 4.2%, from fiscal year 2020 to fiscal year 2021.

For fiscal year 2021, federal grants revenue received under the CARES Act includes \$7.7 million from Higher Education Emergency Relief Fund (HEERF) and \$24.7 million from the Coronavirus Relief Fund (CRF). For fiscal year 2020, the University received federal grant revenue under the CARES Act of \$5.8 million from Higher Education Emergency Relief Fund (HEERF) and \$0.2 million from the Coronavirus Relief Fund (CRF).

In fiscal year 2021, state and local funding for restricted grants and contracts made up \$0.7 million, or 1.6%, of the total restricted grants and contracts revenue. State and local funding decreased \$0.1 million, or 12.8%, from fiscal year 2020 to 2021.

Other private funding in restricted grants and contracts was \$0.3 million, or 0.6%, of the total restricted grants and contracts revenue in fiscal year 2021. Other private funding decreased \$0.1 million, or 36.5%, from fiscal year 2020 to 2021.

UNC Foundation funds are generally donated for program support and scholarships. Grants and program support are included in the top portion of the Grants and Contracts Revenue table and were \$6.7, \$4.4, and \$4.5 million in fiscal years 2021, 2020, and 2019, respectively. UNC recognizes revenue and expense as the University utilizes the donor funds. The Foundation recognizes revenue when the funds are donated. Fiscal year 2021 UNC Foundation grants and gifts is a combination of \$0.5 million of specific project grants and \$6.2 million in gifts and endowment payouts utilized for program support in athletics and in the colleges within the University.

Financial Aid

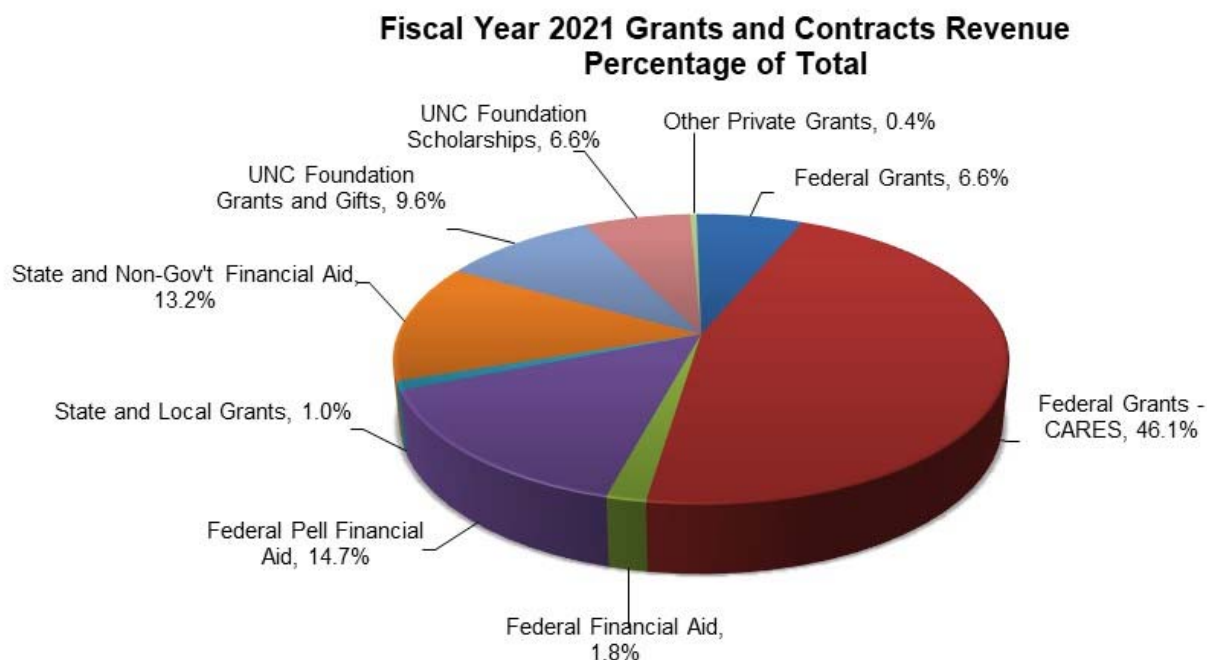
Federal Pell financial aid was 40.4%, 45.9%, and 49.7%, of total financial aid revenue in fiscal years 2021, 2020, and 2019, respectively. Federal Pell Grant financial aid is considered nonoperating revenue but is included in this analysis of all grants and contracts revenue.

The Federal Pell Grant Program is awarded to eligible students based on financial need. All students who are eligible for the Pell Grant are awarded the money; therefore, the University is not limited to a certain amount of Pell Grant awards in an academic or fiscal year. The variance in Pell Grant revenue from academic year to academic year is based on changes in the eligibility of our students and federal legislation. Pell awards were \$10.3, \$12.4, and \$13.6 million in fiscal years 2021, 2020, and 2019, respectively.

State financial aid grew slightly from \$9.2 million in fiscal year 2020 to \$9.3 million in fiscal year 2021. These annual amounts are based on state appropriations and the allocation models used to distribute resources among the Colorado colleges and universities.

The UNC Foundation Named and Endowed Scholarships are from donations given by specific individuals or organizations for a specific type of scholarships, such as baseball or tennis in athletics, or a program like the Cumbres Learning Community, Early Childhood Education, Music, Chemistry, or Math. Some scholarships are from annual donations and others are funded with the payout from an endowment.

The UNC Foundation Scholarships line item in the Grants and Contract Revenue chart represents annual donations that are primarily for athletic scholarships.



Operating Expenses

For fiscal year 2021, total expenses of \$163.2 million included operating expenses of \$157.2 million and interest expenses and other losses of \$6.0 million. Operating expenses decreased 10.6% in fiscal year 2021, 17.0% in fiscal year 2020, and 23.0% in fiscal year 2019. The primary cause for the decrease in operating expenses is related to the GASB 68 personnel costs.

Natural Classification

| | 2021 | | 2020 | | 2019 | |
|---------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| Personnel costs | \$ 129,930,114 | 82.6% | \$ 142,073,556 | 81.0% | \$ 151,638,451 | 71.8% |
| Personnel costs (GASB 68) | (38,534,429) | -24.5% | (38,360,069) | -21.9% | (19,794,947) | -9.4% |
| Personnel costs (GASB 75) | (492,994) | -0.3% | (274,049) | -0.2% | (6,438) | 0.0% |
| Cost of goods sold | 1,823,430 | 1.2% | 3,603,107 | 2.1% | 4,341,290 | 2.1% |
| Other current expenses | 46,073,475 | 29.3% | 49,654,815 | 28.3% | 57,189,167 | 27.0% |
| Depreciation | 18,369,273 | 11.7% | 18,699,827 | 10.7% | 17,948,148 | 8.5% |
| Total Operating expenses | <u>\$ 157,168,869</u> | <u>100.0%</u> | <u>\$ 175,397,187</u> | <u>100.0%</u> | <u>\$ 211,315,671</u> | <u>100.0%</u> |

Natural classification is a method of grouping expenses according to the type of costs that are incurred. The classifications tell what was purchased rather than why an expense was incurred. Personnel costs, the University's largest expense, decreased \$12.1 million from fiscal year 2020 to 2021 and \$9.6 million from

fiscal year 2019 to 2020. During fiscal year 2021, many position vacancies were unfilled unless there was a critical need.

The largest portion of the cost of goods sold expense in the University is in auxiliary services. Total cost of goods sold decreased \$1.8 million from fiscal year 2020 to 2021 and decreased \$0.7 million from fiscal year 2019 to 2020. The changes in cost of goods sold are related to housing occupancy, meal plans sold, and the cost fluctuations from vendors who sell goods to the University.

Other current expenditures represent all other operating expense, which includes supplies, purchased services, utilities, and travel. It decreased \$3.6 million from fiscal year 2020 to 2021 and decreased \$7.5 million from fiscal year 2019 to 2020. The University was closed for about 30% of fiscal year 2020 due to the impact of COVID-19. This caused a decrease in a wide array of expenses that the University typically incurs. Many of the decreases extended into fiscal 2021 due to diminished levels of campus activity and travel.

| | Wages and Benefits | | 2020 to 2021 Change | |
|----------------------------------|-------------------------------------|-----------------------|----------------------------|---------------|
| | For the Years Ended June 30, | | | |
| | 2021 | 2020 | \$ Chg | % Chg |
| Faculty | \$ 41,866,544 | \$ 45,082,122 | \$ (3,215,578) | -7.1% |
| Administrative | 30,184,869 | 29,976,541 | 208,328 | 0.7% |
| Graduate and Teaching Assistants | 10,242,193 | 11,110,040 | (867,847) | -7.8% |
| Classified | 15,488,651 | 18,073,860 | (2,585,209) | -14.3% |
| Student | 4,611,285 | 6,888,072 | (2,276,787) | -33.1% |
| Other | 709,158 | 823,100 | (113,942) | -13.8% |
| Subtotal wages | <u>103,102,700</u> | <u>111,953,735</u> | <u>(8,851,035)</u> | <u>-7.9%</u> |
| Fringe benefits | 26,827,414 | 30,119,820 | (3,292,406) | -10.9% |
| Fringe benefits (GASB 68) | (38,534,429) | (38,360,069) | (174,360) | 0.5% |
| Fringe benefits (GASB 75) | (492,994) | (274,049) | (218,945) | 79.9% |
| Total wages and benefits | <u>\$ 90,902,691</u> | <u>\$ 103,439,437</u> | <u>\$ (12,536,746)</u> | <u>-12.1%</u> |

In fiscal years 2021 and 2020, salaries were not increased for faculty, exempt or classified staff.

In fiscal year 2019, salaries were not increased for faculty or exempt staff. State classified staff received a 3.0% increase.

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

In fiscal year 2021 the change in net pension liability resulted in decreased non-cash accounting-only benefit expense of \$38.5 million. For fiscal years 2020 and 2019, there was increased non-cash accounting-only benefit expense of \$38.4 million, and \$19.8 million, respectively. Pursuant to generally accepted accounting principles, the University recognizes a proportionate share of the State Division Trust Fund PERA net pension liability with related deferred outflows and inflows of resources. The expense impact of these changes to the Statement of Net Position is recognized in benefits expense. More information related to PERA is in *Note 10: Defined Benefit Pension Plan* and *Note 11: Other PERA Retirement Plans*.

Functional Classification

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.

| Operating Expenses by Functional Classification | | | | | | |
|--|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| For the Years Ended June 30, | | | | | | |
| | 2021 | | 2020 | | 2019 | |
| Instruction | \$ 53,780,656 | 34.2% | \$ 63,298,114 | 36.1% | \$ 76,737,758 | 36.3% |
| Research | 2,362,894 | 1.5% | 2,725,749 | 1.6% | 3,604,958 | 1.7% |
| Public service | 1,113,367 | 0.7% | 1,462,491 | 0.8% | 1,716,301 | 0.8% |
| Academic support | 14,291,757 | 9.1% | 13,924,261 | 7.9% | 18,570,710 | 8.8% |
| Student services | 14,310,024 | 9.1% | 16,376,507 | 9.3% | 29,771,497 | 14.1% |
| Institutional support | 11,745,542 | 7.5% | 10,142,870 | 5.8% | 14,022,550 | 6.6% |
| Operation of plant | 3,594,233 | 2.3% | 4,740,185 | 2.7% | 8,600,795 | 4.1% |
| Scholarships and fellowships | 15,628,823 | 9.9% | 15,768,438 | 9.0% | 16,470,808 | 7.8% |
| Auxiliary operating expenditures | 21,972,300 | 14.0% | 28,258,745 | 16.1% | 23,872,146 | 11.3% |
| Depreciation | 18,369,273 | 11.7% | 18,699,827 | 10.7% | 17,948,148 | 8.5% |
| Total operating expenses | <u>\$ 157,168,869</u> | <u>100.0%</u> | <u>\$ 175,397,187</u> | <u>100.0%</u> | <u>\$ 211,315,671</u> | <u>100.0%</u> |

From 2020 to 2021 there were decreases in many of the functional categories, but the impact of GASB 68 and GASB 75 has distorted the University's Operating Expenses by Functional Classification, so the following table is presented with the impact of GASB 68 and GASB 75 removed, so the true changes in expense can be examined:

| Operating Expenses by Functional Classification | | | | | | |
|--|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| (without GASB 68 and GASB 75) | | | | | | |
| For the Years Ended June 30, | | | | | | |
| | 2021 | | 2020 | | 2019 | |
| Instruction | \$ 66,913,966 | 34.1% | \$ 76,298,090 | 35.6% | \$ 84,720,012 | 36.7% |
| Research | 2,594,574 | 1.3% | 2,954,813 | 1.4% | 3,704,262 | 1.6% |
| Public service | 1,263,210 | 0.6% | 1,610,708 | 0.8% | 1,765,707 | 0.8% |
| Academic support | 18,740,500 | 9.6% | 18,330,091 | 8.6% | 20,848,505 | 9.0% |
| Student services | 16,910,801 | 8.6% | 18,950,533 | 8.9% | 30,811,640 | 13.3% |
| Institutional support | 18,655,345 | 9.5% | 16,983,038 | 7.9% | 17,123,080 | 7.4% |
| Operation of plant | 11,517,652 | 5.9% | 12,583,755 | 5.9% | 12,156,426 | 5.3% |
| Scholarships and fellowships | 15,628,823 | 8.0% | 15,768,438 | 7.4% | 16,470,808 | 7.1% |
| Auxiliary operating expenditures | 25,602,148 | 13.0% | 31,852,012 | 14.9% | 25,568,468 | 11.1% |
| Depreciation | 18,369,273 | 9.4% | 18,699,827 | 8.7% | 17,948,148 | 7.8% |
| Total operating expenses | <u>\$196,196,292</u> | <u>100.0%</u> | <u>\$214,031,305</u> | <u>100.0%</u> | <u>\$231,117,056</u> | <u>100.0%</u> |

| GASB 75 Functional Expense | | | |
|-------------------------------------|---------------------|---------------------|-------------------|
| for the Years Ended June 30, | | | |
| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Instruction | \$ (168,132) | \$ (93,463) | \$ (1,723) |
| Research | (3,568) | (1,984) | (47) |
| Public service | (2,156) | (1,198) | (29) |
| Academic support | (51,828) | (28,810) | (758) |
| Student services | (34,085) | (18,948) | (528) |
| Institutional support | (87,284) | (48,520) | (1,266) |
| Operation of plant | (100,089) | (55,638) | (1,452) |
| Auxiliary operating expenditures | (45,852) | (25,488) | (635) |
| Total non-cash GASB 75 expense | <u>\$ (492,994)</u> | <u>\$ (274,049)</u> | <u>\$ (6,438)</u> |

| GASB 68 Functional Expense | | | |
|-------------------------------------|------------------------|------------------------|------------------------|
| for the Years Ended June 30, | | | |
| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Instruction | \$ (12,965,178) | \$ (12,906,513) | \$ (7,980,531) |
| Research | (228,112) | (227,080) | (99,257) |
| Public service | (147,687) | (147,019) | (49,377) |
| Academic support | (4,396,915) | (4,377,020) | (2,277,037) |
| Student services | (2,566,692) | (2,555,078) | (1,039,615) |
| Institutional support | (6,822,519) | (6,791,648) | (3,099,264) |
| Operation of plant | (7,823,331) | (7,787,932) | (3,554,179) |
| Auxiliary operating expenditures | (3,583,995) | (3,567,779) | (1,695,687) |
| Total non-cash GASB 68 expense | <u>\$ (38,534,429)</u> | <u>\$ (38,360,069)</u> | <u>\$ (19,794,947)</u> |

When looking at expenditures without the impact of GASB 68 and GASB 75, operating expenditures decreased \$17.8 million dollars from fiscal year 2020 to fiscal year 2021. In addition to the naturally occurring reductions in expenditures due to diminished levels of campus activity imposed by the pandemic restrictions, intentional cost-savings initiatives were also enacted to preserve university resources.

