

**COLORADO MESA UNIVERSITY**  
FINANCIAL AND COMPLIANCE AUDIT  
Fiscal Years Ended June 30, 2019 and 2018



DALBY, WENDLAND & CO., P.C.  
*CPAs and Business Advisors*

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# COLORADO MESA UNIVERSITY

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# COLORADO MESA UNIVERSITY

## FINANCIAL AND COMPLIANCE AUDIT REPORT SUMMARY

As of and for the year ended June 30, 2019 and 2018

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### **Authority, Purpose and Scope**

The Office of the State Auditor of the State of Colorado engaged Dalby, Wendland, & Co., P.C. (DWC) to conduct a financial and compliance audit of Colorado Mesa University (the University) for the year ended June 30, 2019. DWC 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 of America. We conducted our fieldwork from June through November 2019.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2019 and 2018. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the University's progress in implementing prior audit findings and recommendations, if any.
- Perform a financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers, and Reversions of the University's State-Funded Financial Assistance Programs, including review of the related internal control structure as required by generally accepted auditing standards and Government Auditing Standards.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2019 Statewide Single Audit Report issued under separate cover.

### **Audit Opinion and Reports Summary**

We expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2019 and 2018.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*. 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 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.

We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of the University's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

**Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit of the University for the year ended June 30, 2019.

**Summary of Progress in Implementing Prior Audit Findings**

The University's audit report for the year ended June 30, 2018 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2019.

### **Description of Colorado Mesa University**

The University is a liberal arts university with graduate programs in teacher education, business, nursing, and art. Section 23-53-101, of the Colorado Revised Statutes (C.R.S.), provides that the University shall be a general baccalaureate institution with selective admission standards. The University is a regional educational provider approved to offer limited professional programs. The University shall also maintain a community college role and mission, including career and technical education programs.

Through June 30, 2003, the University was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with House Bill 03-1093 and each member became an independent entity. Also effective on July 1, 2003, Colorado Revised Statute (C.R.S.) 23-53-102 established the composition of the Board of Trustees (Board) of the University to serve as the University's governing board.

The Board has oversight and responsibility in the areas of finance, resources, academic programs, admissions, role and mission and personnel policies. The Board consists of nine voting and two non-voting members. The voting members are appointed by the Governor, confirmed by the Colorado State Senate and serve four-year terms. The University faculty and student body each elect one non-voting member to serve two-year and one-year terms, respectively. The University president is appointed by the Board and is responsible for day-to-day management of the institution and its employees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public. The Colorado Commission on Higher Education is the policy and coordinating board for the state's higher education system, including the University.

Full-time equivalent (FTE) student, faculty, and staff reported by the University for the last three fiscal years were as follows:

	2017	2018	2019
Resident Students	6,631.2	6,493.4	6,521.8
Nonresident Students	1,245.6	1,293.8	1,221.5
Total Students	<u>7,876.8</u>	<u>7,787.2</u>	<u>7,743.3</u>
Faculty FTEs	387.4	383.7	398.0
Staff FTEs	401.8	404.8	431.5
Total Staff and Faculty FTEs	<u>789.2</u>	<u>788.5</u>	<u>829.6</u>

### **Description of Colorado Mesa University Foundation**

The Colorado Mesa University Foundation (the Foundation) was incorporated under the laws of the State of Colorado in August 1961. The Foundation is a separate non-profit 501 (c)(3) corporation formed to provide financial assistance to University students and to otherwise assist the University in serving educational needs.

### **Description of Colorado Mesa University Real Estate Foundation**

The Colorado Mesa University Real Estate Foundation (CMUREF) was incorporated under the laws of the State of Colorado in May 2006. The CMUREF is a separate non-profit 501(c)(3) corporation. The CMUREF's purpose is to receive, hold, invest, and administer real and personal property, borrow money, and to make expenditures to or for the benefit of the University.

FINANCIAL STATEMENTS SECTION



DALBY, WENDLAND & CO., P.C.

Grand Junction

CPAs and Business Advisors

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## INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:  
Denver, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and aggregate discretely presented component units, of Colorado Mesa University (the University), an institution of higher education, State of Colorado, as of and for the years ended June 30, 2019 and 2018, 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation (the Foundations), discretely presented component units, discussed in Note 1 to the basic financial statements, which represents 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2019 and 2018, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are based solely on the reports of the other auditors. We conducted our audits 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 Foundations 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 auditor's 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 opinions.

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## **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 business-type activities and the aggregate discretely presented component units of the University, an institution of higher education, State of Colorado, as of June 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 6 to the financial statements, during the year ended June 30, 2019, the University adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements* (GASB 88). Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2019 and 2018, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **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 7 through 16 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that the Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association and the Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association on pages 83 through 84 be presented to supplement the basic financial statements. GASB 75, requires that the Schedule of the University's Proportionate Share of the other post-employment benefits (OPEB) Liability and the Schedule of University Contributions to the OPEB plan on pages 86 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Enterprise Revenue Bonds Schedules of Revenues and Expenditures for the years ended June 30, 2019 and 2018 on page 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Enterprise Revenue Bonds Schedules of Revenues and Expenditures are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Enterprise Revenue Bonds Schedules of Revenues and Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

December 6, 2019

**COLORADO MESA UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
As of and for the years ended June 30, 2019, 2018 and 2017

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This section of Colorado Mesa University's (the University) annual financial report presents management's discussion and analysis of the University's financial position and changes in its financial position as of and for the years ended June 30, 2019 and 2018 with comparative information presented as of and for the year ended June 30, 2017. It is intended to make the University's financial statements easier to understand and communicate financial position and changes in its financial position in an open and accountable manner. This discussion focuses on current activities and known facts and therefore should be read in conjunction with the financial statements and accompanying notes to the financial statements. University management is responsible for the completeness and fairness of this discussion and analysis, as well as the underlying systems of internal controls.

### **Understanding the Financial Statements**

Financial highlights are presented in this discussion and analysis to help in readers' assessments of the University's financial activities. Because the information is reported in a summarized form, it should be read in conjunction with the financial statements, which include:

- **Statements of Net Position** report the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2019 and 2018. The purpose is to present a financial snapshot of the University and assist readers in determining the assets available for operations, amounts owed to employees, vendors and other creditors and the net position available for future on-going concerns of the University.
- **Statements of Revenues, Expenses and Changes in Net Position** present total revenues earned and expenses incurred for operating, non-operating, other and capital related purposes during the years ended June 30, 2019 and 2018. The purpose is to help readers assess the University's operating and non-operating activities.
- **Statements of Cash Flows** report the University's cash receipts and cash disbursements during the years ended June 30, 2019 and 2018. The purpose is to help readers assess the University's ability to generate cash flows sufficient to meet obligations as they become due.
- **Notes to the Financial Statements** present additional information to support the financial statements. The purpose is to clarify and further explain information in the financial statements.

The University has two discretely presented component units included in its financial statements, which is a required presentation in accordance with generally accepted accounting principles. The Colorado Mesa University Foundation (Foundation) is a separate non-profit 501(c)(3) corporation formed to provide financial assistance to University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the University Board of Trustees (the Board). The Foundation's records are maintained separately from the University. The Colorado Mesa University Real Estate Foundation (CMUREF) is a separate non-profit 501(c)(3) corporation formed to acquire, manage and dispose of properties in order to provide financial assistance to the University. CMUREF engages in activities that may be beyond the scope and control of the Board and its financial records are maintained separately from the University.

### **Required Supplementary Information (RSI)**

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, including the:

- Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund (SDTF) – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association (PERA)
- Schedule of University Contributions to the SDTF – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by PERA
- Schedule of the University's Proportionate Share of the Net Other Post-Employment Benefit Liability
- Schedule of University Contributions to PERA Defined Other Post-Employment Benefit Plan

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph 47, and management of the University has determined that the Foundation and the CMUREF meet the criteria to be included in the University's financial statements as discretely presented component units. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado (the State). The purpose of the Foundation is to aid, directly or indirectly, the University in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. The CMUREF was incorporated in May 2006 under the laws of the State. The purpose of the CMUREF is to acquire, manage and dispose of properties in order to provide financial assistance to the University. A full copy of the Foundation's and CMUREF's financial statements may be obtained from the Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, 1100 North Avenue, Grand Junction, CO 81501.

### **Financial Highlights**

As of and for the year ended June 30, 2018, the University implemented GASB Statement No. 75. GASB Statement No. 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses for OPEB that are provided to the employees of state and local governmental employers through OPEB plans.