In fiscal year 2021, scholarships decreased \$0.1 million dollars. The need-based financial aid model is based on a matrix of academic preparedness and financial need. The University of Northern Colorado serves a large first-generation student population with high financial need and the institution continues to refine its scholarship modeling to make education accessible and affordable to all of its students.

A matrix in *Note 15: Operating Expenses by Function Compared with Operating Expenses by Natural Classification* demonstrates how much expense by natural classification is included in each functional classification and includes the impact of GASB 68 and GASB 75.

Nonoperating Revenues and Expenses

For fiscal year 2021, the largest source of nonoperating revenue is “Federal grants and contracts revenue – CARES Act”, which includes \$7.7 million from Higher Education Emergency Relief Fund (HEERF) and \$24.7 million from the Coronavirus Relief Fund (CRF). CARES Act funding increased \$26.4 million from fiscal year 2020 to 2021. The nonoperating financial statement line item titled “Federal grants and contracts revenue” is Pell grant revenue, which is the second largest portion of nonoperating revenue for fiscal year 2021. Pell decreased \$2.1 million from fiscal year 2020 to 2021. The amount of Pell Grant revenue is based on student need and several other factors set by the federal government. The University Office of Financial Aid works with all eligible students to help them determine if they qualify for this aid.

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

The Perkins return of federal loan program contributions (expenses) was relatively unchanged from fiscal year 2020 to 2021. While the University did have to remit funds in accordance with the annual excess liquid capital calculation for Federal Capital Contributions to the Federal Perkins Loan Program for fiscal year 2021 of \$0.9 million it was offset by a \$0.7 million decrease in the total Perkins liability. In fiscal year 2020, the University remitted funds due to excess liquid capital of \$1.3 million. In fiscal year 2019, the University did not have to remit funds due to excess liquid capital.

Interest on capital asset related debt decreased \$0.1 million from fiscal year 2020 to 2021. The change is directly related to a decrease in expense for bond interest payments and the amortization of premiums/discounts.

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

Other Changes

In fiscal year 2021, the University received a total of \$2.6 million in state capital appropriations. In fiscal year 2020, the University also received a total of \$2.6 million in state capital appropriations.

In fiscal year 2019, the University received a total of \$4.9 million in state capital appropriations. The University also received \$2.0 million in donations for capital items including the construction of Campus Commons and the purchase of educational equipment.

In fiscal year 2021, the University did not receive any state support for pensions as specified by state law. Effective July 1, 2018, the State is required to contribute \$225 million (actual dollars) each year to PERA, of which the University is to receive a proportionate share, but House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State’s 2020-21 fiscal year. Additional information about this can be found in *Note 10: Defined Benefit Pension Plan*.

In fiscal year 2020, the University received state support for pensions of \$0.8 million related to the University’s proportionate share of the \$225 million direct distribution made to the SDTF.

In fiscal year 2019 the University received state support for pensions of \$0.9 million related to the University's proportionate share of the \$225 million direct distribution made to the SDTF.

Note 16: Legislative Appropriations provides detailed information on capital appropriations from the State of Colorado.

Economic Outlook

The University's financial (or economic) position is impacted primarily by enrollment, as well as the ways in which University leaders, faculty, and staff manage resources in response to enrollment and other operational and strategic factors, but it is also affected by funding from the state legislature. The combination of tuition, fees, and auxiliary revenue generated from students is 65.9% of the University's operating revenue. The College Opportunity Fund plus the Fee-For-Service contract comprised 12.9% of the University's operating revenues in fiscal year 2021. The University received a decrease of \$27.3 million for these state-funded revenues in fiscal year 2021.

The Colorado state legislature restored higher education funding for fiscal year 2022 back to fiscal year 2020 levels and provided additional funding in response to cost increases experienced by all institutions, and in support of state initiatives to meet the needs of resident students, particularly among historically underrepresented and underserved populations, and to partially address substantial funding gaps in general. For UNC, the increase in state funding above the restoration to fiscal year 2020 levels equated to an increase of 10%.

Though Colorado institutions of higher education remain substantially disadvantaged by limited state support in comparison to national peers, the University recognizes the increase in fiscal year 2022 state funding as an indication that the state legislature has increased confidence in the trend toward recovery and stability of both state and national economic indicators. Supply chain constraints, inflationary pressures, and wage-related cost increases will continue to pose challenges to the general economic outlook. The University's management will continue to monitor and support the development of legislative initiatives to address these needs in higher education. Meanwhile, University management continues to be responsive and strategic in maintaining and enhancing long-term fiscal sustainability.

The one-time benefit of federal stimulus funding for the University has been diligently considered and carefully applied to critical investments to address infrastructure needs in support of student success, while ensuring fiscal responsiveness to pandemic impacts, and other economic factors, in fiscal year 2022 and beyond.

| Student Headcount Enrollment | | | | |
|---|----------------------------|-----------------|--------------|---------------------------|
| Fall Final (for Fiscal Year) | Under- Graduate | Graduate | Total | Percent Change |
| Fall 20 (FY21) | 8,494 | 2,966 | 11,460 | -11.4% |
| Fall 19 (FY20) | 9,810 | 3,120 | 12,930 | -3.8% |
| Fall 18 (FY19) | 10,232 | 3,205 | 13,437 | 0.3% |
| Fall 17 (FY18) | 10,092 | 3,307 | 13,399 | 2.4% |
| Fall 16 (FY17) | 10,011 | 3,076 | 13,087 | 7.1% |
| Fall 15 (FY16) | 9,430 | 2,786 | 12,216 | -6.2% |

Overall enrollment has declined significantly since the beginning of the pandemic. An exception is in graduate enrollments, which have held relatively steady, and with increases in some master's level programs. Decreases in the enrollments of bachelor's degree seeking undergraduate students, especially among low-income and first-generation students have been most significant, in line with national trends among these demographic groups. Enrollment declines have been more pronounced in majors associated with careers that have experienced significant changes in the past two years because of the strain created by the pandemic and social unrest, such as: nursing, elementary education and criminal justice. As pandemic impacts extend into 2022, we expect continued enrollment challenges. University Enrollment Management and Marketing leaders are engaged in critical enhancements to strategies for improvements in recruiting and retention, with particular focus on the at-risk populations of low-income, first-generation, and historically underserved students.

For additional information regarding this report please contact:

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2021

| | University of Northern Colorado | University of Northern Colorado Foundation, Incorporated |
|--|------------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 56,460,341 | \$ 636,607 |
| Student accounts receivable, net | 5,489,857 | - |
| Pledges receivable, net, current portion | - | 2,017,453 |
| Other receivables, net | 9,060,160 | 136,844 |
| Investments, current portion | - | - |
| Notes Receivable, current portion | - | 2,340,000 |
| Inventories | 1,160,744 | - |
| Loans to students, net, current portion | 262,766 | - |
| Other assets | 259,550 | 113,490 |
| Total Current Assets | <u>72,693,418</u> | <u>5,244,394</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 1,169,021 | - |
| Restricted investments | 509,229 | - |
| Pledges receivable, net, noncurrent portion | - | 3,886,117 |
| Loans to students, net, noncurrent portion | 2,781,140 | - |
| Investments, noncurrent portion | - | 153,087,820 |
| Notes Receivable, noncurrent portion | - | - |
| Capital assets, net | 273,024,984 | 777,378 |
| Total Noncurrent Assets | <u>277,484,374</u> | <u>157,751,315</u> |
| TOTAL ASSETS | <u>350,177,792</u> | <u>162,995,709</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 2,035,866 | - |
| Deferred amount on pensions | 10,609,119 | - |
| Deferred amount on other post-employment benefits | 161,747 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>12,806,732</u> | <u>-</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 8,623,574 | 766,996 |
| Unearned revenue | 9,999,365 | - |
| Bonds payable, current portion | 5,145,000 | - |
| Capital leases payable, current portion | 645,390 | - |
| Funds held for the University of Northern Colorado | - | 506,439 |
| Perkins liquidation liability, current portion | 935,852 | - |
| Other current liabilities | 2,484,587 | - |
| Total Current Liabilities | <u>27,833,768</u> | <u>1,273,435</u> |
| Noncurrent Liabilities | | |
| Unearned revenue | - | - |
| Bonds payable, noncurrent portion | 134,272,064 | - |
| Capital leases payable, noncurrent portion | 5,495,079 | - |
| Other noncurrent liabilities | 1,036,444 | - |
| Net pension liabilities | 86,476,674 | - |
| Net other postemployment benefits liabilities | 3,031,644 | - |
| Perkins liquidation liability, noncurrent portion | 1,668,520 | - |
| Annuity obligations | - | 104,251 |
| Compensated absence liabilities | 4,527,138 | - |
| Total Noncurrent Liabilities | <u>236,507,563</u> | <u>104,251</u> |
| TOTAL LIABILITIES | <u>264,341,331</u> | <u>1,377,686</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 709,770 | - |
| Deferred amount on pensions | 31,224,814 | - |
| Deferred amount on other postemployment benefits | 2,072,546 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>34,007,130</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 129,524,159 | 777,378 |
| Restricted for: | | |
| Nonexpendable | | |
| Scholarships and fellowships | 306,155 | 62,114,247 |
| Academic support | 1,400 | - |
| Other | - | 51,433,596 |
| Expendable | | |
| Scholarships and fellowships | 195,856 | 6,287,320 |
| Loans | (151,232) | - |
| Bond reserve | - | - |
| Other | 3,187,788 | 25,294,348 |
| Unrestricted | (68,428,063) | 15,711,134 |
| TOTAL NET POSITION | <u>\$ 64,636,063</u> | <u>\$ 161,618,023</u> |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2020

| | University of Northern Colorado | University of Northern Colorado Foundation, Incorporated |
|--|------------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 74,762,304 | \$ 2,706,111 |
| Student accounts receivable, net | 7,398,918 | - |
| Pledges receivable, net, current portion | - | 3,178,641 |
| Other receivables, net | 8,224,503 | 78,078 |
| Investments, current portion | - | 3,000,000 |
| Inventories | 1,247,449 | - |
| Loans to students, net, current portion | 304,252 | - |
| Other assets | 471,814 | 97,936 |
| Total Current Assets | <u>92,409,240</u> | <u>9,060,766</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 2,264,403 | - |
| Restricted investments | 530,933 | - |
| Pledges receivable, net, noncurrent portion | - | 5,295,148 |
| Loans to students, net, noncurrent portion | 3,240,786 | - |
| Investments, noncurrent portion | - | 119,750,019 |
| Capital assets, net | 281,644,008 | 815,394 |
| Total Noncurrent Assets | <u>287,680,130</u> | <u>125,860,561</u> |
| TOTAL ASSETS | <u>380,089,370</u> | <u>134,921,327</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 2,194,682 | - |
| Deferred amount on pensions | 6,733,538 | - |
| Deferred amount on other post-employment benefits | 204,057 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>9,132,277</u> | <u>-</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 9,871,229 | 532,213 |
| Unearned revenue | 31,404,821 | - |
| Bonds payable, current portion | 4,965,000 | - |
| Capital leases payable, current portion | 996,358 | - |
| Funds held for the University of Northern Colorado | - | 530,526 |
| Perkins liquidation liability, current portion | 1,021,086 | - |
| Other current liabilities | 6,275,453 | - |
| Total Current Liabilities | <u>54,533,947</u> | <u>1,062,739</u> |
| Noncurrent Liabilities | | |
| Unearned revenue | - | - |
| Bonds payable, noncurrent portion | 139,864,899 | - |
| Capital leases payable, noncurrent portion | 7,295,980 | - |
| Other noncurrent liabilities | 874,959 | - |
| Net pension liabilities | 99,147,013 | - |
| Net other postemployment benefits liabilities | 4,000,432 | - |
| Perkins liquidation liability, noncurrent portion | 2,300,412 | - |
| Annuity obligations | - | 129,444 |
| Compensated absence liabilities | 4,763,061 | - |
| Total Noncurrent Liabilities | <u>258,246,756</u> | <u>129,444</u> |
| TOTAL LIABILITIES | <u>312,780,703</u> | <u>1,192,183</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amount on debt refundings | 747,291 | - |
| Deferred amount on pensions | 53,213,323 | - |
| Deferred amount on other postemployment benefits | 1,639,061 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>55,599,675</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 131,808,478 | 815,394 |
| Restricted for: | | |
| Nonexpendable | | |
| Scholarships and fellowships | 306,155 | 49,583,474 |
| Academic support | 1,400 | - |
| Other | - | 40,933,242 |
| Expendable | | |
| Scholarships and fellowships | 218,261 | 5,143,333 |
| Loans | (114,201) | - |
| Bond reserve | - | - |
| Other | 443,619 | 28,274,674 |
| Unrestricted | (111,822,443) | 8,979,027 |
| TOTAL NET POSITION | <u>\$ 20,841,269</u> | <u>\$ 133,729,144</u> |

See notes to the financial statements

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

| | University of Northern Colorado | University of Northern Colorado Foundation, Incorporated |
|--|------------------------------------|--|
| Operating Revenues | | |
| Student tuition and fees, net | \$ 87,846,945 | \$ - |
| Contributions | - | 7,088,542 |
| Contributed services and donations of property | - | 20,800 |
| Federal grants and contracts | 5,922,980 | - |
| State and local grants and contracts | 10,010,074 | - |
| State Fee-For-Service contract | 13,290,665 | - |
| Nongovernmental grants and contracts | 11,588,441 | - |
| Sales and services of educational activities | 333,406 | - |
| Auxiliary operating revenue, net | 20,127,011 | - |
| Interest and dividends | - | 3,198,270 |
| Net realized and unrealized gain (loss) | - | 32,308,891 |
| Other operating revenue | 4,732,184 | 143,213 |
| Total Operating Revenues | 153,851,706 | 42,759,716 |
| Operating Expenses | | |
| Educational and general | | |
| Instruction | 53,780,656 | - |
| Research | 2,362,894 | - |
| Public service | 1,113,367 | - |
| Academic support | 14,291,757 | - |
| Student services | 14,310,024 | - |
| Institutional support | 11,745,542 | - |
| Operation of plant | 3,594,233 | - |
| Scholarships and fellowships | 15,628,823 | - |
| Program | - | 13,888,889 |
| Management and general | - | 711,323 |
| Pledges receivable write off | - | 270,625 |
| Impairment of land held for sale | - | - |
| Auxiliary operating expenditures | 21,972,300 | - |
| Depreciation | 18,369,273 | - |
| Total Operating Expenses | 157,168,869 | 14,870,837 |
| Operating Income | (3,317,163) | 27,888,879 |
| Nonoperating Revenues (Expenses) | | |
| Investment income, net of investment expense | (618,965) | - |
| Interest on capital asset related debt | (5,405,717) | - |
| Federal grants and contracts revenue | 10,311,251 | - |
| Federal grants and contracts revenue - COVID-19 Relief | 32,391,390 | - |
| Perkins return of federal loan program contributions (expense) | (211,056) | - |
| Other nonoperating revenue (expense) | 279,466 | - |
| Net Nonoperating Revenues (Expenses) | 36,746,369 | - |
| Income Before Other Revenues (Expenses) or Gains (Losses) | 33,429,206 | 27,888,879 |
| State support for pensions | - | - |
| Capital appropriations | 1,945,466 | - |
| Capital appropriations - certificates of participation | 664,127 | - |
| Capital grants and gifts | 350,920 | - |
| Student capital fee revenue | 7,405,075 | - |
| Gain (Loss) on disposal of capital assets | - | - |
| Total Other Changes | 10,365,588 | - |
| Increase in Net Position | 43,794,794 | 27,888,879 |
| Net Position, Beginning of year | 20,841,269 | 133,729,144 |
| Net Position, End of Year | \$ 64,636,063 | \$ 161,618,023 |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

| | University of Northern Colorado | University of Northern Colorado Foundation, Incorporated |
|--|------------------------------------|--|
| Operating Revenues | | |
| Student tuition and fees, net | \$ 109,063,757 | \$ - |
| Contributions | - | 13,331,019 |
| Contributed services and donations of property | - | 36,832 |
| Federal grants and contracts | 5,356,669 | - |
| State and local grants and contracts | 9,986,191 | - |
| State Fee-For-Service contract | 29,466,067 | - |
| Nongovernmental grants and contracts | 9,408,397 | - |
| Sales and services of educational activities | 341,911 | - |
| Auxiliary operating revenue, net | 25,307,949 | - |
| Interest and dividends | - | 3,884,960 |
| Net realized and unrealized gain (loss) | - | (3,085,386) |
| Other operating revenue | 6,533,159 | 168,457 |
| Total Operating Revenues | 195,464,100 | 14,335,882 |
| Operating Expenses | | |
| Educational and general | | |
| Instruction | 63,298,114 | - |
| Research | 2,725,749 | - |
| Public service | 1,462,491 | - |
| Academic support | 13,924,261 | - |
| Student services | 16,376,507 | - |
| Institutional support | 10,142,870 | - |
| Operation of plant | 4,740,185 | - |
| Scholarships and fellowships | 15,768,438 | - |
| Program | - | 10,711,146 |
| Management and general | - | 694,579 |
| Pledges receivable write off | - | 50,855 |
| Impairment of land held for sale | - | - |
| Auxiliary operating expenditures | 28,258,745 | - |
| Depreciation | 18,699,827 | - |
| Total Operating Expenses | 175,397,187 | 11,456,580 |
| Operating Income | 20,066,913 | 2,879,302 |
| Nonoperating Revenues (Expenses) | | |
| Investment income, net of investment expense | 2,452,571 | - |
| Interest on capital asset related debt | (5,551,086) | - |
| Federal grants and contracts revenue | 12,402,367 | - |
| Federal grants and contracts revenue - COVID-19 Relief | 6,013,181 | - |
| Perkins return of federal loan program contributions (expense) | (274,140) | - |
| Other nonoperating revenue (expense) | (435,029) | - |
| Net Nonoperating Revenues (Expenses) | 14,607,864 | - |
| Income Before Other Revenues (Expenses) or Gains (Losses) | 34,674,777 | 2,879,302 |
| State support for pensions | 787,639 | - |
| Capital appropriations | 960,184 | - |
| Capital appropriations - certificates of participation | 1,636,448 | - |
| Capital grants and gifts | 1,625 | - |
| Student capital fee revenue | 7,472,787 | - |
| Gain (Loss) on disposal of capital assets | - | - |
| Total Other Changes | 10,858,683 | - |
| Increase in Net Position | 45,533,460 | 2,879,302 |
| Net Position, Beginning of year | (24,692,191) | 130,849,842 |
| Net Position, End of Year | \$ 20,841,269 | \$ 133,729,144 |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating Activities | | |
| <u>Cash Received</u> | | |
| Tuition and fees | 89,883,804 | 107,518,657 |
| State Fee-For-Service contract | 13,290,665 | 29,466,067 |
| Sales and services of educational activities | (53,589) | 541,023 |
| Sales and services of auxiliary activities | 20,142,878 | 25,663,627 |
| Grants and contracts | (17,217,791) | 26,236,317 |
| Federal financial aid | 856,544 | 904,071 |
| State financial aid | 9,291,507 | 9,162,315 |
| UNC Foundation grants | 524,367 | 1,026,638 |
| UNC Foundation gifts | 6,193,877 | 3,414,789 |
| UNC Foundation scholarships | 4,602,356 | 4,545,277 |
| Other receipts | 6,388,330 | 4,497,235 |
| Student loans collected | 780,171 | 941,598 |
| <u>Cash Payments</u> | | |
| Payments to or for employees | (131,060,956) | (148,107,071) |
| Payments to suppliers | (36,961,884) | (30,328,488) |
| Scholarships disbursed | (15,619,831) | (15,771,218) |
| Student loans disbursed | (273,397) | 30,077 |
| Net cash provided by operating activities | <u>(49,232,949)</u> | <u>19,740,914</u> |
| Noncapital Financing Activities | | |
| Federal Pell grant nonoperating funds | 10,311,251 | 12,402,367 |
| Federal CARES Act nonoperating funds | 32,391,390 | 6,013,181 |
| Other nonoperating revenues (expenses) - rental, lease, other | (264,803) | (641,973) |
| Agency inflows - campus organizations and scholarships | 8,129,904 | 8,345,811 |
| Agency outflows - campus organizations and scholarships | (7,940,646) | (8,483,893) |
| Agency inflows - student loans | 61,988,018 | 72,266,961 |
| Agency outflows - student loans | (61,988,018) | (72,266,961) |
| Net cash provided by noncapital financing activities | <u>42,627,096</u> | <u>17,635,493</u> |
| Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (9,694,809) | (8,743,775) |
| Proceeds from state capital appropriations | 1,999,694 | - |
| Proceeds from state capital appropriations - certificates of participation | - | 515,486 |
| Proceeds from UNC Foundation for capital gifts | 1,015,047 | 1,638,073 |
| Proceeds from Student Capital Fee | 7,405,075 | 7,472,787 |
| Proceeds from 2019 bonds issued | - | 30,833,280 |
| Proceeds from 2019 bonds used for refinancing | - | (32,580,052) |
| Bond refinancing costs paid | - | (267,757) |
| Principal paid on bonds payable | (4,965,000) | (2,735,000) |
| Principal paid on capital leases | (2,151,869) | (971,491) |
| Interest paid on capital debt | (5,802,368) | (6,366,621) |
| Net cash provided by capital and related financing activities | <u>(12,194,230)</u> | <u>(11,205,070)</u> |
| Investing Activities | | |
| Investment and utilization of proceeds in escrow for energy performance capital lease | 21,704 | 9,603 |
| Investment earnings | (618,966) | 2,452,571 |
| Net cash provided by investing activities | <u>(597,262)</u> | <u>2,462,174</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (19,397,345) | 28,633,511 |
| Cash and Cash Equivalents, Beginning of Year | 77,026,707 | 48,393,196 |
| Cash and Cash Equivalents, End of Year | 57,629,362 | 77,026,707 |

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

| | 2021 | 2020 |
|---|------------------------|----------------------|
| Reconciliation of Net Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating income (loss) | \$ (3,317,163) | \$ 20,066,914 |
| Depreciation expense | 18,369,273 | 18,699,827 |
| Changes in the net pension liability and related deferred outflows and inflows | (39,027,423) | (37,846,480) |
| Student loan cancellations | - | - |
| Changes in operating assets and liabilities | | |
| Student accounts receivable, net | 1,909,061 | (1,350,136) |
| Other receivables, net | (870,235) | (4,397,644) |
| Inventories | 501,133 | 862,301 |
| Loans to students, net | 86,705 | 38,653 |
| Other current assets | 212,264 | (243,078) |
| Accounts payable | (808,181) | 3,384,284 |
| Accrued payroll | (425,349) | (7,578,870) |
| Unearned revenues | (21,405,456) | 23,702,113 |
| Other current liabilities | (4,308,447) | 4,200,804 |
| Accrued compensated absences | (149,131) | 202,226 |
| Net cash provided (used) by operating activities | <u>\$ (49,232,949)</u> | <u>\$ 19,740,914</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | |
| Cash and cash equivalents | \$ 56,460,341 | \$ 74,762,304 |
| Restricted cash and cash equivalents | 1,169,021 | 2,264,403 |
| Total cash and cash equivalents | <u>\$ 57,629,362</u> | <u>\$ 77,026,707</u> |

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

Nature of Operations and Governance

The University of Northern Colorado (the University or UNC) is a public institution of higher education offering a broad general curriculum, along with preparation for selected professions within the fields of business, education, health services, and music. UNC also offers programs for pre-professions such as pre-law, pre-medicine, and others. The University is an institution of the State of Colorado with operations funded largely through student tuition, fees, and the State of Colorado College Opportunity Fund. As an institution of the State of Colorado, the University's operations and activities are funded in part through Fee-For-Service contracts with the State.

The University also engages in research, offers student financial aid, and provides other services which are funded through grants and contracts, including grants from the University of Northern Colorado Foundation, Incorporated.

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

Reporting Entity and Component Units

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

The financial statements present the University (the 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 (the Foundation) as a discretely presented component unit.

The University of Northern Colorado Foundation, Incorporated

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

Adoption of Accounting Pronouncements

In May 2020, GASB issued Statement No. 95 which delays the implementation of various statements by one year or more. The University has not elected to early implement any of the impacted statements.

Per GASB guidance, the University implemented GASB 84 *Fiduciary Activities* and 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in fiscal year 2021.

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. For presentation purposes, modifications have been made to the Foundation's net assets, shown as net position, in the University's financial statements.

Reclassification

In fiscal year 2020, the University reclassified athletics related revenue from other operating to auxiliary and athletics related expense from student services to auxiliary. This reclassification is not retroactive.

Change in Accounting Principle

There were no changes in accounting principle during fiscal years 2020 or 2021.

Unrestricted Cash and Cash Equivalents

For purposes of reporting cash flows, the University defines cash and cash equivalents as cash on hand, demand deposit accounts with financial institutions, pooled cash with the State Treasury, and all highly liquid investments with original maturities of three months or less. As of June 30, 2021, cash equivalents consisted primarily of funds invested through the State Treasury cash management program.

Restricted Cash and Cash Equivalents

Assets are reported as restricted when restrictions on asset use change the nature or normal understanding of the availability of the assets. For the University, restricted cash and cash equivalents include amounts restricted by bond covenants, as well as unspent bond proceeds from the issuance of bonds that are to fund future costs of construction.

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 include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

Inventories

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,861,388 and \$2,265,975 as of June 30, 2021, and 2020, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. The University's capitalization policy includes items with a value of \$10,000 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 applicable interest costs as a component of construction in progress.

Total interest is presented in the following table:

| University Interest Capitalized and Expensed | 2021 | 2020 |
|--|---------------------|---------------------|
| Interest capitalized on self-funded capital projects | (55,440) | (36,958) |
| Interest costs incurred for bonds and capital leases | 5,461,157 | 5,588,044 |
| Total interest expense | <u>\$ 5,405,717</u> | <u>\$ 5,551,086</u> |

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

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

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

Deferred Outflows and Inflows of Resources

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

Capital Leases Payable

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

Unearned Revenue

The University prorates the summer session revenues on a 50% split between two fiscal years. Tuition, fees and certain auxiliary revenues received before June 30, but determined by this proration to be earned in the following year, are recorded as unearned revenue. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Classification of Revenues

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

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; (3) contracts and grants for research activities; and (4) interest on student loans.

Nonoperating Revenues

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

Pell grants of \$10,311,251 and \$12,402,367 on June 30, 2021, and 2020, respectively, are recorded as nonoperating revenue as defined by the 2007 amendment of the GASB Comprehensive Implementation Guide regarding the nonoperating presentation of Pell grants (Question 7.72.10).

Tax-Exempt Status and Income Taxes

As an Institute of Higher Education of the State of Colorado, 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 purpose as of June 30, 2021 or June 30, 2020. These activities include the taxable portion of sponsorship agreements that are considered advertising by the Internal Revenue Service tax code definitions. It also includes taxable income related to the rental of campus facilities for weddings, conferences, and other activities unrelated to the mission of the institution.

Use of Estimates

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

Compensated Absence Liabilities

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

Scholarship Discounts and Allowances

Student tuition, fee revenues, and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental financial aid programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately \$37.7 and \$38.9 million for the fiscal years ended June 30, 2021 and 2020, respectively.

Bad Debt Allowance

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

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

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

| Unrestricted Cash and Cash Equivalents | 2021 | 2020 |
|---|----------------------|----------------------|
| Cash on hand | \$ 51,246 | \$ 52,195 |
| Cash with U.S. financial institutions | 26,376,743 | 25,829,031 |
| Cash with Colorado State Treasury | 29,842,682 | 47,338,958 |
| Unrealized gain (loss) - cash with State Treasury | 189,760 | 1,542,120 |
| Total unrestricted cash and cash equivalents | \$ 56,460,431 | \$ 74,762,304 |

Restricted Cash and Cash Equivalents

The University holds restricted cash of \$1.2 million in unexpended proceeds from the Campus Commons bond issue with the State Treasury.

State Treasury Pool

The University deposits its 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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2021, the University had cash on deposit with the State Treasurer of \$31.0 million (\$29.8 million unrestricted and \$1.2 million restricted), which represented approximately .17 percent of the total \$17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included \$36.1 million of cash on hand and \$17,708.5 million of investments.

On the basis of the University's participation in the Pool, the University reports as 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.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Annual Comprehensive Financial Report for the year ended June 30, 2021.

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 a market value equal to at least 102% of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name.

As of June 30, 2021, all of the cash and cash equivalents held by the State Treasury and U.S. financial institutions were therefore not subject to custodial credit risk. The State Treasury Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of the investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the pool.

The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations from the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government.

Note 3: Investments

University of Northern Colorado

The University's investments on June 30, 2021, include certain endowments held at the Foundation which are restricted by the donors. In fiscal year 2016, the \$8.9 million of proceeds from the energy performance capital lease was invested with the escrow agent, BOKF, N.A. in the Cavanal Hill U.S. Treasury Fund, which is a money market portfolio of U.S. Government Obligations. These investments were subject to Colorado Revised Statutes Title 15, Article 1, Part 11 "Uniform Prudent Management of Institutional Funds Act" or UPMIFA.

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

| Investment Types | 2021 | 2020 | Maturity |
|---|-------------------|-------------------|------------------|
| Fixed Income U.S. Government Obligations | \$ 370,518 | \$ 368,622 | 1-5 years |
| Fixed Income U.S. Government Obligations | 131,078 | 152,309 | Less than 1 year |
| Money Market Funds - Capital lease escrow | - | - | N/A |
| Money Market Funds | 7,633 | 10,002 | N/A |
| Total University restricted investments | <u>\$ 509,229</u> | <u>\$ 530,933</u> | |

Fair Value Measurements

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

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

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

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

Custodial Credit Risk – Investments

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

counterparty's trust department or agent, but not in the University's name. The University does not have a formal investment policy regarding custodial credit risk.

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

Interest Rate Risk – Investments

Interest rate risk is the risk that changes if the market rate of interest will adversely affect the value of an investment. Interest rate risk applies only to debt investments. Interest rate risk can be controlled by managing the duration to effective maturity and/or the weighted-average maturity of the investments.

The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The weighted-average maturity method measures the time to maturity in years weighted to reflect the dollar size of the individual investments within an investment type.

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

Credit Quality Risk

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

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

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

| Maturities and Credit Ratings by Investment Type | <u>2021</u> | | | |
|---|-------------------|-------------------------|-----------------------|----------------------|
| | Fair Value | Duration to Maturity | Weighted - Average | S&P Credit Rating |
| U.S. Government Obligations | \$ 501,596 | 2.35 yrs | 2.40 yrs | AAA |
| Money Market Funds | 7,633 | N/A | N/A | N/A |
| Total University investments as of June 30 | <u>\$ 509,229</u> | | | |

| Maturities and Credit Ratings by Investment Type | <u>2020</u> | | | |
|---|-------------------|-------------------------|-----------------------|----------------------|
| | Fair Value | Duration to Maturity | Weighted - Average | S&P Credit Rating |
| U.S. Government Obligations | \$ 520,931 | 1.95 yrs | 2.02 yrs | AAA |
| Money Market Funds | 10,002 | N/A | N/A | N/A |
| Total University investments as of June 30 | <u>\$ 530,933</u> | | | |

University of Northern Colorado Foundation

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no changes to the valuation techniques used during the period.