In Fiscal Year 2019, the University's net position increased by \$19.8 million, to \$193.7 million. The 2018 to 2019 increase included a net operating gain of \$4.6 million, which was further increased by net non-operating revenues of \$14.2 million and other net revenues of \$990 thousand. The largest components of non-operating revenues include federal Pell and other grants of \$16.7 million, investment and interest income of \$3.2 million, capital fees, net of scholarship allowances of \$1.7 million and non-operating contributions of \$1.4 million. Net non-operating revenues are reduced by interest expense on capital debt of \$8.6 million. Other revenues included state capital appropriations of \$84 thousand, capital contributions from the state of \$1.5 million and capital donations of \$1.8 million, which were offset by \$2.4 million of transfers to other institutions.

In Fiscal Year 2018, the University's net position decreased by \$12.0 million to \$173.9 million and included a net operating loss of \$24.9 million, which was offset by net non-operating revenues of \$11.6 million and other net revenues of \$1.4 million. The largest components of non-operating revenues include federal Pell and other grants of \$16.1 million, capital fees net of scholarship allowance of \$2.1 million and investment and interest income of \$1.7 million, reduced by interest expense on capital debt of \$8.8 million. Other revenues included state capital appropriations of \$176 thousand as well as capital donations of \$3.0 million, which were offset by \$1.9 million of transfers to other institutions.

Excluding the effects of GASB Statement Nos. 68 and 75, the University's net position continued to increase over the past three years, which is an indication of financial health. The University's increase in net position was \$13.5 million (2019), \$7.7 million (2018) and \$21.3 million (2017) before considering the effects of GASB Statement Nos. 68 and 75.

Throughout the University's growth – capital assets before depreciation increased from \$550.9 million at June 30, 2018 to \$562.9 million at June 30, 2019 – the University has maintained current ratios of 3.31 (2019), 3.49 (2018) and 2.39 (2017). The current ratio (current assets/current liabilities adjusted for current liabilities paid by restricted (non-current) cash) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

Net tuition and fees, Fee-For-Service (FFS) and auxiliary enterprises revenues, combined, increased by \$9.1 million from the year ended June 30, 2018 to the year ended June 30, 2019 and by \$2.4 million from the year ended June 30, 2017 to the year ended June 30, 2018. Undergraduate enrollments on a student FTE basis at the University decreased from 7,876.8 in the year ended June 30, 2017 to 7,787.2 in the year ended June 30, 2018 (-1.1%) to 7,743.30 in the year ended June 30, 2019 (-1.8%). Graduate enrollment increased from 99.8 in the year ended June 30, 2017 to 100.2 in the year ended June 30, 2018 (0.4%) to 109.5 in the year ended June 30, 2019 (9.3%). Overall enrollments decreased from 7,976.6 in the year ended June 30, 2017 to 7,887.4 in the year ended June 30, 2018 (-1.1%) to 7,755.1 in the year ended June 30, 2019 (-1.7%).

### Statements of Net Position

The condensed statements of net position show the University has grown over the years. Increases or decreases in net position are one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities. Analyses of the University's capital assets and the University's debt are discussed below, while this section provides analysis of the University's non-capital assets and non-debt liabilities.

<b>Condensed Statements of Net Position as of June 30, 2019, 2018 and 2017 (in thousands)</b>					
	2019	2018	2017	Increase (Decrease) 2019 vs. 2018	
				Amount	Percent
<b>Assets</b>					
Current assets	\$ 75,898	\$ 55,291	\$ 52,890	\$ 20,607	37.3%
Other non-capital assets	21,549	3,117	2,586	18,432	591.3%
Net capital assets	419,873	422,320	417,952	(2,447)	-0.6%
<b>Total Assets</b>	<b>517,320</b>	<b>480,728</b>	<b>473,428</b>	<b>36,592</b>	<b>7.6%</b>
<b>Total Deferred Outflows</b>	15,179	27,535	35,934	(12,356)	-44.9%
<b>Liabilities</b>					
Non-debt liabilities	19,321	11,154	18,835	8,167	73.2%
Net pension and OPEB liabilities	57,245	100,854	90,475	(43,609)	-43.2%
Debt liabilities	232,700	218,559	211,861	14,141	6.5%
<b>Total Liabilities</b>	<b>309,266</b>	<b>330,567</b>	<b>321,171</b>	<b>-21,301</b>	<b>-6.4%</b>
<b>Total Deferred Inflows</b>	29,505	3,754	184	25,751	686.0%
<b>Net Position</b>					
Invested in capital assets	205,633	205,979	208,055	(346)	-0.2%
Restricted for other purposes	26,290	6,849	6,601	19,441	283.9%
Unrestricted deficit	(38,195)	(38,886)	(26,649)	691	-1.8%
<b>Total Net Position</b>	<b>\$ 193,728</b>	<b>\$ 173,942</b>	<b>\$ 188,007</b>	<b>\$ 19,786</b>	<b>11.4%</b>

Unrestricted cash and investments of \$67.6 million (2019), \$46.8 million (2018) and \$45.1 million (2017) and restricted cash of \$21.0 million (2019), \$2.6 million (2018) and \$2.0 million (2017) make up 90.9%, 84.6% and 84.9% of the University's total non-capital assets as of June 30, 2019, 2018 and 2017, respectively. Restricted cash of \$21.0 million (2019) represents bond proceeds to be used for capital construction activity (\$18.5 million) and for paying bond interest while the project is being constructed (\$2.5 million). Restricted cash of \$2.6 million (2018) and \$2.0 million (2017) represents bond proceeds to be used for capital construction activity.

The University's non-debt liabilities include the following.

<b>Non-debt Liabilities as of June 30, 2019, 2018 and 2017 (in thousands)</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	
				<b>2019 vs. 2018</b>	
				<b>Amount</b>	<b>Percent</b>
Payroll Liabilities	\$ 4,661	\$ 2,201	\$ 6,584	\$ 2,460	111.8%
Other Accrued Liabilities	2,121	1,664	2,662	457	27.5%
Accounts Payable	5,436	460	4,767	4,976	1081.7%
Unearned Revenues	3,520	3,105	1,339	415	13.4%
Deposits	1,102	1,195	1,310	(93)	-7.8%
Compensated Absences	2,481	2,529	2,171	(48)	-1.9%
<b>Total Non-debt Liabilities</b>	<b>\$ 19,321</b>	<b>\$ 11,154</b>	<b>\$ 18,833</b>	<b>\$ 8,167</b>	<b>73.2%</b>

The increase in Payroll Liabilities from Fiscal Year 2018 to Fiscal Year 2019 is due to the implementation of a semi-monthly payroll system in Fiscal Year 2019 and represents salaries and benefits payable for the period June 15-30, 2019. Other Accrued Liabilities consist of interest payable on debt issued and contract retainage payable.

Other Accrued Liabilities increased from Fiscal Year 2018 to Fiscal Year 2019 because retainage payable for projects increased by about \$393 thousand compared to the prior year. The increase in Accounts Payable from Fiscal Year 2018 to Fiscal Year 2019 is also due to the increased construction projects in progress at Fiscal Year-End 2019 compared to the prior year. The increase in Unearned Revenues represents Eureka! Math and Science Center (Eureka!) capital contributions collected in Fiscal Year 2019. The University entered into an agreement with Eureka! where Eureka! will prepay rent of about \$4.4 million over the next four years and the University will recognize facility rental revenue over the next 29 years. See Note 5 for details.

GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period (see Note 1). Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions and certain defined benefit pension and OPEB related amounts recognized in accordance with GASB Statement Nos. 68 and 75. See Notes 1, 8 and 9 to the financial statements for detailed information on the composition of the University's deferred outflows and deferred inflows.

Defined pension and OPEB benefit deferred outflows were \$8.9 million (2019), \$20.5 million (2018) and \$28.4 million (2017). The decrease in pension and OPEB benefit deferred outflows from Fiscal Year 2018 to Fiscal Year 2019 of \$11.6 million is primarily due to the PERA changes in assumptions or other inputs. Defined pension and OPEB benefits deferred inflows were \$29.5 million (2019), \$3.8 million (2018) and \$184 thousand (2017). The increase in defined pension benefit deferred inflow from Fiscal Year 2018 to Fiscal Year 2019 of \$25.7 million is primarily due to the PERA pension plan expected versus actual investment earnings (see Note 8 and Note 9).