The UNC Foundation’s investments held as of June 30 are detailed below:

| University of Northern Colorado Foundation Summary of Investments as of June 30, | | |
|---|-----------------------|-----------------------|
| | 2021 | 2020 |
| Cash and cash equivalents | \$ 982,905 | \$ 170,120 |
| Equities | 73,241,628 | 52,891,534 |
| Fixed income | 13,770,203 | 13,769,314 |
| Alternative investments | 36,899,006 | 28,409,427 |
| Other | 27,194,078 | 19,770,424 |
| Total Foundation investments | \$ 152,087,820 | \$ 115,010,819 |

The UNC Foundation's investments by level as of June 30 are detailed below:

| University of Northern Colorado Foundation | | | | |
|--|-----------------------|---------------------|----------------------|-----------------------|
| Investments by Level | | | | |
| as of June 30, 2021 | | | | |
| Description | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalent mutual funds | \$ 982,905 | \$ - | \$ - | \$ 982,905 |
| Equities | | | | |
| Large cap | 29,872,582 | - | - | 29,872,582 |
| International | 22,622,661 | - | - | 22,622,661 |
| Small/mid cap | 12,530,209 | - | - | 12,530,209 |
| Emerging markets | 8,216,176 | - | - | 8,216,176 |
| Fixed income | | | | |
| Floating rate corp loans | 7,073,481 | - | - | 7,073,481 |
| Domestic | 6,187,493 | - | - | 6,187,493 |
| High yield | - | - | - | - |
| Opportunistic | - | 509,229 | - | 509,229 |
| Student-managed funds | - | 1,948,250 | - | 1,948,250 |
| Stock/bond mixed mutual funds | 1,133,914 | - | - | 1,133,914 |
| Alternative investments | | | | |
| Master limited partnerships | 6,034,715 | - | - | 6,034,715 |
| Real estate | 7,755,489 | - | - | 7,755,489 |
| Total Investments | 102,409,625 | 2,457,479 | - | 104,867,104 |
| Beneficial interest in long-term trusts held by others | - | - | 10,321,710 | 10,321,710 |
| Alternative investments measured at NAV | - | - | - | 36,899,006 |
| Total | <u>\$ 102,409,625</u> | <u>\$ 2,457,479</u> | <u>\$ 10,321,710</u> | <u>\$ 152,087,820</u> |

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Incorporated, holds another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2021. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

| University of Northern Colorado Foundation | | | | |
|---|----------------------|---------------------|---------------------|-----------------------|
| Investments by Level | | | | |
| as of June 30, 2020 | | | | |
| Description | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalent mutual funds | \$ 170,120 | \$ - | \$ - | \$ 170,120 |
| Equities | | | | |
| Large cap | 19,982,682 | - | - | 19,982,682 |
| International | 18,018,826 | - | - | 18,018,826 |
| Small/mid cap | 8,942,076 | - | - | 8,942,076 |
| Emerging markets | 5,947,950 | - | - | 5,947,950 |
| Fixed income | | | | |
| Floating rate corp loans | 5,313,153 | - | - | 5,313,153 |
| Domestic | 7,925,228 | - | - | 7,925,228 |
| High yield | - | - | - | - |
| Opportunistic | - | 530,933 | - | 530,933 |
| Student-managed funds | - | 2,916,762 | - | 2,916,762 |
| Stock/bond mixed mutual funds | 975,833 | - | - | 975,833 |
| Alternative investments | | | | |
| Master limited partnerships | 5,359,830 | - | - | 5,359,830 |
| Real estate | 2,653,120 | - | - | 2,653,120 |
| Total Investments | <u>75,288,818</u> | <u>3,447,695</u> | <u>-</u> | <u>78,736,513</u> |
| Beneficial interest in long-term trusts held by others | | | | |
| Alternative investments measured at NAV | - | - | 7,864,879 | 7,864,879 |
| | - | - | - | 28,409,427 |
| Total | <u>\$ 75,288,818</u> | <u>\$ 3,447,695</u> | <u>\$ 7,864,879</u> | <u>\$ 115,010,819</u> |

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Incorporated, held another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2020. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

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

| University of Northern Colorado Foundation | | |
|---|----------------------|---------------------|
| Investment Earnings | | |
| as of June 30, | | |
| | <u>2021</u> | <u>2020</u> |
| Interest and dividends | \$ 3,198,270 | \$ 3,884,960 |
| Realized and unrealized gains (losses) on investments, net of taxes | 30,166,164 | (2,477,750) |
| Less investment management fees | (321,581) | (284,008) |
| | <u>\$ 33,042,853</u> | <u>\$ 1,123,202</u> |

The following are reconciliations of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ending June 30, 2021 and 2020:

| University of Northern Colorado Foundation | | |
|---|----------------------|---------------------|
| Level 3 Investment Changes | | |
| as of June 30, | | |
| Beneficial Interest in Long-Term Trusts Held by Others | | |
| | <u>2021</u> | <u>2020</u> |
| Beginning balance | \$ 7,864,879 | \$ 8,171,144 |
| Net investment income (loss) | 2,456,831 | (306,265) |
| | <u>\$ 10,321,710</u> | <u>\$ 7,864,879</u> |

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

| University of Northern Colorado Foundation | | | | |
|---|---------------------|---------------------|------------------------------------|----------------------------------|
| Investments in Certain Entities that Calculate Net Asset Value | | | | |
| as of June 30, 2021 | | | | |
| <u>Fund Description</u> | <u>Fair Value</u> | <u>Unfunded</u> | <u>Redemption</u> | <u>Redemption</u> |
| Low correlated hedge | \$ 7,263,794 | \$ - | Monthly, quarterly, semi-annually* | 60-100 days |
| Low correlated hedge | 16,400,898 | - | Quarterly, semi-annually* | 95 days, annual one-year lock up |
| Illiquid credit | 3,458,593 | 922,668 | Upon fund termination | N/A |
| Private equity | 6,018,279 | 1,447,348 | Upon fund termination | N/A |
| Real estate | <u>3,757,442</u> | <u>1,604,334</u> | Upon fund termination | N/A |
| Total | <u>\$36,899,006</u> | <u>\$ 3,974,350</u> | | |
| *Subject to restrictions | | | | |

University of Northern Colorado Foundation
Investments in Certain Entities that Calculate Net Asset Value
as of June 30, 2020

| <u>Fund Description</u> | <u>Fair Value</u> | <u>Unfunded</u> | <u>Redemption</u> | <u>Redemption</u> |
|-------------------------|---------------------|---------------------|------------------------------------|----------------------------------|
| Low correlated hedge | \$ 6,043,049 | \$ - | Monthly, quarterly, semi-annually* | 60-100 days |
| Low correlated hedge | 11,501,296 | - | Quarterly, semi-annually* | 95 days, annual one-year lock up |
| Illiquid credit | 3,526,567 | 922,668 | Upon fund termination | N/A |
| Private equity | 3,467,057 | 322,348 | Upon fund termination | N/A |
| Real estate | <u>3,871,458</u> | <u>1,604,334</u> | Upon fund termination | N/A |
| Total | <u>\$28,409,427</u> | <u>\$ 2,849,350</u> | | |

*Subject to restrictions

Note 4: Accounts, Contributions, and Loans Receivable

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

| Accounts, Contributions, and Loans Receivable | 2021 | 2020 |
|--|----------------------|----------------------|
| Student accounts receivable - current | \$ 19,327,687 | \$ 21,176,216 |
| Allowance for doubtful accounts | (13,837,830) | (13,777,298) |
| Subtotal student accounts receivable - net | <u>5,489,857</u> | <u>7,398,918</u> |
| Student loans receivable - current | 1,752,307 | 2,123,606 |
| Allowance for doubtful accounts | (1,489,541) | (1,819,354) |
| Subtotal student loans receivable - net | <u>262,766</u> | <u>304,252</u> |
| Student loans receivable - noncurrent | 3,152,987 | 3,687,407 |
| Allowance for doubtful accounts | (371,847) | (446,621) |
| Subtotal noncurrent student loans receivable - net | <u>2,781,140</u> | <u>3,240,786</u> |
| Other receivables - current | | |
| Sponsored programs - federal grants receivable | 1,340,184 | 5,270,744 |
| Sponsored programs - nonfederal grants receivable | 24,949 | 50,840 |
| Student loans program - federal loans receivable | 50,311 | 56,695 |
| Accounts receivable related party - the Foundation | 1,591,511 | 592,575 |
| Accounts receivable - State of Colorado | 390,471 | 444,699 |
| Other accounts receivable | 5,662,734 | 1,808,950 |
| Subtotal other receivables - current | <u>9,060,160</u> | <u>8,224,503</u> |
| Total University accounts, loans & other receivables | <u>\$ 17,593,923</u> | <u>\$ 19,168,459</u> |

Related Party Receivable

Gifts and grants receivable from the Foundation to the University were \$1.6 million as of June 30, 2021, and \$0.6 million as of June 30, 2020.

Foundation Contributions and Pledges Receivable

Foundation gifts of cash and other assets are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the Foundation's stand-alone financial statements.

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 net present value of estimated future cash flows. The discounted rate used in this calculation is the five-year U.S. Treasury Constant Maturities rate as of June 30 of the fiscal year in which the commitment was made. An allowance for

uncollectible contributions is established by Foundation management based on management's analysis of specific pledge receivables.

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 assets are shown as of June 30:

| Other Assets | 2021 | 2020 |
|---|-------------------|------------------|
| The University | | |
| Inventories for supply use | \$ 1,051,037 | \$ 1,100,813 |
| Inventories for resale | 109,707 | 146,636 |
| Total inventories | <u>1,160,744</u> | <u>1,247,449</u> |
| Prepaid expenses | 259,550 | 471,814 |
| Total other current assets | <u>259,550</u> | <u>471,814</u> |
| The Foundation | | |
| Prepaid expenses and other current assets | <u>\$ 113,490</u> | <u>\$ 97,936</u> |

Note 6: Capital Assets

During fiscal year 2021, the University transferred \$18.5 million from construction in progress to buildings and improvements. Completed projects include energy performance upgrades, improvements to the Butler-Hancock pool, fire sprinkler upgrades and renovation of the Frasier tunnel.

During fiscal year 2020, the University transferred \$10.2 million from construction in progress to buildings and improvements. Completed projects include fire sprinkler upgrades, roof replacements and classroom renovations.

NOTES TO THE FINANCIAL STATEMENTS

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

| Capital Assets and Accumulated Depreciation | Beginning Balance | 2021 | | | Ending Balance |
|--|-----------------------|-----------------------|------------------|--------------|-----------------------|
| | | Additions | Disposals | Transfers | |
| Capital Assets | | | | | |
| Land | \$ 10,231,078 | \$ - | \$ - | \$ - | \$ 10,231,078 |
| Land improvements | 21,946,348 | - | - | - | 21,946,348 |
| Non-depreciable land improvements | 4,264,026 | - | - | - | 4,264,026 |
| Buildings and improvements | 484,529,035 | - | - | 18,505,950 | 503,034,985 |
| Equipment and vehicles | 27,224,326 | 463,031 | - | - | 27,687,357 |
| Software | 5,247,223 | - | - | - | 5,247,223 |
| Library materials | 52,228,939 | 2,075,893 | (588,419) | - | 53,716,413 |
| Non-depreciable art/historical | 1,774,684 | - | - | - | 1,774,684 |
| Leasehold improvements | 1,059,732 | - | - | - | 1,059,732 |
| Construction in progress | 16,717,398 | 7,211,325 | - | (18,505,950) | 5,422,773 |
| Total capital assets | <u>625,222,789</u> | <u>9,750,249</u> | <u>(588,419)</u> | <u>-</u> | <u>634,384,619</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 16,624,774 | 793,130 | - | - | 17,417,904 |
| Buildings and improvements | 257,731,347 | 14,087,033 | - | - | 271,818,380 |
| Equipment and vehicles | 22,759,906 | 1,136,682 | - | - | 23,896,588 |
| Software | 3,485,955 | 442,920 | - | - | 3,928,875 |
| Library materials | 41,917,067 | 1,909,508 | (588,419) | - | 43,238,156 |
| Leasehold improvements | 1,059,732 | - | - | - | 1,059,732 |
| Total accumulated depreciation | <u>343,578,781</u> | <u>18,369,273</u> | <u>(588,419)</u> | <u>-</u> | <u>361,359,635</u> |
| Net capital assets | <u>\$ 281,644,008</u> | <u>\$ (8,619,024)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 273,024,984</u> |

| Capital Assets and Accumulated Depreciation | Beginning Balance | 2020 | | | Ending Balance |
|--|-----------------------|-----------------------|------------------|--------------|-----------------------|
| | | Additions | Disposals | Transfers | |
| Capital Assets | | | | | |
| Land | \$ 10,231,078 | \$ - | \$ - | \$ - | \$ 10,231,078 |
| Land improvements | 21,946,348 | - | - | - | 21,946,348 |
| Non-depreciable land improvements | 4,264,026 | - | - | - | 4,264,026 |
| Buildings and improvements | 474,337,226 | - | - | 10,191,809 | 484,529,035 |
| Equipment and vehicles | 27,094,207 | 130,119 | - | - | 27,224,326 |
| Software | 3,363,869 | 1,883,354 | - | - | 5,247,223 |
| Library materials | 50,260,185 | 2,143,829 | (175,075) | - | 52,228,939 |
| Non-depreciable art/historical | 1,774,684 | - | - | - | 1,774,684 |
| Leasehold improvements | 1,059,732 | - | - | - | 1,059,732 |
| Construction in progress | 20,081,317 | 6,827,890 | - | (10,191,809) | 16,717,398 |
| Total capital assets | <u>614,412,672</u> | <u>10,985,192</u> | <u>(175,075)</u> | <u>-</u> | <u>625,222,789</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 15,789,368 | 835,406 | - | - | 16,624,774 |
| Buildings and improvements | 243,373,052 | 14,358,295 | - | - | 257,731,347 |
| Equipment and vehicles | 21,419,572 | 1,340,334 | - | - | 22,759,906 |
| Software | 3,165,121 | 320,834 | - | - | 3,485,955 |
| Library materials | 40,257,170 | 1,834,972 | (175,075) | - | 41,917,067 |
| Leasehold improvements | 1,049,746 | 9,986 | - | - | 1,059,732 |
| Total accumulated depreciation | <u>325,054,029</u> | <u>18,699,827</u> | <u>(175,075)</u> | <u>-</u> | <u>343,578,781</u> |
| Net capital assets | <u>\$ 289,358,643</u> | <u>\$ (7,714,635)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 281,644,008</u> |

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

| Foundation Capital Assets | 2021 | 2020 |
|----------------------------------|-------------------|-------------------|
| Capital assets | | |
| Buildings and improvements | \$ 1,306,363 | \$ 1,306,363 |
| Equipment and vehicles | 55,659 | 55,659 |
| Total capital assets | <u>1,362,022</u> | <u>1,362,022</u> |
| Less accumulated depreciation | <u>(584,644)</u> | <u>(546,628)</u> |
| Net investment in capital assets | <u>\$ 777,378</u> | <u>\$ 815,394</u> |

Note 7: Liabilities and Unearned Revenue

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

| The University Liabilities and Unearned Revenue | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Accounts payable and accrued liabilities | | |
| Accounts payable | \$ 2,173,329 | \$ 2,765,639 |
| Accrued salaries and benefits | 5,727,775 | 6,140,657 |
| Accrued interest expense | 446,888 | 461,560 |
| Retainage payable and other liabilities | 275,582 | 503,373 |
| Total accounts payable and accrued liabilities | <u>8,623,574</u> | <u>9,871,229</u> |
| Current unearned revenue | | |
| Summer tuition and other activities | 7,142,207 | 5,734,669 |
| Restricted grants and contracts | 2,559,729 | 25,471,417 |
| Auxiliary and housing | 297,429 | 192,870 |
| Broadband lease | - | 5,865 |
| Total current unearned revenue | <u>9,999,365</u> | <u>31,404,821</u> |
| Other current liabilities | | |
| Deposits held | 931,201 | 966,184 |
| Insurance liability | 107,000 | 52,000 |
| Deposits held in custody for agency funds | 530,430 | 322,070 |
| Compensated absences liability | 641,106 | 554,313 |
| Perkins liquidation liability | 935,852 | 1,021,086 |
| Housing and dining credit liability | - | 4,363,026 |
| Nursing loan program liability | 274,850 | 17,860 |
| Total other current liabilities | <u>3,420,439</u> | <u>7,296,539</u> |
| Other noncurrent liabilities | | |
| Unearned revenue | - | - |
| Long-term deposit liabilities held | 83,399 | 48,836 |
| Compensated absences liability | 4,527,138 | 4,763,061 |
| Net pension liability | 86,476,674 | 99,147,013 |
| Other postemployment benefits liability | 3,031,644 | 4,000,432 |
| Perkins liquidation liability | 1,668,520 | 2,300,413 |
| Nursing loan program liability | 953,045 | 826,122 |
| Total other noncurrent liabilities | <u>96,740,420</u> | <u>111,085,877</u> |
| Bonds, capital leases and notes payable | | |
| Current bonds and capital leases | 5,790,390 | 5,961,358 |
| Noncurrent bonds and capital leases | 139,767,143 | 147,160,879 |
| Total bonds and capital leases | <u>145,557,533</u> | <u>153,122,237</u> |
| Total liabilities and unearned revenue | <u>\$ 264,341,331</u> | <u>\$ 312,780,703</u> |

Effective October 1, 2017, the United States Department of Education (DOED) did not renew the Federal Perkins Loan Program. As a result, after a brief transition period, no new loans can be disbursed to students. The current guidance provided by the DOED stipulates that as cash is collected by the University from loans disbursed prior to October 1, 2017, such funds are to be remitted back to DOED on a proportional basis (the Perkins program was originally funded by DOED with a small percentage matched by the University). Given this recent guidance, the University has determined that it is probable that DOED, as the provider of the original resource, will require the University to return all of the resources originally received under this program. At the time of the receipt of the resources, the University recorded nonexchange revenues, and thereby, the balance of the resources provided by DOED resided in the University's net position.

Pursuant to the guidance provided by *GASB 33: Accounting and Financial Reporting of Nonexchange Transactions* and based on the University's estimate that the return of these resources is probable, a liability of \$2,604,372 was recorded for fiscal year end June 30, 2021. The liability recorded for fiscal year end June 30, 2020 was \$3,321,498.

The University recorded a net OPEB liability of \$3,031,644 and \$4,000,432 for fiscal year 2021 and 2020, respectively. More information is available in *Note 13: Other Postemployment Benefits (OPEB)*.

The Foundation – Liabilities and Unearned Revenue

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

| <u>The Foundation Liabilities and Unearned Revenue</u> | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 766,996 | \$ 532,213 |
| Funds held for the University | 506,439 | 530,526 |
| Annuity obligations | 104,251 | 129,444 |
| Total liabilities and unearned revenue | <u>\$ 1,377,686</u> | <u>\$ 1,192,183</u> |

Charitable Gift Annuity Obligations

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

| <u>Charitable Gift and Annuity Contracts</u> | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Assets held under gift contracts | \$ 174,507 | \$ 181,235 |
| Less associated liabilities | (104,251) | (129,444) |
| Present value of assets held under contracts | <u>\$ 70,256</u> | <u>\$ 51,791</u> |

Note 8: Bonds and Capital Leases Payable

Bonds and Capital Leases Payable

The following table provides a summary of bonds and capital leases payable as of June 30:

| Bonds and Capital Leases Payable Summary | Interest Rates | Final Maturity | Balance 2021 | Balance 2020 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Fixed rate bonds | 2.0% - 5.0% | 2046 | \$ 131,525,000 | \$ 136,490,000 |
| Fixed rate - unamortized premiums | | | 7,892,064 | 8,339,899 |
| Total fixed rate bonds | | | 139,417,064 | 144,829,899 |
| Capital leases payable | 2.17%-3.93% | 2031 | 6,140,469 | 8,292,338 |
| Total bonds and capital leases payable | | | \$ 145,557,533 | \$ 153,122,237 |

Changes in Bonds and Capital Leases Payable

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

| Changes in Bonds and Capital Leases Payable | 2021 | | | Ending Balance | Current Portion |
|--|--------------------------|------------------|-------------------|-----------------------|------------------------|
| | Beginning Balance | Additions | Deductions | | |
| Bonds payable | \$ 136,490,000 | \$ - | \$ 4,965,000 | \$ 131,525,000 | \$ 5,145,000 |
| Plus unamortized premiums | 8,339,899 | - | 447,835 | 7,892,064 | - |
| Total revenue bonds payable | 144,829,899 | - | 5,412,835 | 139,417,064 | 5,145,000 |
| Capital leases payable | 8,292,338 | | 2,151,869 | 6,140,469 | 645,390 |
| Total bonds and capital leases payable | \$ 153,122,237 | \$ - | \$ 7,564,704 | \$ 145,557,533 | \$ 5,790,390 |

| Changes in Bonds and Capital Leases Payable | 2020 | | | Ending Balance | Current Portion |
|--|--------------------------|------------------|-------------------|-----------------------|------------------------|
| | Beginning Balance | Additions | Deductions | | |
| Bonds payable | \$ 139,225,000 | \$ 32,855,000 | \$ 35,590,000 | \$ 136,490,000 | \$ 4,965,000 |
| Plus unamortized premiums | 10,531,052 | - | 2,191,153 | 8,339,899 | - |
| Total revenue bonds payable | 149,756,052 | 32,855,000 | 37,781,153 | 144,829,899 | 4,965,000 |
| Capital leases payable | 7,380,475 | 1,883,354 | 971,491 | 8,292,338 | 996,358 |
| Total bonds and capital leases payable | \$ 157,136,527 | \$ 34,738,354 | \$ 38,752,644 | \$ 153,122,237 | \$ 5,961,358 |

Revenue and Refunding Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2021, are detailed in the table "Revenue Bond Detail". The fixed rate revenue bonds interest is payable semi-annually and principal payments are paid annually. 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 "Total 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 2014A, 2015A, 2016A, 2018A, 2018B and 2019A bonds are also secured by a pledge of the revenues derived from net Extended Campus revenues and gross facility and administrative indirect cost recoveries. The University has pledged these revenues through 2046 to repay \$131,525,000 in outstanding revenue bonds plus interest. As of June 30, total pledged revenue and the associated debt service coverage are summarized in the table below:

| Net Pledged Revenue Available for Revenue Bond Debt Service | 2021 | 2020 |
|---|----------------------|----------------------|
| Gross auxiliary facility and student fee revenues | \$ 36,496,836 | \$ 46,814,213 |
| Less auxiliary facility and student fee operating expenses | <u>18,664,231</u> | <u>25,691,751</u> |
| Net auxiliary and student fee facility revenue | 17,832,605 | 21,122,462 |
| Other pledged tuition and revenue | | |
| 10% of tuition revenue | 5,990,225 | 7,849,572 |
| Indirect cost recoveries | 503,792 | 576,077 |
| Extended campus net revenue | <u>12,755,027</u> | <u>12,005,918</u> |
| Subtotal other pledged tuition and revenue | 19,249,044 | 20,431,567 |
| Total Net Pledged Revenue | <u>\$ 37,081,649</u> | <u>\$ 41,554,029</u> |
| Series 2014A, 2015A, 2016A, 2018A, 2018B and 2019A | <u>10,503,719</u> | <u>10,507,291</u> |
| Total Net Debt Service | <u>\$ 10,503,719</u> | <u>\$ 10,507,291</u> |
| 2014A, 2015A, 2016A, 2018A, 2018B and 2019A bond debt service coverage | 3.53x | 3.95x |
| Total net debt service as a percentage of gross auxiliary facilities and student fee revenues | 28.8% | 22.4% |
| Total net debt service as a percentage of total net pledged revenues | 28.3% | 25.3% |

Revenue Bond Activity

On March 24, 2021 Standard and Poor's affirmed its 'A-' underlying rating on the University's debt outstanding. The outlook remains negative.

On April 29, 2020 Standard and Poor's revised the outlook on the University's underlying rating of "A-" from stable to negative. Due to the impact of COVID-19 and the related recession, Standard and Poor's revised the outlook from stable to negative for over 30 public universities citing concerns about future cuts to state funding.

On August 29, 2019, University of Northern Colorado Board of Trustees issued Institutional Enterprise Revenue Refunding Bonds, Series 2019A for \$32,855,000. Bond proceeds of \$32,580,053 were used to refund the Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A, with an outstanding principal balance of \$30,590,00 as of June 30, 2019. The underwriter's discount and cost of issuance totaled \$274,947. The Series 2019A bonds are guaranteed by the State Intercept program, have coupon rates of 1.9% to 2.6% and are set to mature on June 1, 2031.

On July 18, 2019, Moody's Investors Service assigned the University an "A3" underlying and Aa2 enhanced rating to the University's proposed \$32.8 million Institutional Enterprise Revenue Refunding Bonds Taxable Series 2019A (fixed rate, maturing 2031). The outlook on the underlying rating and enhanced ratings is stable.

On July 18, 2018, University of Northern Colorado Board of Trustees issued Institutional Enterprise Revenue Refunding Bonds, Series 2018A for \$7,110,000 par at a premium of \$121,900 and Series 2018B for \$12,020,000 par at a premium of \$1,653,221 for total proceeds of \$20,905,121. Bond proceeds of \$20,712,818 were used to refund the Auxiliary Facilities System Revenue Refunding Bonds, Series 2008, with an outstanding principal balance of \$3,330,000 as of June 30, 2018, and the Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2011B, with an outstanding principal balance of \$17,360,000 as of June 30, 2018. The underwriter's discount and cost of issuance for both issues totaled \$192,303. The Series 2018A bonds are not guaranteed by the State Intercept program, have coupon rates of 3.6% to 5.0% and are set to mature on June 1, 2041. The Series 2018B bonds are guaranteed by the State Intercept program, have coupon rates of 4.0% to 5.0%, and are set to mature on June 1, 2036.

On May 31, 2018, Moody's Investors Service assigned the University an "A3" underlying with a stable outlook on the outstanding Series 2011A, Series 2014A, Series 2015A, Series 2016A, and Series 2018A bonds, and assigned an "Aa2" enhanced rating with a stable outlook to the University's outstanding fixed-rate bonds and for the Series 2018B bonds.

The downgrade to "A3" cited the University's cash flow and debt service coverage, and declining liquidity which is constraining the University's ability to restore reserves. The enhanced rating outlook, based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program, remains at "Aa2" with a stable outlook, which is based on the State of Colorado's current "Aa1" rating and outlook. When a University qualifies to issue bonds under the state intercept program, the bonds are additionally secured by the State with a provision that the State Treasurer will pay the principal and interest on the revenue bonds if the institution of higher education is unable to make the payment on the due date.

On April 20, 2018, Standard and Poor's assigned the University an underlying rating of "A-" with a stable outlook and an enhanced rating of "AA-" with a negative outlook, citing operating deficits, declining liquidity, and weak fundraising history relative to the University's peers. This is offset by the positives of FTE enrollment increases, experienced and stable management, and a manageable debt burden. The long-term rating of "AA-/Negative" is based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program. Standard and Poor's has assigned these ratings to the Series 2011A and 2014A fixed-rate bonds.

NOTES TO THE FINANCIAL STATEMENTS

| Revenue Bond Detail | Original Issuance | Outstanding Balance 2021 | Outstanding Balance 2020 |
|---|----------------------|-----------------------------|-----------------------------|
| Fixed Rate Revenue Bonds | | | |
| <p>Series 2014A 2.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued April 2, 2014, in the original amount of \$52,465,000 and maturing in varying amounts through June 1, 2035. Proceeds from the sale of these bonds were used to advance refund a portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005.</p> | 52,465,000 | 41,295,000 | 43,185,000 |
| <p>Series 2015A 4.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued June 3, 2015, in the original amount of \$21,510,000 and maturing in varying amounts from June 1, 2036 to June 1, 2040. Proceeds from the sale of these bonds were used to refund the unrefunded portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005.</p> | 21,510,000 | 21,510,000 | 21,510,000 |
| <p>Series 2016A 3.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued November 9, 2016, in the original amount of \$23,470,000 and maturing in varying amounts from June 1, 2020 to June 1, 2046. Proceeds from the sale of these bonds are being used to fund the construction of Campus Commons building.</p> | 23,470,000 | 22,535,000 | 23,010,000 |
| <p>Series 2018A 3.60%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued July 18, 2018, in the original amount of \$7,110,000 and maturing in varying amounts from June 1, 2019 to June 1, 2041. Proceeds from the sale of these bonds were used to refund the Auxiliary Facilities System Revenue Refunding Bonds, Series 2008, as well as a portion of the Institutional Enterprise Revenue refunding Bonds, Series 2011B.</p> | 7,110,000 | 5,645,000 | 6,145,000 |
| <p>Series 2018B 4.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued July 18, 2018, in the original amount of \$12,020,000 and maturing in varying amounts from June 1, 2024 to June 1, 2036. Proceeds from the sale of these bonds were used to refund the Institutional Enterprise Revenue Refunding Bonds, Series 2011B.</p> | 12,020,000 | 12,020,000 | 12,020,000 |
| <p>Series 2019A 1.90%-2.60% Institutional Enterprise Revenue Refunding Bonds, issued August 29, 2019, in the original amount of \$32,855,000 and maturing in varying amounts from June 1, 2020 to June 1, 2031. Proceeds from the sale of these bonds were used to refund the Auxiliary Facilities Refunding Bonds, Series 2011A.</p> | 32,855,000 | 28,520,000 | 30,620,000 |
| <p>Total Fixed Rate Revenue Bonds</p> | 149,430,000 | 131,525,000 | 136,490,000 |
| <p>Add unamortized premium</p> | | 7,892,064 | 8,339,899 |
| <p>Total Outstanding Fixed Rate Revenue Bonds Payable</p> | \$149,430,000 | \$ 139,417,064 | \$ 144,829,899 |

Debt Service Requirements on Revenue Bonds

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

| Total Debt Service Requirements | | | |
|--|-----------------------|----------------------|-----------------------|
| Year Ending June 30 | Principal | Interest | Total |
| 2022 | 5,145,000 | 5,362,653 | 10,507,653 |
| 2023 | 5,325,000 | 5,178,392 | 10,503,392 |
| 2024 | 6,205,000 | 4,985,672 | 11,190,672 |
| 2025 | 6,485,000 | 4,739,330 | 11,224,330 |
| 2026 | 6,720,000 | 4,497,647 | 11,217,647 |
| 2027-2031 | 37,505,000 | 18,570,212 | 56,075,212 |
| 2032-2036 | 30,260,000 | 11,541,213 | 41,801,213 |
| 2037-2041 | 26,965,000 | 4,908,581 | 31,873,581 |
| 2042-2046 | 6,915,000 | 1,071,000 | 7,986,000 |
| Total | \$ 131,525,000 | \$ 60,854,699 | \$ 192,379,699 |

Capital Lease Obligations

Assets under capital leases at June 30, 2021, include equipment totaling \$6,140,469. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available. The University has no privately placed debt other than capital leases, which are reported separately.