As described in Note 8, GASB Statement No. 68 requires the University to report its proportionate share of the unfunded pension liability of \$55.0 million (2019), \$98.7 million (2018) and \$90.5 million (2017), respectively, of the net pension liability of the SDTF. The SDTF's net pension liability was measured as of December 31, 2018, 2017 and 2016 and the SDTF's total pension liability used to calculate the SDTF's net pension liability was determined by an actuarial valuation as of December 31, 2018, 2017 and 2016. Standard update procedures were used to roll forward the SDTF's total pension liability to December 31, 2018, 2017 and 2016. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar years 2018, 2017 and 2016 relative to the total contributions of participating employers to the SDTF.

As described in Note 9, GASB Statement No. 75 requires the University to report its proportionate share of the unfunded OPEB liability of \$2.2 million (2019) and \$2.2 million (2018). The OPEB liability was measured as of December 31, 2018 and December 31, 2017 and the total OPEB liability was determined by an actuarial valuations as of December 31, 2018 and December 31, 2017. The University's proportion of the OPEB liability was based on the University's contributions to PERA's Health Care Trust Fund (HCTF) for the calendar year 2018 and 2017 relative to the total contributions of participating employees to the HCTF.

At June 30, 2019, the University's total net position was \$193.7 million compared to \$173.9 million and \$188.0 million at June 30, 2018 and 2017, respectively. The University's net position is shown in three categories on the statement of net position.

- Net investment in capital assets, which consists of amounts issued to fund the acquisition and construction of those assets and is the largest net position category with balances of \$205.6 million (2019), \$206.0 million (2018) and \$208.1 million (2017). This category comprises 106.1%, 118.4% and 110.7% of total net position as of June 30, 2019, 2018 and 2017, respectively and represents investments in campus facilities and equipment, net of related debt and accumulated depreciation.
- Restricted net position includes restrictions of \$26.3 million (2019), \$6.9 million (2018) and \$6.6 million (2017) for capital projects, loans and other purposes. This category of net position represents amounts externally restricted for specific purposes and allows the University to fully expend those funds in accordance with the purposes identified by the entities providing the funds. The \$19.4 million increase from June 30, 2018 to June 30, 2019 and \$300 thousand increase from June 30, 2017 to June 30, 2018 are primarily due to the increase in unspent bond funds. All of the University's restricted net position is expendable.
- Unrestricted net position was a deficit of \$38.2 million (2019), \$38.9 million (2018) and \$26.6 million (2017) and represents the amount available for spending for any lawful purpose, at management's discretion. In some instances, the Board has placed internal designations on the use of these funds.
- While the implementation of GASB Statement No. 68 in Fiscal Year 2015 and the implementation of GASB Statement No. 75 in Fiscal Year 2018 resulted in a deficit in unrestricted net position, the University does not expect to need to fund its share of the unfunded pension liability leaving the University with an unrestricted net position excluding pension and OPEB related amounts recognized under GASB Statement Nos. 68 and 75 of \$39.6 million (2019), \$45.2 million (2018) and \$35.6 million (2017), which is available for any lawful purposes under management's discretion.

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

The statement of revenues, expenses and changes in net position reports the results of operations for the year. Activities are reported as operating, non-operating or other. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service and related support services to an individual or entity separate from the University. Non-operating revenues and

expenses are those other than operating and include, but are not limited to, non-operating grants and contracts, investment income and expenses and interest expense on capital debt. Other revenues, expenditures, gains and losses and transfers to other governing boards or institutions include state capital construction and controlled maintenance appropriations, transfers between funds and other organizations and agencies and gains or losses from the disposal of assets.

<b>Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2019, 2018 and 2017 (in thousands)</b>					
	2019	2018	2017	Increase (Decrease) 2019 vs. 2018	
				Amount	Percent
Operating revenues	\$ 130,211	\$ 120,020	\$ 116,280	\$ 10,191	8.5%
Operating expenses	125,584	144,959	137,579	(19,375)	-13.4%
<b>Operating Income (Loss)</b>	<b>4,627</b>	<b>(24,939)</b>	<b>(21,299)</b>	29,566	118.6%
Net non-operating revenues	14,169	11,634	12,951	2,535	21.8%
<b>Income before Other Revenues or Expenses</b>	<b>18,796</b>	<b>(13,305)</b>	<b>(8,348)</b>	<b>32,101</b>	<b>241.3%</b>
Other revenues, expenditures, gains, losses and transfers	990	1,353	13,855	(363)	-26.9%
<b>Increase (Decrease) in Net Position</b>	<b>19,786</b>	<b>(11,952)</b>	<b>5,507</b>	<b>31,738</b>	<b>265.5%</b>
Beginning net position	173,942	188,007	182,500	(14,065)	-7.5%
Cumulative effect of adoption of new accounting standard	-	(2,113)	-	2,113	100.0%
<b>Ending Net Position</b>	<b>\$ 193,728</b>	<b>\$ 173,942</b>	<b>\$ 188,007</b>	<b>\$ 19,786</b>	<b>11.4%</b>

The University's operating revenues increased by \$10.2 million from \$120.0 million (2018) to \$130.2 million (2019) and net non-operating revenues increased by \$2.5 million from \$11.6 million (2018) to \$14.2 million (2019).

<b>Operating and Net Non-operating Revenues for the Years Ended June 30, 2019, 2018 and 2017 (in thousands)</b>					
	2019	2018	2017	Increase (Decrease) 2019 vs. 2018	
				Amount	Percent
<b>Operating Revenues</b>					
Tuition and fees (net)	\$ 70,108	\$ 65,736	\$ 64,895	\$ 4,372	6.7%
Fee-for-service revenue	13,620	11,570	9,994	2,050	17.7%
Federal, state, private grants and contracts	10,473	10,019	8,619	454	4.5%
Auxiliary enterprise revenue (net)	34,227	31,050	31,110	3,177	10.2%
Other operating revenues	1,783	1,645	1,662	138	8.4%
<b>Total Operating Revenues</b>	<b>\$ 130,211</b>	<b>\$ 120,020</b>	<b>\$ 116,280</b>	<b>\$ 10,191</b>	<b>8.5%</b>
<b>Net Non-operating Revenues</b>					
Non-operating grants	\$ 16,725	\$ 16,070	\$ 16,014	\$ 655	4.1%
Contributions	1,369	835	642	534	64.0%
Capital fees (net)	1,656	2,130	2,214	(474)	-22.3%
Investment and interest income	3,210	1,719	2,029	1,491	86.7%
Interest expense, capital debt	(8,646)	(8,821)	(8,147)	175	-2.0%
Other net non-operating revenues	32	4	606	28	700.0%
Loss on disposal of assets	(177)	(303)	(406)	126	-41.6%
<b>Non-operating Revenues</b>	<b>\$ 14,169</b>	<b>\$ 11,634</b>	<b>\$ 12,952</b>	<b>\$ 2,535</b>	<b>21.8%</b>



## Operating Revenues

For the years ended June 30, tuition and fee revenues are reported net of scholarship allowances of \$21.6 million (2019), \$21.0 million (2018) and \$18.6 million (2017), and auxiliary enterprise revenues are reported net of scholarship allowances of \$52 thousand (2019), \$49 thousand (2018) and \$58 thousand (2017). Scholarship allowances are defined as the financial aid awarded to students by the University to pay for University charges. About half of the increase in Fiscal Year 2019 tuition and fees is due to an average increase in tuition of 3% compared to Fiscal Year 2018. The University also recognized \$1.9 million more in on-line tuition revenue compared to Fiscal Year 2018 due to increasing the credit hour rate from \$374 per credit hour in Fiscal Year 2018 to \$500 per credit hour in Fiscal Year 2019. The increase in auxiliary enterprise revenue is primarily due to an increase of \$2.4 million in residence hall and related food service revenues, combined, compared to Fiscal Year 2018. The State provides funding from the College Opportunity Fund (COF) via FFS contracts with the Department of Higher Education and with stipends to qualified undergraduate students to pay a portion of tuition. For the years ended June 30, the value of the stipend was \$85 per credit hour (2019) and \$77 per credit hour (2018) and \$75 per credit hour (2017). The University received total COF funding of \$15.9 million (2019), \$14.4 million (2018) and \$14.3 million (2017). The increase in FFS Revenue is a result of Fiscal Year 2019 legislative operating appropriations compared to Fiscal Year 2018.

## Net non-operating Revenues

For the years ended June 30, Federal Pell grant revenues were \$13.9 million (2019), \$13.8 million (2018) and \$13.9 million (2017). For the years ended June 30, other non-operating grants were \$2.8 million (2019), \$2.4 million (2018) and \$2.1 million (2017) and were primarily comprised of Build America Bond interest subsidies of \$1.2 million (2019, 2018 and 2017). For the years ended June 30, the University also received \$700 thousand (2019), \$700 thousand (2018) and \$725 thousand (2017) in local government funding to help fund the construction and debt service of constructing an Academic Classroom Building on campus. The City of Grand Junction and Mesa County committed support in a combined amount of \$700 thousand per year for 10 years beginning in Fiscal Year 2013 for an Academic Classroom Building.