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

Capital Lease Minimum Payments

| Fiscal Years Ending June 30, | Principal | Interest | Total |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 645,390 | \$ 158,278 | \$ 803,668 |
| 2023 | 576,929 | 140,739 | 717,668 |
| 2024 | 592,641 | 125,027 | 717,668 |
| 2025 | 608,781 | 108,887 | 717,668 |
| 2026 | 625,361 | 92,307 | 717,668 |
| 2027 - 2031 | 3,091,367 | 197,944 | 3,289,311 |
| Total | \$ 6,140,469 | \$ 823,182 | \$ 6,963,651 |

Note 9: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2030. Rental expense under these agreements for the year ended June 30, 2021, was \$1,286,350. The University’s future minimum lease payments under non-cancelable operating leases as of June 30 are detailed below:

| <u>Fiscal Years</u> <u>Ending June 30,</u> | <u>Lease</u> <u>Payments</u> |
|---|---------------------------------|
| 2022 | \$ 637,896 |
| 2023 | 620,543 |
| 2024 | 589,196 |
| 2025 | 277,896 |
| 2026 | 94,569 |
| <u>2027-2030</u> | <u>131,110</u> |
| <u>Total</u> | <u>\$ 2,351,210</u> |

Note 10: Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

General Information about the Pension Plan

Plan description

Eligible employees of the University of Northern Colorado are provided with pensions through the SDTF— a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at

8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020

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

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2021

Eligible employees of the University of Northern Colorado and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2020 through June 30, 2021 are summarized in the table below:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|---|---|--|---|--|
| Employee contribution (all employees except State Troopers) | 8.75% | 10.00% | 10.00% | 10.50% |
| State Troopers only | 10.75% | 12.00% | 12.00% | 12.50% |

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|--|---|--|---|--|
| Employer contribution rate | 10.40% | 10.90% | 10.90% | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | -1.02% | -1.02% | -1.02% | -1.02% |
| Amount apportioned to the SDTF | 9.38% | 9.88% | 9.88% | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 5.00% | 5.00% | 5.00% | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00% | 5.00% | 5.00% | 5.00% |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415 | N/A | N/A | 0.05% | 0.05% |
| Total employer contribution rate to the SDTF | 19.38% | 19.88% | 19.93% | 19.93% |

***Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).*

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University of Northern Colorado is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University of Northern Colorado were \$5,459,922 for the year ended June 30, 2021.

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

The net pension liability for the SDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The University of Northern Colorado's proportion of the net pension liability was based on its contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the University of Northern Colorado reported a liability of \$86,476,674 for its proportionate share of the net pension. The amount recognized by the University of Northern Colorado as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the University of Northern Colorado were as follows:

| | |
|---|---------------|
| University of Northern Colorado's proportionate share of the net pension liability | \$ 86,476,674 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the University of Northern Colorado | \$ - |
| Total | \$ 86,476,674 |

At December 31, 2020, the University of Northern Colorado proportion was 0.91 percent, which was a decrease of 0.11 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the University of Northern Colorado recognized negative pension expense of \$33,074,507. For the year ended June 30, 2020, the University of Northern Colorado recognized negative pension expense of \$31,469,734 and revenue of \$787,639 for support from the State as a nonemployer contributing entity.

On June 30, 2021, the University of Northern Colorado reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 2,137,083 | \$ - |
| Changes of assumptions or other inputs | 5,871,917 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 17,699,467 |
| Change in Proportionate Share | - | 13,508,669 |
| Difference in Total Employer Contribution and Proportionate Share Contribution | - | 16,678 |
| Contributions subsequent to the measurement date | 2,600,119 | - |
| Total | \$ 10,609,119 | \$ 31,224,814 |

NOTES TO THE FINANCIAL STATEMENTS

\$2,600,119 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|-----------------|
| 2022 | \$ (10,854,161) |
| 2023 | (3,821,881) |
| 2024 | (6,405,201) |
| 2025 | (2,134,571) |
| 2026 | - |
| Thereafter | - |

Actuarial assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50-9.17% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS Benefit Structure (compounded annually) | 1.25% |
| PERA benefit structure hired after 12/31/06 ¹ | Financed by the Annual Increase Reserve |

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

NOTES TO THE FINANCIAL STATEMENTS

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

| Actuarial Cost Method | Entry Age |
|---|---|
| Price Inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | |
| Members other than State Troopers | 3.30-10.90% |
| State Troopers | 3.20-12.40% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS Benefit Structure (compounded annually) | 1.25% |
| PERA benefit structure hired after 12/31/06 ¹ | Financed by the Annual Increase Reserve |

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate

of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 6.00% | 4.70% |
| Total | 100.00% | |

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | 114,411,182 | 86,476,674 | 63,021,764 |

Pension plan fiduciary net position

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

Payables to the pension plan

The University of Northern Colorado did not report payables to the SDTF as of June 30, 2021.

Note 11: Other PERA Retirement Plans

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

Plan Description

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

Funding Policy

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

Defined Contribution Retirement Plan (DC Plan)

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s Annual Report as referred to above.

Funding Policy

All participating employees in the PERA DC Plan and the University of Northern Colorado are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are summarized in the tables below:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|---|---|--|---|--|
| Employee Contribution Rates | | | | |
| Employee contribution (all employees except State Troopers) | 8.75% | 10.00% | 10.00% | 10.50% |
| State Troopers only | 10.75% | 12.00% | 12.00% | 12.50% |
| Employee Contribution Rates | | | | |
| Employee contribution (all employees except State Troopers) | 10.15% | 10.15% | 10.15% | 10.15% |
| State Troopers only | 12.85% | 12.85% | 12.85% | 12.85% |

Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|--|---|--|---|--|
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹ | 5.00% | 5.00% | 5.00% | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹ | 5.00% | 5.00% | 5.00% | 5.00% |
| Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413 ¹ | N/A | 0.50% | 0.50% | 0.50% |
| Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505 ¹ | 0.25% | 0.25% | 0.25% | 0.25% |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415 | N/A | N/A | 0.05% | 0.05% |
| Total employer contribution rate to the SDTF ¹ | 10.25% | 10.75% | 10.80% | 10.80% |

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$5,330.

Note 12: University Retirement Plans

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

The ORP is a defined contribution plan with three vendors: MetLife, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal year 2020, the employee contributed 8 percent and the University contributed 11.5 percent. The University's contributions to the ORP were \$6,508,674 in fiscal year 2021 and \$6,736,886 in fiscal year 2020. 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 \$50,000 for fiscal year 2021 and \$50,000 for fiscal year 2020 for the President.

Note 13: Other Postemployment Benefits (OPEB)

OPEB

The University of Northern Colorado participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

Eligible employees of the University of Northern Colorado are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law

provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available Annual Report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$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 service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University of Northern Colorado is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were \$276,810 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On June 30, 2021, the University of Northern Colorado reported a liability of \$3,031,644 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The University of Northern Colorado's proportion of the net OPEB liability was based on the University of Northern Colorado's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

As of December 31, 2020, the University of Northern Colorado's proportion was 0.32 percent, which was a decrease of 0.04 percent from its proportion measured as of December 31, 2019.

For the years ended June 30, 2021 and 2020, the University of Northern Colorado recognized negative OPEB expense of \$216,184 and OPEB expense of \$52,493, respectively.

At June 30, 2021, the University of Northern Colorado reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 8,046 | \$ 666,501 |
| Changes of assumptions or other inputs | 22,652 | 185,898 |
| Net difference between projected and actual earnings on pension plan investments | - | 123,875 |
| Change in Proportionate Share | - | 1,094,524 |
| Difference in Total Employer Contribution and Proportionate Share Contribution | - | 1,748 |
| Contributions subsequent to the measurement date | 131,049 | - |
| Total | \$ 161,747 | \$ 2,072,546 |

\$131,049 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | |
|---------------------|--------------|
| 2022 | \$ (547,758) |
| 2023 | (464,525) |
| 2024 | (475,903) |
| 2025 | (393,141) |
| 2025 | (150,634) |
| Thereafter | (9,887) |

Actuarial assumptions

The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

| | |
|--|--|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.50% in 2020, gradually increasing to 4.50% in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|--|--|-----------------|---------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$588 | \$227 | \$550 |
| Kaiser Permanente Medicare Advantage HMO | 621 | 232 | 586 |

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year | PERACare Medicare Plans | Medicare Part A |
|-------|-------------------------|-----------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 2025 | 5.30% | 4.00% |
| 2026 | 5.10% | 4.00% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows :

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows :

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

| | Trust Fund | | | |
|---|----------------|-----------------|---------------------------|-------------------|
| | State Division | School Division | Local Government Division | Judicial Division |
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age |
| Price inflation | 2.30% | 2.30% | 2.30% | 2.30% |
| Real wage growth | 0.70% | 0.70% | 0.70% | 0.70% |
| Wage inflation | 3.00% | 3.00% | 3.00% | 3.00% |
| Salary increases, including wage inflation: | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% ¹ | N/A |

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 6.00% | 4.70% |
| Total | 100.00% | |

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

Sensitivity of the University of Northern Colorado’s proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate | 7.10% | 8.10% | 9.10% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$2,953,287 | \$3,031,644 | \$3,122,862 |

Discount rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date .
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date .
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF’s FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | 3,472,804 | 3,031,644 | 2,654,709 |

OPEB plan fiduciary net position.

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

Note 14: Deferred Outflows and Inflows of Resources

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

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

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

| 2021 | | | | | | | |
|--|------------------|---|---------------------------------------|---------------------------------------|--|--------------------------------------|--|
| Deferred Amounts on Debt Refundings | | | | | | | |
| Issue | Year of Maturity | Description | Original Deferred Amount on Refunding | Original Amortization Period in Years | Remaining Amortization Period in Years | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred outflows of resources | | | | | | | |
| Series 2014A | 2035 | Advance refunding of a portion of Series 2005 | 799,172 | 21 | 14 | 525,440 | 37,756 |
| Series 2018A | 2041 | Refunding of Series 2008 and Series 2011B | 230,132 | 23 | 20 | 200,005 | 10,042 |
| Series 2018B | 2036 | Refunding of Series 2011B | 720,867 | 18 | 15 | 600,722 | 40,048 |
| Series 2019A | 2031 | Refunding of Series 2011A | 851,638 | 12 | 10 | 709,699 | 70,970 |
| Total deferred outflows of resources | | | <u>\$ 2,601,809</u> | | | <u>\$ 2,035,866</u> | <u>\$ 158,816</u> |
| Deferred inflows of resources | | | | | | | |
| Series 2015A | 2040 | Refunding of the remaining balance of Series 2005 | (938,023) | 25 | 19 | (709,770) | (37,521) |
| Total deferred inflows of resources | | | <u>\$ (938,023)</u> | | | <u>\$ (709,770)</u> | <u>\$ (37,521)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | | | | <u>\$ 121,295</u> |

| 2020 | | | | | | | |
|--|------------------|---|---------------------------------------|---------------------------------------|--|--------------------------------------|--|
| Deferred Amounts on Debt Refundings | | | | | | | |
| Issue | Year of Maturity | Description | Original Deferred Amount on Refunding | Original Amortization Period in Years | Remaining Amortization Period in Years | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred outflows of resources | | | | | | | |
| Series 2014A | 2035 | Advance refunding of a portion of Series 2005 | 799,172 | 21 | 15 | 563,196 | 37,757 |
| Series 2018A | 2041 | Refunding of Series 2008 and Series 2011B | 230,132 | 23 | 21 | 210,047 | 10,042 |
| Series 2018B | 2036 | Refunding of Series 2011B | 720,867 | 18 | 16 | 640,771 | 40,048 |
| Series 2019A | 2031 | Refunding of Series 2011A | 851,638 | 12 | 11 | 780,668 | 70,970 |
| Total deferred outflows of resources | | | <u>\$ 2,601,809</u> | | | <u>\$ 2,194,682</u> | <u>\$ 158,817</u> |
| Deferred inflows of resources | | | | | | | |
| Series 2015A | 2040 | Refunding of the remaining balance of Series 2005 | (938,023) | 25 | 20 | (747,291) | (37,521) |
| Total deferred inflows of resources | | | <u>\$ (938,023)</u> | | | <u>\$ (747,291)</u> | <u>\$ (37,521)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | | | | <u>\$ 121,296</u> |

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

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

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

Deferred inflows of resources or deferred outflows of resources are amortized to expense over a five-year period or the average remaining service period of plan members, which changes annually. The PERA and OPEB net pension liabilities have a measurement date of December 31 annually. Each year the contributions that University of Northern Colorado makes after the Plan measurement date from January 1 to June 30 will be recorded as a deferred outflow of resources and will be recognized as a reduction of the

net pension and OPEB liabilities in the following fiscal year. The following is a summary of the deferred outflows and deferred inflows of resources related to University of Northern Colorado's proportionate share of the PERA net pension and net OPEB liabilities:

| 2021 | | | | |
|--|----------------------------|---|---|---|
| Deferred Amounts Related to Net Pension Liability | | | | |
| <u>Description</u> | <u>Amortization Period</u> | <u>Cumulative Deferred Amount</u> | <u>Deferred Amount Remaining at June 30</u> | <u>Current Fiscal Year Amortization Expense</u> |
| Deferred outflows of resources | | | | |
| Pension changes in assumptions | Service life | \$ 128,735,187 | \$ 5,871,917 | \$ 3,474,514 |
| Pension experience results | Service life | 16,776,125 | 2,137,083 | 3,350,942 |
| Pension investment results | Five years | - | - | - |
| Pension contributions after measurement date* | See footnote | - | 2,600,119 | - |
| Total deferred outflows of resources | | <u>\$ 145,511,312</u> | <u>\$ 10,609,119</u> | <u>\$ 6,825,456</u> |
| Deferred inflows of resources | | | | |
| Pension changes in assumptions | Service life | \$ (103,289,399) | - | (28,437,499) |
| Pension investment results | Five years | (20,711,250) | (17,699,467) | (6,851,359) |
| Pension changes in proportionate share | Service life | (59,472,721) | (13,508,669) | (15,042,402) |
| Pension employer contribution difference | Service life | (204,885) | (16,678) | (37,544) |
| Total deferred inflows of resources | | <u>\$ (183,678,255)</u> | <u>\$ (31,224,814)</u> | <u>\$ (50,368,804)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ (43,543,348)</u> |
| *Deferred outflows of resources originating from pension contributions made after the measurement date (January 1, 2020 to June 30, 2020) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a deferred outflow of resources. | | | | |

| 2020 | | | | |
|--|----------------------------|---|---|---|
| Deferred Amounts Related to Net Pension Liability | | | | |
| <u>Description</u> | <u>Amortization Period</u> | <u>Cumulative Deferred Amount</u> | <u>Deferred Amount Remaining at June 30</u> | <u>Current Fiscal Year Amortization Expense</u> |
| Deferred outflows of resources | | | | |
| Pension changes in assumptions | Service life | \$ 119,388,755 | \$ - | \$ 34,517,793 |
| Pension experience results | Service life | 15,097,519 | 3,704,351 | 32,380 |
| Pension investment results | Five years | - | - | - |
| Pension contributions after measurement date* | See footnote | - | 3,029,187 | - |
| Total deferred outflows of resources | | <u>\$ 134,486,274</u> | <u>\$ 6,733,538</u> | <u>\$ 34,550,173</u> |
| Deferred inflows of resources | | | | |
| Pension changes in assumptions | Service life | \$ (100,831,657) | (28,437,499) | \$ (37,624,621) |
| Pension investment results | Five years | (20,212,317) | (10,681,917) | (2,957,890) |
| Pension changes in proportionate share | Service life | (44,986,635) | (14,064,986) | (12,199,216) |
| Pension employer contribution difference | Service life | (180,442) | (28,922) | (31,499) |
| Total deferred inflows of resources | | <u>\$ (166,211,051)</u> | <u>\$ (53,213,324)</u> | <u>\$ (52,813,226)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ (18,263,053)</u> |
| *Deferred outflows of resources originating from pension contributions made after the measurement date (January 1, 2020 to June 30, 2020) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a deferred outflow of resources. | | | | |

| 2021 | | | | |
|--|----------------------------|---|---|---|
| Deferred Amounts Related to OPEB | | | | |
| Description | Amortization Period | Cumulative Deferred Amount | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred outflows of resources | | | | |
| OPEB changes in assumptions | Service life | 49,504 | 22,652 | 10,536 |
| OPEB experience results | Service life | 28,815 | 8,046 | 5,229 |
| OPEB contributions after measurement date* | See footnote | - | 131,049 | - |
| Total deferred outflows of resources | | <u>\$ 78,319</u> | <u>\$ 161,747</u> | <u>\$ 15,765</u> |
| Deferred inflows of resources | | | | |
| OPEB changes in assumptions | Service life | (222,563) | (185,898) | (36,665) |
| OPEB experience results | Service life | (1,026,600) | (666,501) | (225,133) |
| OPEB investment results | Five years | (335,728) | (123,875) | (46,449) |
| OPEB changes in proportionate share | Service life | (1,682,373) | (1,094,524) | (217,568) |
| OPEB employer contribution difference | Service life | (4,670) | (1,748) | (1,592) |
| Total deferred inflows of resources | | <u>\$ (3,271,934)</u> | <u>\$ (2,072,546)</u> | <u>\$ (527,407)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ (511,642)</u> |