For the years ended June 30, investment and interest income was \$3.2 million (2019), \$1.7 million (2018) and \$2.0 million (2017). The increase from Fiscal Year 2018 to Fiscal Year 2019 is comprised of increases in interest revenue of \$861 thousand because of more cash on deposit with the State Treasury, and realized and unrealized gains on investments and treasury pooled cash of \$629 thousand. See Note 2 to the financial statements for detailed investment information.

Operating expenses totaled \$125.6 million (2019), \$145.0 million (2018) and \$137.6 million (2017). The breakdown of expenses by reporting category is as follows.

	Operating Expenses for Fiscal Years 2019, 2018 and 2017 (in thousands)			Increase (Decrease) 2019 vs. 2018	
	2019	2018	2017	Amount	Percent
	Instruction	\$ 33,254	\$ 44,425	\$ 41,754	\$ (11,171)
Research	263	528	344	(265)	-50.2%
Public service	113	74	56	39	52.7%
Academic support	8,133	9,769	9,564	(1,636)	-16.8%
Student services	12,470	13,820	12,858	(1,350)	-9.8%
Institutional support	6,699	8,209	8,084	(1,510)	-18.4%
Operation and maintenance of plant	13,139	15,071	12,637	(1,932)	-12.9%
Net scholarships and fellowships	12,747	11,838	12,359	909	7.7%
Auxiliary enterprises	23,280	26,756	25,836	(3,476)	-13.0%
Depreciation	15,486	14,469	14,087	1,017	7.1%
<b>Total Operating Expenses</b>	<b>\$ 125,584</b>	<b>\$ 144,959</b>	<b>\$ 137,579</b>	<b>\$ (19,375)</b>	<b>-13.4%</b>

The decrease in operating expenses from Fiscal Year 2018 to Fiscal Year 2019 is attributed to the net Pension and OPEB expenses of \$19.7 million in Fiscal Year 2018 and (\$6.3 million) in Fiscal Year 2019. Operating expenses before considering net pension and OPEB expenses were \$125 million in Fiscal Year 2018 and \$131.8 million in Fiscal Year 2019, an increase of \$6.6 million or 5.3% which represents the increased costs of providing more programs and services to our students.

Scholarship expenses are reported net of total scholarship allowances of \$21.6 million (2019), \$21.0 million (2018) and \$18.6 million (2017); gross scholarship expense was \$34.9 million (2019), \$32.9 million (2018) and \$31.0 million (2017). Note 11 to the financial statements reports non-work-study scholarships from institutional sources totaled \$13.3 million (2019), \$11.8 million (2018) and \$12.6 million (2017) and overall non-loan student assistance from institutional sources was \$17.1 million (2019), \$15.2 million (2018) and \$15.8 million (2017). See Note 11 to the financial statements for detailed non-loan student financial assistance information.

### Capital Assets

At June 30, 2019, the University had \$562.9 million invested in capital assets before total accumulated depreciation of \$143.1 million. The projects completed during Fiscal Year 2019 and projects in progress at June 30, 2019 are reported below. Fiscal Year 2019 property acquisitions include \$1.39 million in land and building contributions from the University's foundations.

<b>Capital Asset Categories (before depreciation) as of June 30, 2019, 2018 and 2017 (in thousands)</b>						
Description	2019	2018	2017	Increase (Decrease) 2019 vs. 2018		
				Amount	Percent	
Land	\$ 43,427	\$ 42,186	\$ 40,723	\$ 1,241	2.9%	
Construction in progress	8,166	92	30,654	8,074	8776.1%	
Land and leasehold improvements	38,057	38,057	36,395	-	0.0%	
Buildings	438,614	437,266	393,769	1,348	0.3%	
Equipment	20,064	19,317	17,694	747	3.9%	
Library materials	14,612	13,987	13,389	625	4.5%	
<b>Total Gross Capital Assets</b>	<b>\$ 562,940</b>	<b>\$ 550,905</b>	<b>\$ 532,624</b>	<b>\$ 12,035</b>	<b>2.2%</b>	

Significant capital additions (over \$1 million) completed in Fiscal Year 2019 and the resources funding the acquisitions includes the following.

<b>Project Description (in thousands)</b>	<b>Amount</b>
Seventh Day Adventist building remodel, University-funded	\$ 1,459
<b>Total</b>	<b>\$ 1,459</b>

Significant capital additions (over \$1 million) completed in Fiscal Year 2018 and the resources funding the acquisitions includes the following.

<b>Project Description (in thousands)</b>	<b>Amount</b>
Nurse Practitioner Center, University/State-funded	\$ 15,651
Confluence Hall Engineering Building, McConnell/University-funded	23,969
Seventh Day Adventist building remodel, University-funded	1,324
<b>Total</b>	<b>\$ 40,944</b>

The following significant projects (over \$1 million) were in progress at June 30, 2019.

<b>Project Description</b> (in thousands)	<b>Amount</b>
Hotel Maverick, University-funded	\$ 5,334
Electric Lineworker Building, State-funded	2,044
<b>Total</b>	<b>\$ 7,878</b>

There were no significant projects (over \$1 million) in progress at June 30, 2018.

In addition to the operating and non-operating revenues discussed above, the University received capital revenues in the amounts shown below. Capital donations in Fiscal Years 2019, 2018 and 2017 are primarily cash and in-kind contributions from the University's foundations.

<b>Capital Revenues for Fiscal Years 2019, 2018 and 2017</b> (in thousands)					
	2019	2018	2017	Increase (Decrease) 2019 vs. 2018	
				Amount	Percent
<b>Capital Revenues</b>					
State appropriation, capital	\$ 84	\$ 176	\$ 12,230	\$ (92)	-52.3%
State capital contributions	1,458	112	-	1,346	1201.8%
Capital donations	1,836	2,993	7,878	(1,157)	-38.7%
<b>Total Capital Revenues</b>	<b>\$ 3,378</b>	<b>\$ 3,281</b>	<b>\$ 20,108</b>	<b>\$ 97</b>	<b>3.0%</b>

## Debt

The University had debt of \$232.7 million (2019), \$218.6 million (2018) and \$211.9 million (2017), as follows. See Note 6 to the financial statements for detailed descriptions of the University's debt. In May 2017, the University issued Enterprise Revenue Bonds Series 2017A to construct and equip a new Engineering Building and the Eureka! Match and Science Center. In February 2019, the University issued Enterprise Refunding Bonds Series 2019A to forward direct purchase refunding the Series 2009A Bonds. In June 2019, the University issued Enterprise Revenue Bonds Series 2019B to construct and equip a new residence hall on the University campus.

<b>Capital Debt Categories as of June 30, 2019, 2018 and 2017</b> (in thousands)					
	2019	2018	2017	Increase (Decrease) 2019 vs. 2018	
				Amount	Percent
Bonds payable	\$ 229,339	\$ 214,732	\$ 207,081	\$ 14,607	6.8%
Capital leases	3,180	3,555	3,909	(375)	-10.6%
Notes payable	181	272	870	(91)	-33.5%
<b>Total Capital Debt</b>	<b>\$ 232,700</b>	<b>\$ 218,559</b>	<b>\$ 211,860</b>	<b>\$ 14,141</b>	<b>6.5%</b>

## Economic Outlook

**State Operating Funding:** Long-bill appropriated state support for Fiscal Year 2019 was \$28.4 million, plus an additional \$741 thousand appropriated through SB 18-262, Higher Education Targeted Master Plan Funding, and for a total of \$29.2 million. This compares to \$26.0 million of state support actually received in Fiscal Year 2018 and \$24.3 million of state support actually received in Fiscal Year 2017.

The University's Fiscal Year 20 state operating appropriation is \$33.1 million, including \$15.6 million for COF, \$14.9 million in FFS revenues and an estimated \$577 thousand for limited gaming tax revenues pursuant to C.R.S. Section 12-47-1-701.5(3)(c)(I), and is a 10% increase over Fiscal Year 19 state operating funding of \$29.9 million. (See Note 12.)

**Capital Projects:** The University continues to invest in facilities to expand programs in order to attract and retain students. Current projects include:

- Hotel Maverick is scheduled to open in the spring of 2020 and will operate as a teaching hotel and will serve the mission of the University as the only hospitality teaching facility in western Colorado. In addition, the Hotel Maverick will serve the community as the area's only upscale hotel. The University is using cash reserves to fund the project.
- To meet the growing needs of student housing (Fall semester housing occupancy in both 2018 and 2019 was 95%) the University will complete the latest expansion by the Fall 2020 semester and add approximately 120-130 beds. This project is funded by the Series 2019B bonds. (See Note 6.)