*Deferred outflows of resources originating from OPEB made after the measurement date (January 1, 2020 to June 30, 2020) will be recognized as a reduction to OPEB liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a deferred outflow of resources.

| 2020 | | | | |
|--|----------------------------|---|---|---|
| Deferred Amounts Related to OPEB | | | | |
| Description | Amortization Period | Cumulative Deferred Amount | Deferred Amount Remaining at June 30 | Current Fiscal Year Amortization Expense |
| Deferred outflows of resources | | | | |
| OPEB changes in assumptions | Service life | 49,504 | 33,189 | 12,097 |
| OPEB experience results | Service life | 28,814 | 13,275 | 7,910 |
| OPEB contributions after measurement date* | See footnote | - | 157,593 | - |
| Total deferred outflows of resources | | <u>\$ 78,318</u> | <u>\$ 204,057</u> | <u>\$ 20,007</u> |
| Deferred inflows of resources | | | | |
| OPEB experience results | Service life | (807,195) | (672,220) | (134,053) |
| OPEB investment results | Five years | (111,643) | (66,772) | (36,125) |
| OPEB changes in proportionate share | Service life | (1,272,339) | (897,718) | (214,264) |
| OPEB employer contribution difference | Service life | (3,784) | (2,351) | (727) |
| Total deferred inflows of resources | | <u>\$ (2,194,961)</u> | <u>\$ (1,639,061)</u> | <u>\$ (385,170)</u> |
| Total expense on Statement of Revenues, Expenses and Changes in Net Position | | | | <u>\$ (365,163)</u> |

*Deferred outflows of resources originating from OPEB made after the measurement date (January 1, 2020 to June 30, 2020) will be recognized as a reduction to OPEB liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a deferred outflow of resources.

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

| For the Year Ended June 30, 2021 | | | | | | | | |
|----------------------------------|--------------------|---------------|------------------------|------------------------------|--------------|--------------|---------------|----------------|
| | Wages and Benefits | Cost of Sales | Other Current Expenses | Scholarships and Fellowships | Utilities | Travel | Depreciation | Total |
| Instruction | \$ 50,275,695 | \$ 50 | \$ 3,482,034 | \$ - | \$ - | \$ 22,877 | \$ - | \$ 53,780,656 |
| Research | 1,644,403 | - | 700,590 | - | - | 17,901 | - | 2,362,894 |
| Public Service | 647,709 | 85,170 | 377,178 | - | - | 3,310 | - | 1,113,367 |
| Academic Support | 10,362,509 | 1,554 | 3,917,936 | - | - | 9,758 | - | 14,291,757 |
| Student Services | 9,924,084 | 39,289 | 4,125,459 | - | 215,063 | 6,129 | - | 14,310,024 |
| Institutional Support | 5,032,867 | (114,121) | 6,808,569 | - | (6,350) | 24,577 | - | 11,745,542 |
| Operation of Plant | (832,965) | - | 1,840,797 | - | 2,584,068 | 2,333 | - | 3,594,233 |
| Scholarships | 7,835 | - | 1,157 | 15,619,831 | - | - | - | 15,628,823 |
| Auxiliary | 13,840,554 | 1,811,488 | 3,187,804 | - | 2,097,109 | 1,035,345 | - | 21,972,300 |
| Depreciation | - | - | - | - | - | - | 18,369,273 | 18,369,273 |
| Total Operating Expenses | \$ 90,902,691 | \$ 1,823,430 | \$ 24,441,524 | \$ 15,619,831 | \$ 4,889,890 | \$ 1,122,230 | \$ 18,369,273 | \$ 157,168,869 |

| For the Year Ended June 30, 2020 | | | | | | | | |
|----------------------------------|--------------------|---------------|------------------------|------------------------------|--------------|--------------|---------------|----------------|
| | Wages and Benefits | Cost of Sales | Other Current Expenses | Scholarships and Fellowships | Utilities | Travel | Depreciation | Total |
| Instruction | \$ 58,915,818 | \$ 6,847 | \$ 3,814,217 | \$ - | \$ - | \$ 561,232 | \$ - | \$ 63,298,114 |
| Research | 1,749,182 | - | 753,840 | - | - | 222,727 | - | 2,725,749 |
| Public Service | 913,496 | 92,859 | 424,878 | - | - | 31,258 | - | 1,462,491 |
| Academic Support | 9,330,279 | 3,986 | 4,500,074 | - | - | 89,922 | - | 13,924,261 |
| Student Services | 10,863,371 | 189,791 | 4,869,966 | - | 212,874 | 240,505 | - | 16,376,507 |
| Institutional Support | 4,061,659 | 345,726 | 5,601,416 | - | (6,350) | 140,419 | - | 10,142,870 |
| Operation of Plant | 52,057 | - | 2,516,173 | - | 2,169,651 | 2,304 | - | 4,740,185 |
| Scholarships | - | - | - | 15,768,438 | - | - | - | 15,768,438 |
| Auxiliary | 17,553,575 | 2,963,899 | 3,406,220 | - | 2,092,678 | 2,242,373 | - | 28,258,745 |
| Depreciation | - | - | - | - | - | - | 18,699,827 | 18,699,827 |
| Total Operating Expenses | \$ 103,439,437 | \$ 3,603,108 | \$ 25,886,784 | \$ 15,768,438 | \$ 4,468,853 | \$ 3,530,740 | \$ 18,699,827 | \$ 175,397,187 |

Summary of Wages and Benefits

| | Wages and Benefits | | | |
|----------------------------------|-----------------------------|----------------|---------------------|--------|
| | For the Year Ended June 30, | | | |
| | 2021 | 2020 | 2020 to 2021 Change | |
| | | | \$ Chg | % Chg |
| Faculty | \$ 41,866,544 | \$ 45,082,122 | \$ (3,215,578) | -7.1% |
| Administrative | 30,184,869 | 29,976,541 | 208,328 | 0.7% |
| Graduate and Teaching Assistants | 10,242,193 | 11,110,040 | (867,847) | -7.8% |
| Classified | 15,488,651 | 18,073,860 | (2,585,209) | -14.3% |
| Student | 4,611,285 | 6,888,072 | (2,276,787) | -33.1% |
| Other | 709,158 | 823,100 | (113,942) | -13.8% |
| Subtotal wages | 103,102,700 | 111,953,735 | (8,851,035) | -7.9% |
| Fringe benefits | 26,827,414 | 30,119,820 | (3,292,406) | -10.9% |
| Fringe benefits (GASB 68) | (38,534,429) | (38,360,069) | (174,360) | 0.5% |
| Fringe benefits (GASB 75) | (492,994) | (274,049) | (218,945) | 79.9% |
| Total wages and benefits | \$ 90,902,691 | \$ 103,439,437 | \$ (12,536,746) | -12.1% |

Note 16: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill. For the year ended June 30, 2021, the University had a total appropriation of \$19,816,875 and appropriated expenditures were within the authorized spending authority.

The University's appropriated funds consisted of \$6,526,210 received from students who qualified for stipends from the College Opportunity Fund and \$13,290,665 as Fee-For-Service contract revenue. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues, and other revenue sources.

State Capital Appropriations

Capital appropriations from the state generally fall into three categories; capital construction, cash-funded appropriated projects, and controlled maintenance. The revenue is recognized in the Statement of Revenues, Expenses, and Changes in Net Position to the extent of expenditures in the current year. UNC recognized \$1,945,466 and \$960,184 in capital appropriations revenue in fiscal years 2021 and 2020, respectively.

The following table outlines the projects that are currently appropriated for the University of Northern Colorado, the cumulative amount expended on those projects through June 30, 2021, and the unexpended balance:

| State Capital Appropriations | | | | |
|-------------------------------------|--|--------------------------------|-------------------------------------|--|
| <u>Project</u> | <u>Category</u> | <u>Total Appropriation</u> | <u>Expended as of 6/30/2021</u> | <u>Balance Remaining as of 6/30/2021</u> |
| Campus Commons | State Appropriation - Capital Construction | \$ 38,000,000 | \$ 38,000,000 | \$ - |
| Campus Commons | State Appropriation - Cash Funded | 35,533,668 | 35,533,668 | - |
| Subtotal Campus Commons | | <u>73,533,668</u> | <u>73,533,668</u> | <u>-</u> |
| Boiler Replacement | State Appropriation - Capital Construction | 3,779,372 | 149,766 | 3,629,606 |
| Boiler Replacement | State Appropriation - Cash Funded | 46,800 | - | 46,800 |
| Subtotal Campus Commons | | <u>3,826,172</u> | <u>149,766</u> | <u>3,676,406</u> |
| Fire sprinkler-McKee Hall | State Appropriation - Controlled Maintenance | 996,364 | 906,195 | 90,169 |
| Fire sprinkler-Gunter | State Appropriation - Controlled Maintenance | 863,187 | 696,505 | 166,682 |
| Fire sprinkler-Frasier (Phase I) | State Appropriation - Controlled Maintenance | 1,611,931 | 1,190,046 | 421,885 |
| Frasier tunnel piping abatement | State Appropriation - Controlled Maintenance | 339,146 | 290,676 | 48,470 |
| Butler-Hancock pool AHU | State Appropriation - Controlled Maintenance | 937,268 | 937,268 | - |
| McKee Chiller Replacement | State Appropriation - Controlled Maintenance | 489,672 | 489,672 | - |
| Fire sprinkler-Michener | State Appropriation - Controlled Maintenance | 2,066,257 | 1,787,689 | 278,568 |
| Total | | <u>\$ 84,663,665</u> | <u>\$ 79,981,485</u> | <u>\$ 4,682,180</u> |
| | | | | |
| | State Appropriation - Capital Construction | \$ 38,000,000 | \$ 38,000,000 | \$ - |
| | State Appropriation - Cash Funded | 35,580,468 | 35,533,668 | 46,800 |
| | State Appropriation - Controlled Maintenance | <u>7,303,825</u> | <u>6,298,051</u> | <u>1,005,774</u> |
| | | <u>\$ 80,884,293</u> | <u>\$ 79,831,719</u> | <u>\$ 1,052,574</u> |

| State Capital Appropriations | | | | |
|-------------------------------------|--|--------------------------------|-------------------------------------|--|
| <u>Project</u> | <u>Category</u> | <u>Total Appropriation</u> | <u>Expended as of 6/30/2020</u> | <u>Balance Remaining as of 6/30/2020</u> |
| Campus Commons | State Appropriation - Capital Construction | \$ 38,000,000 | \$ 38,000,000 | \$ - |
| Campus Commons | State Appropriation - Cash Funded | 35,533,668 | 35,390,661 | 143,007 |
| Subtotal Campus Commons | | <u>73,533,668</u> | <u>73,390,661</u> | <u>143,007</u> |
| Butler-Hancock pool AHU | State Appropriation - Controlled Maintenance | 937,268 | 891,146 | 46,122 |
| Frasier tunnel piping abatement | State Appropriation - Controlled Maintenance | 339,146 | 290,675 | 48,471 |
| Fire sprinkler-Frasier (Phase I) | State Appropriation - Controlled Maintenance | 1,611,931 | 1,190,046 | 421,885 |
| Fire sprinkler-McKee Hall | State Appropriation - Controlled Maintenance | 996,364 | 906,195 | 90,169 |
| Fire sprinkler-Gunter | State Appropriation - Controlled Maintenance | 863,187 | 468,672 | 394,515 |
| McKee Chiller Replacement | State Appropriation - Controlled Maintenance | 489,672 | 91,190 | 398,482 |
| Total | | <u>\$ 78,771,236</u> | <u>\$ 77,228,585</u> | <u>\$ 1,542,651</u> |
| | | | | |
| | State Appropriation - Capital Construction | \$ 38,000,000 | \$ 38,000,000 | \$ - |
| | State Appropriation - Cash Funded | 35,533,668 | 35,390,661 | 143,007 |
| | State Appropriation - Controlled Maintenance | <u>5,237,568</u> | <u>3,837,924</u> | <u>1,399,644</u> |
| | | <u>\$ 78,771,236</u> | <u>\$ 77,228,585</u> | <u>\$ 1,542,651</u> |

Note 17: Commitments and Contingencies

Government Grants

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

Collateral for State Treasury Certificates of Participation

On November 6, 2008, the State Treasury entered into a lease purchase agreement under which a trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The University's Butler-Hancock interior renovation project was funded with \$11,591,235 from the lease purchase agreement as a state appropriation and Parsons Hall was provided as collateral.

In November 2017, UNC's Board of Trustees approved collateralization of the Jackson Soccer Team building (Current Replacement Value is \$2.8 million) for financing UNC's Senate Bill 17-267 Controlled Maintenance projects. The State Treasury issued Certificates of Participation under the Senate bill in late September 2018. UNC has three capital projects approved for \$2.1 million.

During the 2020 legislative session, House Bill 20-1377 specified that proceeds related to Senate Bill 17-267 lease purchase agreement be credited to the capital construction fund and appropriated for controlled maintenance projects. House Bill 20-1408 appropriated \$3.8 million to the University for the replacement of a boiler.

Note 18: Risk Management

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

- General liability covered by Philadelphia for an aggregate of \$3,000,000 and per occurrence of \$1,000,000 with no deductible.
- Professional liability covered by Philadelphia for \$3,000,000 with a \$25,000 deductible.
- Automobile liability covered by Philadelphia for \$1,000,000 with no deductible.
- Errors and omissions covered by RSUI Group, Inc. for \$3,000,000 with a \$25,000 deductible.
- Employment practices liability covered by RSUI Group, Inc. for \$3,000,000 with a \$50,000 deductible.
- Workers compensation covered by Pinnacol Assurance for \$500,000/\$500,000/\$500,000 with a \$1,000 deductible.
- Umbrella liability covered by Philadelphia for \$2,000,000 with a self-insured retention of \$10,000.
- Fidelity (employee dishonesty) covered by Travelers for \$3,000,000 with a \$25,000 deductible.
- Other property covered by Midwestern Higher Education Compact for \$500,000,000 with a \$50,000 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 2020 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, 2021, was \$107,000 which represents deductibles based on an analysis of claims.

Note 19: Other Disclosures

Multi-Year Employment Contracts

During fiscal year 2021, the University had 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 20: Subsequent Events

On December 30, 2021, University of Northern Colorado Board of Trustees issued Institutional Enterprise Revenue Refunding Bonds Taxable, Series 2021A for \$33,035,000. Bond proceeds of \$32,995,005 were used to advance refund a portion of outstanding principal balance on the Institutional Enterprise Revenue Refunding Bonds, Series 2014A, totaling \$30,215,000 as of June 30, 2021. The Series 2021A Bonds shall initially be issued as a Taxable Obligation and bear interest at the taxable rate of 2.29% per annum, and will convert to, and be reissued as, a Tax Exempt Obligation bearing interest at a rate of 1.77% per annum on or after March 5, 2024, upon satisfaction of certain agreed upon conditions. The Series 2021A bonds are guaranteed by the State Intercept program and are set to mature on June 1, 2035. Bond proceeds were also used to pay the cost of issuance totaling \$150,160. As of December 30, 2021, the Series 2014A Bonds will have a remaining outstanding principal balance of \$11,080,000.