**Debt Management:** The University continues to look for opportunities to manage debt as the campus expands. In Fiscal Year 2019, the University issued Series 2019A bonds to refund a portion of the Series 2009A bonds and generate a net present value savings of \$1.9 million. In October 2019, the Board authorized the University to issue Series 2019C bonds to advance refund certain Series 2012A, 2012B and 2016; and, possibly 2013 and 2019B bonds, if market conditions warrant. The goal of the refunding is to achieve a minimum present value savings of 6% on a maturity by maturity basis.

To achieve the vision statement of being the first choice institution for students, faculty and staff, the University will leverage:

- An adaptable approach to learning that allows students to choose from a variety of pathways to achieve certificates as well as associate's, bachelor's and graduate degrees.
- A highly qualified faculty that excels in teaching and interacting with students.
- A curriculum bridging liberal education and professional programs that successfully prepares students for the 21<sup>st</sup> century in the areas of personal and social responsibility, civic engagement, ethics and intercultural/global learning.
- Continued investment in facilities and technology that expand, expedite and enhance learning for every student.
- Community support from businesses, industries, alumni and residents of the region. Recently, a CMU20000 initiative was launched by the Grand Junction Area Chamber of Commerce to spearhead efforts to bring the University and our community closer together. CMU20000's goal is to bring enrollment up to 15,000 students and have 5,000 community supporters.
- A wide array of academic programs that are improved on an ongoing, continuous basis for quality and relevance to Western Colorado's needs in the context of an ever-changing world.
- An administration that uses human and natural resources wisely, embraces excellence, is committed to shared governance and is focused on the future.

Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the University Controller at Colorado Mesa University, 1100 North Avenue, Grand Junction, CO 81501.

**COLORADO MESA UNIVERSITY**  
**Statements of Net Position**  
As of June 30, 2019 and 2018 *(in thousands)*

	<b>2019</b>		<b>2018</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 52,528	\$	32,522
Investments	15,095		14,303
Student accounts receivable, net	4,984		4,531
Other accounts receivable, net	1,643		2,133
Student loans, net	1		22
Inventories	1,215		1,469
Prepaid expenses	432		311
	<b>Total Current Assets</b>		55,291
<b>Non-current Assets</b>			
Non-capital non-current Assets			
Restricted cash and cash equivalents	20,950		2,568
Student loans, net	599		536
Other non-current assets	-		13
	<b>Total Non-capital Non-current Assets</b>		3,117
Non-depreciable Capital Assets, Net			
Land and improvements	43,427		42,186
Construction in progress	8,166		92
	<b>Total Non-depreciable Capital Assets</b>		42,278
Depreciable Capital Assets, Net			
Land and leasehold improvements	21,542		23,388
Buildings	335,365		345,005
Equipment	6,940		7,499
Library materials	4,433		4,150
	<b>Total Depreciable Capital Assets, Net</b>		380,042
	<b>Total Non-current Assets</b>		425,437
	<b>Total Assets</b>	\$	517,320
		\$	480,728
<b>Deferred Outflows</b>			
Loss on bond refundings, net	\$ 6,245	\$	7,002
Pension related	8,813		20,438
Other post-employment benefits related	121		95
	<b>Total Deferred Outflows</b>	\$	27,535

See accompanying notes.

**COLORADO MESA UNIVERSITY**  
**Statements of Net Position**  
As of June 30, 2019 and 2018 *(in thousands)*

**Liabilities**

**Current Liabilities**

Accounts payable	\$ 5,436	\$ 460
Accrued liabilities	6,782	3,865
Unearned revenues	3,520	3,105
Deposits held for others	521	630
Student deposits	581	565
Bonds payable, current portion	6,480	6,615
Capital leases payable, current portion	376	375
Notes payable, current portion	109	91
Compensated absence liability, current portion	301	307
<i>Total Current Liabilities</i>	<b>24,106</b>	16,013

**Non-current Liabilities**

Bonds payable	222,859	208,117
Capital leases payable	2,804	3,180
Notes payable	72	181
Compensated absence liability	2,180	2,222
Net pension liability	55,004	98,662
Net other post-employment benefit liability	2,241	2,192
<i>Total Non-current Liabilities</i>	<b>285,160</b>	314,554
<b>Total Liabilities</b>	<b>\$ 309,266</b>	\$ 330,567

**Deferred Inflows**

Pension related	\$ 29,457	\$ 3,716
Other post-employment benefits related	48	38
<i>Total Deferred Inflows</i>	<b>\$ 29,505</b>	\$ 3,754

**Net Position**

Net investment in capital assets	\$ 205,633	\$ 205,979
Restricted for:		
Loans	765	592
Capital projects	18,461	2,568
Other purposes	7,064	3,689
Unrestricted deficit	(38,195)	(38,886)
<i>Total Net Position</i>	<b>\$ 193,728</b>	\$ 173,942

See accompanying notes.

**COLORADO MESA UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
 June 30, 2019

ASSETS	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 5,794,727
Investments	33,306,431
Unconditional Promise to Give	1,574,517
Accounts Receivable	5,458
Prepaid Program Expenses	130,233
Property Subject to Life Estate	508,000
Total Current Assets	<u>41,319,366</u>
Total Assets	<u><u>\$ 41,319,366</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 553,196
Total Current Liabilities	<u>553,196</u>
Total Liabilities	<u>553,196</u>
<b>NET ASSETS</b>	
Without Donor Restrictions	615,860
With Donor Restrictions	40,150,310
Total Net Assets	<u>40,766,170</u>
Total Liabilities and Net Assets	<u><u>\$ 41,319,366</u></u>

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30,2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 3,367,800
Investments	30,123,720
Unconditional Promise to Give	1,697,900
Accounts Receivable	4,820
Property Held for Sale	175,000
Property Subject to Life Estate	508,000
Total Current Assets	<u>35,877,240</u>
Total Assets	<u><u>\$ 35,877,240</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 351,592
Total Current Liabilities	<u>351,592</u>
Total Liabilities	<u>351,592</u>
NET ASSETS	
Without Donor Restrictions	675,192
With Donor Restrictions	34,850,456
Total Net Assets	<u>35,525,648</u>
Total Liabilities and Net Assets	<u><u>\$ 35,877,240</u></u>

The Notes to these financials are an integral part of this statement.



COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2019 with Comparative Year June 30, 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 424,798	\$ 308,674
Accounts Receivable (Net of Allowance of \$70,200 for 2019 and \$71,677 for 2018)	2,082	19,628
Total Current Assets	426,880	328,302
<b>OTHER ASSETS</b>		
Cash with Donor Restrictions	172,452	-
Land held for Investment	880,393	880,393
Total Long-Term Investment	1,052,845	880,393
Total Assets	\$ 1,479,725	\$ 1,208,695
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 26,712	\$ 3,913
Prepaid Rent	4,204	1,675
Total Current Liabilities	30,916	5,588
<b>NON-CURRENT LIABILITIES</b>		
Tenant Deposits	28,535	28,533
Total Non-Current Liabilities	28,535	28,533
Total Liabilities	59,451	34,121
<b>NET ASSETS</b>		
Without Donor Restrictions	1,247,822	1,174,574
With Donor Restrictions	172,452	-
Total Net Assets	1,420,274	1,174,574
Total Liabilities and Net Assets	\$ 1,479,725	\$ 1,208,695

The Notes to these financials are an integral part of this statement.