**REQUIRED
SUPPLEMENTARY INFORMATION**

University of Northern Colorado
Schedule of Required Supplementary Information
June 30, 2021

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

| Measurement Date* | Proportion of Collective Net Pension Liability (A) | Proportionate Share of Collective Net Pension Liability (B) | Covered Payroll (C) | Proportionate Share (B/C) | Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|-------------------|--|---|---------------------|---------------------------|--|
| December 31, 2014 | 1.32% | \$ 124,356,394 | \$ 35,490,833 | 350.39% | 59.84% |
| December 31, 2015 | 1.27% | \$ 134,262,416 | \$ 35,609,043 | 377.05% | 56.11% |
| December 31, 2016 | 1.26% | \$ 231,167,892 | \$ 36,078,990 | 640.73% | 42.59% |
| December 31, 2017 | 1.20% | \$ 239,421,801 | \$ 35,339,262 | 677.50% | 43.20% |
| December 31, 2018 | 1.10% | \$ 127,932,022 | \$ 34,392,235 | 371.98% | 55.11% |
| December 31, 2019 | 1.02% | \$ 99,147,013 | \$ 32,633,433 | 303.82% | 62.24% |
| December 31, 2020 | 0.91% | \$ 86,476,674 | \$ 30,281,029 | 285.58% | 65.34% |

Schedule of University's Contributions to PERA Pension*

| As of June 30* | Statutorily Required Contributions | Contributions in Relation to Statutorily Required Contributions | Contribution Excess/ (Deficiency) | Covered Payroll | Contributions Recognized as a Percentage of Covered Payroll |
|----------------|------------------------------------|---|-----------------------------------|-----------------|---|
| 2015 | \$ 6,451,658 | \$ 5,990,532 | \$ - | \$ 35,762,254 | 16.75% |
| 2016 | \$ 6,691,529 | \$ 6,286,794 | \$ - | \$ 35,566,846 | 17.68% |
| 2017 | \$ 7,047,703 | \$ 6,692,426 | \$ - | \$ 36,058,201 | 18.56% |
| 2018 | \$ 7,006,658 | \$ 6,654,918 | \$ - | \$ 35,065,038 | 18.98% |
| 2019 | \$ 6,685,480 | \$ 7,237,401 | \$ - | \$ 33,493,592 | 21.61% |
| 2020 | \$ 6,444,633 | \$ 6,897,878 | \$ - | \$ 31,925,965 | 21.61% |
| 2021 | \$ 5,736,499 | \$ 5,459,922 | \$ - | \$ 27,933,542 | 19.55% |

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

Notes to Required Supplementary Information (Net Pension Liability) – Fiscal Year 2021 Changes in benefit terms and actuarial assumptions

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.50% to 3.00%.

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

University of Northern Colorado
Schedule of Required Supplementary Information
June 30, 2021

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

| Measurement Date* | Proportion of Collective Net OPEB Liability (A) | Proportionate Share of Collective Net OPEB Liability (B) | Covered Payroll (C) | Proportionate Share (B/C) | Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability |
|-------------------|---|--|---------------------|---------------------------|---|
| December 31, 2016 | 0.45% | \$ 5,857,937 | \$ 35,675,310 | 16.42% | 16.84% |
| December 31, 2017 | 0.43% | \$ 5,574,596 | \$ 34,823,924 | 16.01% | 17.53% |
| December 31, 2018 | 0.40% | \$ 5,437,725 | \$ 33,803,091 | 16.09% | 17.03% |
| December 31, 2019 | 0.36% | \$ 4,000,432 | \$ 32,002,030 | 12.50% | 24.49% |
| December 31, 2020 | 0.32% | \$ 3,031,644 | \$ 29,503,550 | 10.28% | 32.78% |

Schedule of University's Contributions to PERA OPEB*

| As of June 30* | Statutorily Required Contributions | Contributions in Relation to Statutorily Required Contributions | Contribution Excess/ (Deficiency) | Covered Payroll | Contributions Recognized as a Percentage of Covered Payroll |
|----------------|------------------------------------|---|-----------------------------------|-----------------|---|
| 2018 | \$ 351,740 | \$ 351,740 | \$ - | \$ 34,484,267 | 1.02% |
| 2019 | \$ 335,242 | \$ 335,242 | \$ - | \$ 32,866,862 | 1.02% |
| 2020 | \$ 319,000 | \$ 319,000 | \$ - | \$ 31,274,510 | 1.02% |
| 2021 | \$ 276,810 | \$ 276,810 | \$ - | \$ 27,138,236 | 1.02% |

*GASB Statement No. 75 was implemented during fiscal year 2017. As information becomes available, each subsequent year will be added until a full 10-year trend is compiled.

Notes to Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2021 Changes in benefit terms and actuarial assumptions

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.50% to 3.00%.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.



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AS OF JUNE 30, 2021**

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AS OF JUNE 30, 2021**

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**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 discretely presented component unit of the University of Northern Colorado (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the University of Northern Colorado Foundation, Incorporated (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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the Finding and Recommendations section as Recommendations 1 and 2, that we consider to be significant deficiencies.

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 financial statements. 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

January 28, 2022

Required Communications To Those Charged With Governance

Members of the Legislative Audit Committee
University of Northern Colorado
Greeley, Colorado

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, 2021. 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 June 2, 2021 and in our meeting with University Management and the Office of the State Auditor on June 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

During our audit, we did identify certain deficiencies in internal control, as described in the Finding and Recommendations section as Recommendations 1 and 2, that we consider to be significant deficiencies that are required to be reported to management or those charged with governance.

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 has not adopted any 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 estimates 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.
- Management's estimates of the net pension liability related to its pension plan and the net liability related to other post-employment benefits are based on actuarial assumptions and other inputs as described in Notes 10 and 13 to the financial statements. We evaluated the key factors and assumptions used to develop the net pension liability and other post-employment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

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

- Investments in Note 3 to the financial statements
- Bonds, capital leases and notes payable in Note 8 to the financial statements
- Defined benefit pension plan in Note 10 to the financial statements
- Other post-employment benefits in Note 13 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 factual, judgmental and projected misstatements identified during the audit, other than those that are trivial, communicate them to the appropriate level of management, and request their correction. We identified one misstatement during our audit procedures related to the calculation of grant funds, which resulted in an overstatement of revenues of approximately \$1.4 million for the year ended June 30, 2021. Management has corrected the amount in the current period. In addition, we accumulated uncorrected misstatements (including the current-year effect of prior-periods' uncorrected misstatements), which in the aggregate decreased the change in net position by approximately \$2.5 million, that management has determined are not material, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 28, 2022.

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 the 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.

Audits Of Group Financial Statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with the governance of the group.

Quality Of Component Auditor's Work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Other Matters

With respect to the required supplementary information (the RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We applied certain limited procedures to management's discussion and analysis, the schedule of the University's proportionate share of the PERA Pension liability, schedule of the University contributions to the PERA Pension, the University's proportionate share of PERA OPEB liability, and the schedule of the University's contributions to PERA OPEB, which are RSI that supplements the basic financial statements. Our procedures included 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, Office of the State Auditor, Board of Trustees of the University and management of the University, and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

Very truly yours,

RubinBrown LLP

January 28, 2022

UNIVERSITY OF NORTHERN COLORADO
STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS
For The Year Ended June 30, 2021

Introduction

University of Northern Colorado (the University) is a state-supported institution of higher education which has its primary campus located in Greeley, Colorado.

The financial and compliance audit of the various state-funded student assistance programs of the University for the year ended June 30, 2021 was directed toward the objectives and criteria set forth in the University's financial aid policies (as updated for the 2020-21 fiscal year) and those contained in the *2020-21 Audit Guide, Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2021.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the University include the Colorado Student Grant Program (which includes the Colorado Graduate Grant and the Colorado Need-Based Grant programs), Colorado Merit Program and the Colorado Work-Study Program.

The state-funded student assistance awards made by the University were \$9,291,207 during the year ended June 30, 2021.

The Director of Financial Aid is responsible for the administration of these programs. This responsibility includes application processing, eligibility determination and financial aid packaging, as well as ensuring compliance with regulations governing the University's participation in federal and state financial aid programs. The Chief Financial Officer is responsible for the programs' financial management, general ledger accounting, payments and collections.

During the year ended June 30, 2021, the University obtained authorizations to award federal student financial aid funds of approximately \$12.4 million in the Pell Grant Program, \$1.2 million in the Supplemental Educational Opportunity Grant Program and \$2.1 million in the Federal Work-Study Program. Additionally, the University had cumulative contributions to the Perkins and Nursing loan programs totaling \$4.5 million at June 30, 2021. In addition to these programs, the University also received funding through the Direct Loan Program. Authorizations were not applicable to these programs given Direct Loan Program and the Perkins and Nursing loan programs are available to any eligible student.

During the year ended June 30, 2021, the University obtained authorizations to award Colorado student financial aid funds of approximately \$8.0 million in the Colorado Student Grant Program and \$1.3 million in the Colorado Work-Study Program.

The related statement of allocations, expenditures and reversions of state-funded student financial assistance programs is present on page 123 of this report.

REPORT SUMMARY
PURPOSE AND SCOPE OF AUDIT
SUMMARY OF CURRENT YEAR COMMENTS

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of *Government Auditing Standards*, issued by the Comptroller General of the United States, 2018 Revision. The purpose of the audit was to formulate an opinion on the statement of allocations, expenditures and reversions for the year ended June 30, 2021, and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements and Governing Board and DHE directives that were set forth in internal University policies and in the DHE's *2020-21 Audit Guide, Colorado Funded Student Aid* and DHE's Financial Aid Policy.

Our examination included:

- Expressing an opinion on the statement of allocations, expenditures and reversions.
- Evaluation of the University's policies, procedures and practices used to administer these programs.
- Determination of the University's compliance with applicable sections of Colorado Revised Statutes 23-3.3 *et. seq.* and approved Governing Board Policies.

The current-year audit covered the period July 1, 2020 through June 30, 2021, and fieldwork was performed during the period June 1, 2021 through September 30, 2021 at the campus Business and Student Financial Aid offices.

The audit report for the year ended June 30, 2021 contains no findings related to state-funded student assistance programs. See the required statements, comments and recommendations section of this report.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

There were no matters noted in the audit report for the year ended June 30, 2020.

**Independent Auditor's Report
On The Statement of Allocations, Expenditures
And Reversions Of The State-Funded Student
Financial Assistance Programs**

Members of the Legislative Audit Committee:

Report On The Statement

We have audited the accompanying Statement of Allocations, Expenditures and Reversions of the State-Funded Student Assistance Programs (the Statement) of University of Northern Colorado (the University), for the year ended June 30, 2021, and the related notes to the Statement, in accordance with the requirements of *2020-21 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE).

Management's Responsibility For The Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. 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 Statement is free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgement, including the assessment of risk of material misstatement of the Statement, 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 Statement 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 Statement.

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, the accompanying statement of allocations, expenditures and reversions of the state-funded student assistance programs of the University presents fairly, in all material respects, the allocations, expenditures and reversions of the state-funded student assistance programs of the University for the year ended June 30, 2021, pursuant to the *2020-21 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by DHE, and in conformity with the provisions of the University's policies.

Emphasis Of A Matter

As described in the notes to the Statement, the Statement was prepared in accordance with the format as set forth in the *2020-21 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by DHE, and in conformity with the University's policies for the purpose of complying with the requirements of the state-funded student financial assistance programs. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and does not present certain transactions that would be included in the Statement if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the University in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the University of Northern Colorado Board of Trustees, management of the University and DHE and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

RubinBrown LLP

January 28, 2022

UNIVERSITY OF NORTHERN COLORADO

STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS
For The Year Ended June 30, 2021

| | Colorado Need-Based Grant | Colorado Graduate Grant | Colorado Work-Study | Colorado Merit Aid | Total Colorado Financial Aid |
|--|--|--|--------------------------------|-------------------------------|---|
| Appropriations | | | | | |
| Original | \$ 7,644,014 | \$ 364,884 | \$ 1,282,609 | \$ — | \$ 9,291,507 |
| Additional funds reallocated by DHE | — | — | — | — | — |
| Funds released to DHE | — | — | — | — | — |
| Total Appropriations | 7,644,014 | 364,884 | 1,282,609 | — | 9,291,507 |
| Total Expenditures | 7,644,014 | 364,884 | 1,282,609 | — | 9,291,507 |
| Reversions | \$ — | \$ — | \$ — | \$ — | \$ — |

UNIVERSITY OF NORTHERN COLORADO

NOTES TO STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS

For The Year Ended June 30, 2021

1. Basis Of Accounting And Presentation

University of Northern Colorado's (the University) accounting system is structured and administered in accordance with the accounting principles promulgated by the Government Accounting Standards Board.

All student aid is expensed on a cash basis, except for the College Work-Study (CWS) programs. The CWS program is on the accrual basis in that the expense is recognized when the services are performed.

The statement of allocations, expenditures and reversions (the Statement) has been prepared in accordance with the format as set forth in *2020-2021 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE), and in conformity with the University's policies. The purpose of this Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2021.

2. Contingent Liabilities

The student financial assistance program is subject to periodic program reviews by DHE. If disallowances should occur as a result of these program reviews, the University could be required to repay the disallowed amounts.

UNIVERSITY OF NORTHERN COLORADO

State Of Colorado State-Funded Student Assistance Programs

Notes To Statement Of Allocations, Expenditures And Reversions (*Continued*)

3. Other Required Disclosures

The University's financial aid awarding packaging priority for need-based financial aid applicants is required to give the highest priority to the neediest students. Students with the lowest expected family contribution and the earliest date of filing a completed application are given top priority for available funds. Priority is not given on the basis of new or continuing student status, but on the date the application is completed. The student catalog further outlines additional eligibility requirements set forth for specific federal and state assistance programs including U.S. citizenship, Colorado residency and meeting satisfactory academic progress guidelines.

DHE's Financial Aid Policy and Guidelines for State Financial Assistance Programs does not allow institutions receiving allocations for financial aid programs to transfer funds between those programs.

**Independent Auditor's Report On
Compliance And Internal Control Over
Compliance With Requirements That Could Have
A Direct And Material Effect On Each
State-Funded Student Assistance Program**

Members of the Legislative Audit Committee:

Report On Compliance For Each State-Funded Student Assistance Program

We have audited the compliance of University of Northern Colorado (the University) with the types of compliance requirements described in the *2020-2021 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE) that could have a direct and material effect on each of the University's state-funded student assistance programs for the year ended June 30, 2021. The University's state-funded student assistance programs are identified in the accompanying statement of allocations, expenditures and reversions.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, terms of agreements and University policies applicable to each of its state-funded student financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the University's compliance for each of its state-funded student financial assistance programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2020-21 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid*, issued by DHE.

Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student assistance program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state-funded student financial assistance program. However, our audit does not provide a legal determination of the University's compliance with those requirements.

Opinion On Each State-Funded Student Financial Assistance Program

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its state-funded student assistance programs for the year ended June 30, 2021.

Report On Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above and University policies applicable to each state-funded student financial assistance program. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each state-funded student assistance program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the audit requirements of DHE, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state-funded student assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state-funded student assistance program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state-funded student financial assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of DHE and University policies. Accordingly, this report is not suitable for any other purposes.

RubinBrown LLP

January 28, 2022

UNIVERSITY OF NORTHERN COLORADO

**STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS
REQUIRED STATEMENTS, COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2021**

**Reference
Number**

Comments And Recommendations

No matters are reportable.

UNIVERSITY OF NORTHERN COLORADO

**STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS**
DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS
For The Year Ended June 30, 2021

| Reference Number | Comments And Recommendations | Status |
|-----------------------------|-------------------------------------|---------------|
| | No matters are reportable. | |