**COLORADO MESA UNIVERSITY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the Year Ended June 30, 2019 and 2018 *(in thousands)*

	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
Tuition and fees (including \$14,272 (2019) and \$13,929 (2018) pledged for bonds, net of scholarship allowances of \$21,588 (2019) and \$20,335 (2018))	\$ 70,108	\$ 65,736
Fee for service revenue	13,620	11,570
Federal, state, and private grants and contracts	10,473	10,019
Auxiliary enterprise revenue (including \$32,717 (2019) and \$30,138 (2018) pledged for bonds, net of scholarship allowances of \$52 (2019) and \$49 (2018))	34,227	31,050
Contributions	913	877
Other operating revenues (including \$779 (2019) and \$403 (2018) pledged for bonds)	870	768
<i>Total Operating Revenues</i>	<b>130,211</b>	<b>120,020</b>
<b>Operating Expenses</b>		
Instruction (including (\$3,113) (2019) and \$9,464 (2018) of PERA non-cash retirement and OPEB expenses)	33,254	44,425
Research (including (\$26) (2019) and \$29 (2018) of PERA non-cash retirement and OPEB expenses)	263	528
Public service	113	74
Academic support (including (\$453) (2019) and \$1,544 (2018) of PERA non-cash retirement and OPEB expenses)	8,133	9,769
Student services (including (\$616) (2019) and \$1,813 (2018) and of PERA non-cash retirement and OPEB expenses)	12,470	13,820
Institutional support (including (\$736) (2019) and \$1,595 (2018) of PERA non-cash retirement and OPEB expenses)	6,699	8,209
Operation and maintenance of plant (including (\$600) (2019) and \$2,012 (2018) of PERA non-cash retirement and OPEB expenses)	13,139	15,071
Net scholarships and fellowships	12,747	11,838
Auxiliary enterprises (including (\$713) (2019) and \$3,152 (2018) of PERA non-cash retirement and OPEB expenses)	23,280	26,756
Depreciation	15,486	14,469
<i>Total Operating Expenses (including (\$6,257) (2019) and \$19,699 (2018) of PERA non-cash retirement and OPEB expenses)</i>	<b>125,584</b>	<b>144,959</b>
<i>Operating Income (Loss)</i>	<b>4,627</b>	<b>(24,939)</b>
<b>Non-operating Revenues and Expenses</b>		
Federal Pell and other non-operating grants	16,346	16,070
Contributions	1,369	835
Capital fees, net of scholarship allowances of \$491 (2019) and \$629 (2018)	1,656	2,130
Investment and interest income, net (including \$483 (2019) and \$512 (2018) pledged for bonds)	3,210	1,719
State support for pensions	379	-
Interest expense on capital debt	(8,646)	(8,821)
Other net non-operating revenues (expenses)	32	4
Loss on disposal of assets	(177)	(303)
<i>Net Non-operating Revenues</i>	<b>14,169</b>	<b>11,634</b>
<i>Income before Other Revenues and Expenses</i>	<b>18,796</b>	<b>(13,305)</b>
<b>Other Revenues, Expenses, Gains, Losses, and Transfers</b>		
State appropriations, capital	84	176
Capital Contributions from the State	1,458	112
Capital donations (including \$826 (2019) and \$700 (2018) pledged for bonds)	1,836	2,993
Transfers to governing boards or other institutions	(2,388)	(1,928)
<i>Total Other Revenues, Expenses, Gains, Losses, and Transfers</i>	<b>990</b>	<b>1,353</b>
<i>Increase (Decrease) in Net Position</i>	<b>19,786</b>	<b>(11,952)</b>
<b>Net Position - Beginning of Year</b>	<b>173,942</b>	<b>188,007</b>
Cumulative effect of adoption of accounting standard	-	(2,113)
<b>Net Position - End of Year</b>	<b>\$ 193,728</b>	<b>\$ 173,942</b>

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 80,745	\$ 6,023,680	\$ 6,104,425
Support from CMU	362,691	39,075	401,766
Special Events	-	529,052	529,052
Less: Cost of Direct Benefits to Donors	-	(467,659)	(467,659)
Investment Income (net of fees)	5,049	694,632	699,681
Realized Gain (Loss) on Investment	-	282,385	282,385
Unrealized Gain (Loss) on Investments	-	1,135,792	1,135,792
CMU Department and Club Collections	-	2,968,479	2,968,479
Other	1,050	547	1,597
Net Assets Released from Restrictions	5,906,129	(5,906,129)	-
Total Revenue and Support	6,355,664	5,299,854	11,655,518
<b>EXPENSES</b>			
Program Expenses			
Scholarships	2,645,778	-	2,645,778
CMU Building Projects and Expense	1,162,285	-	1,162,285
CMU Department and /Club Transfers	1,866,197	-	1,866,197
Other Support of CMU	361,058	-	361,058
Total Program Expenses	6,035,318	-	6,035,318
Supporting Services			
Management and General	89,483	-	89,483
Fund Raising	290,195	-	290,195
Total Supporting Expenses	379,678	-	379,678
Total Expenses	6,414,996	-	6,414,996
INCREASE (DECREASE) IN NET ASSETS	(59,332)	5,299,854	5,240,522
Net Assets-Beginning	675,192	34,850,456	35,525,648
Net Assets-Ending	\$ 615,860	\$ 40,150,310	\$ 40,766,170

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 356,276	\$ 4,525,829	4,882,105
Support from CMU	327,939	39,075	367,014
Special Events	-	564,516	564,516
Less: Cost of Direct Benefits to Donors	-	(460,384)	(460,384)
Investment Income (net of fees)	4,076	616,324	620,400
Realized Gain (Loss) on Investment	-	622,141	622,141
Unrealized Gain (Loss) on Investments	-	663,937	663,937
CMU Department and Club Collections	-	2,048,649	2,048,649
Other	35	3,230	3,265
Net Assets Released from Restrictions	<u>5,627,428</u>	<u>(5,627,428)</u>	<u>0</u>
<b>Total Revenue and Support</b>	<b><u>6,315,754</u></b>	<b><u>2,995,889</u></b>	<b><u>9,311,643</u></b>
<b>EXPENSES</b>			
Program Expenses			
Scholarships	1,847,734	-	1,847,734
CMU Building Projects and Expense	1,326,981	-	1,326,981
CMU Department and /Club Transfers	1,953,083	-	1,953,083
Other Support of CMU	<u>501,618</u>	<u>-</u>	<u>501,618</u>
<b>Total Program Expenses</b>	<b><u>5,629,416</u></b>	<b><u>-</u></b>	<b><u>5,629,416</u></b>
Supporting Services			
Management and General	71,311	-	71,311
Fund Raising	<u>254,045</u>	<u>-</u>	<u>254,045</u>
<b>Total Supporting Expenses</b>	<b><u>325,356</u></b>	<b><u>-</u></b>	<b><u>325,356</u></b>
<b>Total Expenses</b>	<b><u>5,954,772</u></b>	<b><u>-</u></b>	<b><u>5,954,772</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>360,982</b>	<b>2,995,889</b>	<b>3,356,871</b>
Net Assets-Beginning	314,210	31,854,567	32,168,777
Net Assets-Ending	<u>\$ 675,192</u>	<u>\$ 34,850,456</u>	<u>35,525,648</u>

The Notes to these financials are an integral part of this statement.

**COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION**  
**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2019 with Comparative Totals for the year ended June 30, 2018

**WITHOUT DONOR RESTRICTIONS**

	2019	2018
<b>REVENUE AND SUPPORT</b>		
Real Estate Management Fees	\$ 114,168	\$ 115,196
Net Assets Released from Restrictions	-	-
Total Revenue and Support	114,168	115,196
<b>EXPENSES</b>		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expense	33,420	69,963
Colorado Mesa University - Transfer of Property		-
Supporting Services		
Management and General	7,600	6,076
Total Expenses	41,020	76,039
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>73,148</b>	<b>39,157</b>

**WITH DONOR RESTRICTIONS**

<b>REVENUE AND SUPPORT</b>		
Support from Colorado Mesa University	1,560,327	1,886,134
Support from Colorado Mesa University Foundation	100,000	100,000
Net Assets Released from Restriction	-	-
Total Revenue and Support	1,660,327	1,986,134
<b>EXPENSES</b>		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	1,487,775	1,985,942
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>172,552</b>	<b>192</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>245,700</b>	<b>39,349</b>
Net Assets-Beginning	1,174,574	1,135,225
Net Assets-Ending	<b>\$ 1,420,274</b>	<b>\$ 1,174,574</b>

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019

	Program Services				Supporting Services			
	Scholarships	CMU Building Projects and Expansion	CMU Department & Club Transfers	Other Support of CMU	Total Program Services	Management & General	Fund Raising	Total
CMU Building Projects	\$ -	\$ 1,162,285	\$ -	\$ -	\$ 1,162,285	\$ -	\$ -	\$ 1,162,285
CMU Student Scholarships	2,600,571	-	-	-	2,600,571	-	-	2,600,571
Other Scholarships	22,488	-	-	-	22,488	-	-	22,488
CMU- Transfers & Expenses for Departments & Clubs	-	-	1,866,197	-	1,866,197	-	-	1,866,197
Compute Maintenance & Supplies	22,719	-	-	-	22,719	4,478	77,063	104,260
Donor Cultivation, Promotion, Hospitality, & Marketing	-	-	-	-	-	32,865	173,726	206,591
Insurance	-	-	-	-	-	3,613	-	3,613
In-Kind Transfers to CMU	-	-	-	175,333	175,333	11,830	-	11,830
Other	-	-	-	-	-	-	-	175,333
Professional Fees	-	-	-	-	-	14,385	21,622	36,007
Supplies	-	-	-	-	-	14,264	-	14,264
Travel	-	-	-	-	-	6,532	8,992	15,524
Workforce Development & Applied Research	-	-	-	185,725	185,725	1,516	8,792	10,308
<b>Total Expenses</b>	<b>\$ 2,645,778</b>	<b>\$ 1,162,285</b>	<b>\$ 1,866,197</b>	<b>\$ 361,058</b>	<b>\$ 6,035,318</b>	<b>\$ 89,483</b>	<b>\$ 290,195</b>	<b>\$ 6,414,996</b>

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2018

	Program Services				Supporting Services			
	Scholarships	CMU Building Projects and Expansion	CMU Department & Club Transfers	Other Support of CMU	Total Program Services	Management & General	Fund Raising	Total
CMU Building Projects	\$ -	\$ 1,326,981	\$ -	\$ -	\$ 1,326,981	\$ -	\$ -	\$ 1,326,981
CMU Student Scholarships	1,805,165	-	-	-	1,805,165	-	-	1,805,165
Other Scholarships	31,300	-	-	-	31,300	-	-	31,300
CMU- Transfers & Expenses for Departments & Clubs	-	-	1,953,083	-	1,953,083	-	-	1,953,083
Compute Maintenance & Supplies	11,269	-	-	-	11,269	11,616	77,130	100,015
Donor Cultivation, Promotion, Hospitality, & Marketing	-	-	-	-	-	3,697	143,194	146,891
Insurance	-	-	-	-	-	11,247	-	11,247
In-Kind Transfers to CMU	-	-	-	255,279	255,279	-	-	255,279
Other	-	-	-	-	-	16,630	13,305	29,935
Professional Fees	-	-	-	-	-	18,732	-	18,732
Supplies	-	-	-	-	-	5,569	11,227	16,796
Travel	-	-	-	-	-	3,820	9,189	13,009
Workforce Development & Applied Research	-	-	-	246,339	246,339	-	-	246,339
<b>Total Expenses</b>	<b>\$ 1,847,734</b>	<b>\$ 1,326,981</b>	<b>\$ 1,953,083</b>	<b>\$ 501,618</b>	<b>\$ 5,629,416</b>	<b>\$ 71,311</b>	<b>\$ 254,045</b>	<b>\$ 5,954,772</b>

The Notes to these financials are an integral part of this statement.

**COLORADO MESA UNIVERSITY**  
**Statements of Cash Flows**  
For the Year Ended June 30, 2019 and 2018 *(in thousands)*

	<b>2019</b>	2018
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 91,537	\$ 87,439
Sales of services	34,555	30,659
Sales of product	13,398	12,677
Grants, contracts and gifts	11,497	10,449
Student loans collected	101	107
Other operating receipts	1,481	767
Payments to or for employees	(62,440)	(67,440)
Payments to suppliers	(35,018)	(36,693)
Scholarships disbursed	(34,879)	(32,851)
<i>Net Cash Provided by Operating Activities</i>	20,232	5,114
<b>Cash Flows from Non-capital Financing Activities</b>		
Gifts and grants for other than capital purposes	17,111	17,300
Other agency inflows	85,356	81,189
Other agency outflows	(85,140)	(81,143)
Transfers to other campuses, board, or institution	(2,388)	(1,928)
<i>Net Cash Provided by Non-capital Financing Activities</i>	14,940	15,418
<b>Cash Flows from Capital and Related Financing Activities</b>		
State appropriations, capital	84	176
Capital grants, contracts and gifts	1,638	405
Capital Student Fees	1,957	2,458
Acquisition and construction of capital assets	(8,293)	(20,612)
Proceeds from capital debt	20,503	14,255
Bond issuance costs paid	(312)	-
Principal paid on capital debt	(5,931)	(7,407)
Interest on capital debt	(8,496)	(9,189)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	1,151	(19,914)
<b>Cash Flows from Investing Activities</b>		
Investment earnings (interest/dividends)	2,067	602
<i>Net Cash Provided by Investing Activities</i>	2,067	602
<i>Net Increase in Cash &amp; Cash Equivalents</i>	38,389	1,220
<b>Cash &amp; Cash Equivalents - Beginning of the Year</b>	35,090	33,870
<b>Cash &amp; Cash Equivalents - End of the Year</b>	\$ 73,478	\$ 35,090

See accompanying notes.



**COLORADO MESA UNIVERSITY**  
**Statements of Cash Flows (continued)**  
For the Year Ended June 30, 2019 and 2018 *(in thousands)*

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 4,627	\$ (24,939)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash pension contributions	(379)	-
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	15,486	14,469
Provision for uncollectible accounts	764	1,115
Increase in assets - operating portions	12,707	3,944
Increase in liabilities - operating portions	(12,973)	10,525
<i>Net Cash Provided by Operating Activities</i>	\$ 20,232	\$ 5,114

**Supplemental Disclosure of Noncash Investing and Financing Activities**

Additions to construction in progress included in accounts payable and accrued liabilities	\$ 3,086	\$ 175
Equipment transferred from Board of Cooperative Educational Services	-	469
Land donated from foundations	1,388	1,986

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 5,240,522
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by:	
Operating Activities:	
Non-cash Donations included in Contributions	(1,072,874)
Unrealized (Gains) Losses on Investments	(1,416,995)
Loss on disposal of Property and Equipment	13,562
(Increase) Decrease in Operating Activities	
Unconditional Promises to Give	123,383
Accounts Receivable	(638)
Prepaid Program Expenses	(130,233)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	201,605
Accrued Liabilities	
Contributions Restricted for Long-Term Purpose:	
Scholarships	<u>(3,268,285)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(309,953)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Equipment Contributed to CMU	175,333
Net sale of Property held for Investment	161,438
Proceeds from Sale of Long-Term Investments	5,014,526
Purchase of Long-term Investments	<u>(5,882,702)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(531,405)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Collections of contributions Restricted for Long-Term Purposes:	
Scholarships	<u>3,268,285</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>3,268,285</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	2,426,927
 Beginning Cash	3,367,800
 Ending Cash	<u><u>\$ 5,794,727</u></u>
 SUPPLEMENTAL DISCLOSURES	
Noncash Investing and Financing Activities:	
Contribution of Equipment	<u><u>\$ 175,333</u></u>

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY FOUNDATION  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 3,356,871
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(430,279)
Realized and Unrealized (Gains) Losses on Investments	(1,286,078)
(Increase) Decrease in Operating Activities	
Unconditional Promises to Give	(511,629)
Accounts Receivable	(2,985)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	287,115
Accrued Liabilities	
Contributions Restricted for Long-Term Purpose:	
Scholarships	1,288,466
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,701,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Equipment Contributed to CMU	255,279
Proceeds from Sale of Long-Term Investments	622,141
Purchase of Long-term Investments	(1,461,824)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(584,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Collections of contributions Restricted for Long-Term Purposes:	
Scholarships	(1,288,466)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,288,466)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	828,611
Beginning Cash	2,539,189
Ending Cash	<u>\$ 3,367,800</u>
SUPPLEMENTAL DISCLOSURES	
Noncash Investing and Financing Activities:	
Contribution of Equipment	<u>\$ 430,279</u>

The Notes to these financials are an integral part of this statement.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION  
STATEMENT OF CASH FLOWS

For the year ended June 30, 2019 with Comparative Totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 245,700	\$ 39,349
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Operating Activities:		
Colorado Mesa University-Transfer of Property	-	-
(Increase) Decrease in Operating Activities		
Accounts Receivable	17,546	27,503
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	22,799	1,253
Prepaid Rent	2,529	1,675
Tenant Deposits	2	6,673
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	288,576	76,453
Net Increase (Decrease) in Cash and Cash Equivalents	288,576	76,453
Beginning Cash	308,674	232,221
Ending Cash	\$ 597,250	\$ 308,674
Cash Detail:		
Without Donor Restrictions	\$ 424,798	\$ 308,674
With Donor Restrictions	172,452	-
	\$ 597,250	\$ 308,674
 SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transactions:		
Property and Equipment Transferred to Colorado Mesa University	\$ 1,487,775	\$ 1,985,942
Total Transfer of Property	\$ 1,487,775	\$ 1,985,942

The Notes to these financials are an integral part of this statement.

**COLORADO MESA UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Years Ended June 30, 2019 and 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Governance**

Colorado Revised Statutes (C.R.S.) Section 23-53-102 established the Board of Trustees (the Board) for Colorado Mesa University (the University) to serve as the University's governing board. Eleven of the thirteen trustees are appointed by the Governor with the consent of the Senate. The remaining two members include a student representative elected by the student body and a faculty member elected by other members of the faculty. Both of these members are non-voting members. The Board has full authority and responsibility for control and governance of the University, including such areas as finance, resource management, academic programs, admissions, role and mission, personnel policies, etc. To assist them in meeting their responsibilities, the Board delegates authority to interpret and administer its policies in all areas of operation to the President of the University.

**Reporting Entity**

The accompanying financial statements reflect the financial activities of the University for the Fiscal Years ended June 30, 2019 and 2018. The University is a State of Colorado (the State) institution of higher education. For financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration, Denver, Colorado.

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph 47. Management of the University has determined that the Colorado Mesa University Foundation (the Foundation) and the Colorado Mesa University Real Estate Foundation (CMUREF) meet the criteria to be included in the University's financial statements as discretely presented component units.

Applying GASB Statement No. 61 criteria, the University has identified the Foundation and CMUREF as component units (see Note 10). Since the component units use a different reporting model (Financial Accounting Standards Board (FASB) Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB Statement No. 61. The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to the University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Board and its financial records are maintained separately from the University. CMUREF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to acquire, manage and dispose of properties in order to provide financial assistance to the University. CMUREF engages in activities that may be beyond the scope of the Board and its financial records are maintained separately from the University.

**Basis of Accounting**

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of

accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

In accordance with GASB Statement No. 61 and GASB Statement No. 39, the discrete presentation of the Foundation's and CMUREF's financial statements appear on separate pages from the University. The Foundation and CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the University. Please refer to Note 10 for additional discussion.

The financial statements of the Foundation and CMUREF are prepared on the accrual basis and follow FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

The Foundation and CMUREF use different generally accepted accounting principles (GAAP) reporting models and, following the GASB Statement No. 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements of financial position, the statements of activities and the statements of cash flows.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the Colorado State Treasurer, including unrealized gains and losses and all highly liquid investments with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash balances.

### **Investments**

Investments are stated at fair value, which, except for bonds, is determined based on quoted market prices. Unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position. The University had investments of \$15.1 million and \$14.3 million, including an unrealized gain of \$2.1 million and \$2.4 million, at June 30, 2019 and 2018, respectively.

### **Inventories**

Inventories are stated at the lower of cost or market. The bookstore inventory includes instructional materials and soft goods held for resale. It is valued using the first-in-first-out method.

### **Capital Assets**

Capital assets are recorded at cost at date of acquisition or fair market value at date of donation in the case of gifts. A physical inventory of all plant assets is updated annually with appropriate adjustments made to the financial records. Annual revisions of statement of values are performed for insurance purposes.

The University uses a capitalization threshold of \$50 thousand for buildings and improvements other than buildings and \$5 thousand for all other capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of assets with a half-year convention for asset additions. Estimated useful lives range from 25-40 years for buildings, 10-20 years for improvements other than buildings and 3-20 years for equipment, collections and library materials.

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

## **Deferred Outflows of Resources and Deferred Inflows of Resources**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, defines the five elements that make up a statement of financial position to include:

- Assets – resources with a present service capacity under University control.
- Deferred Outflows of Resources – consumption of net assets by the University that is applicable to a future reporting period.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisitions of net assets by the University applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

Effective June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The University changed its accounting policies with the implementation of this new accounting standard. Changes in accounting policies for other post-employment benefits (OPEB) are designed to improve information provided by state and local governments about financial support for OPEB that is provided by other entities. GASB Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This accounting policy changes does not impact the University's funding requirements for OPEB.

See Notes 8 and 9 for detail of the composition of the University's deferred outflows and deferred inflows.

## **Unearned Revenues**

Unearned revenues include unearned prepaid facilities rent, student tuition and fees and advances on grants and contracts for which the University has not yet provided the associated services.

## **Capital Lease Liabilities**

In November 2016, the University entered into a lease-purchase contract for the acquisition and installation of meters and sub-meters in several buildings on campus to better monitor electric and gas usage. In November 2008, the University entered into a lease-purchase contract with the State under the Higher Education Capital Construction Lease-Purchase Financing Program Certificates of Participation, Series 2008 to renovate and expand the Wubben Hall Science Building. In May 2008, the University entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost savings. The contract provides for any commitments beyond the current year be contingent upon funds being appropriated, budgeted and otherwise made available for that purpose. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

## **Classification of Revenues and Expenses**

The University has classified its revenues and expenses as operating, non-operating or other, according to the following criteria.

- Operating revenues and expenses are from activities associated with providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.
- Non-operating revenues and expenditures do not meet the definition of operating revenues or operating expenses. Non-operating revenues include state operating appropriations, federal Pell grants and other non-operating grants, gifts, investment income, interest expense and insurance reimbursements. Non-operating expenses include interest expense on capital debt, bond issue cost expenses, gains and losses from disposal of assets and certain other expenses that do not meet the definition of current expenses.
- Other revenues, expenses, gains, losses and transfers include state capital and controlled maintenance appropriations, capital contributions and donations and transfers between governing boards and other institutions.

### **Scholarship Allowances**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees were \$21.6 million and \$21.0 million, scholarship allowances for auxiliary charges were \$52 thousand and \$49 thousand and scholarship allowances for capital student fees were \$491 thousand and \$629 thousand for the years ended June 30, 2019 and 2018, respectively.

### **Application of Restricted and Unrestricted Resources**

The University's policy is to first apply an expense against restricted resources then towards unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

### **Financial Statement Presentation - Net Position**

The University's net position is classified as net investment in capital assets, unrestricted net position and restricted net position.

- Net investment in capital assets represents the University's total investment in capital assets, net of related outstanding debt obligations.
- Unrestricted net position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board. This category is a deficit due to the required implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and due to the required implementation of GASB Statement No. 75.
- Restricted net position is classified as expendable for loans, capital projects and other purposes. C.R.S. Section 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries. As of June 30, 2019 and 2018, the University had no non-expendable investment in restricted net position.

The restricted net position of the bonded auxiliary operations was \$3.7 million and \$3.4 million at June 30, 2019 and 2018, respectively. Restricted net position also includes the net position of the Federal Perkins Loan (FPL) program and the University's sponsored program activities. FPL guidelines require that net program resources fund new loans, are written off in accordance with program guidelines or are refunded



to the federal government. At June 30, 2019 and 2018, the restricted net position related to the FPL program totaled \$765 thousand and \$592 thousand. The sponsored programs' net position was \$852 thousand and \$283 thousand at June 30, 2019 and 2018, respectively.

### **Income Taxes**

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in the years ended June 30, 2019 and 2018.

The Foundation and CMUREF are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundations.

### **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.

## **NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

### **Cash and Cash Equivalents**

The University deposits its cash with the Colorado State Treasurer (the Treasurer) as allowed by C.R.S. The Treasurer pools these deposits and invests them in securities authorized by C.R.S. Section 24-75-601.1. Moneys deposited in the Treasury are invested until the cash is needed. The University had \$72.0 million and \$31.3 million, including unrealized gains of \$328 thousand (2019) and unrealized losses of \$382 thousand (2018), on deposit with the Treasurer as of June 30, 2019 and 2018, which represented approximately 0.77% of the total \$9,096.5 million (2019) and 0.47% of the total \$7,635.8 million (2018) fair value of investments in the State Treasurer's Pool (the Pool). The June 30, 2019 balance included \$20.9 million of bond proceeds and June 30, 2018 balance included \$2.6 million of bond proceeds, leaving \$ 51.0 and \$28.7 million available for operations as of June 30, 2019 and 2018 respectively.

On the basis of the University's participation in the Pool, the University reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The 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 Pool may be obtained in the State's Comprehensive Annual Financial Report for the years ended June 30, 2019 and 2018.

The Colorado Public Deposit Protection Act (PDPA) requires all units of state and local government to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured

public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

As of June 30, the carrying amount of the University's cash on deposit was \$1.5 million (2019) and \$3.8 million (2018) and the bank balance was \$2.1 million (2019) and \$5.6 million (2018). The difference between the University's cash in banks and the amount reported by the various banks was \$617 thousand (2019) and \$1.8 million (2018) in the form of net outstanding checks and deposits in transit. All deposits were covered by federal depository insurance and balances in excess of federal insurance levels were collateralized by PDPA as described above.

## Investments

C.R.S. Section 23-53-103.3 authorized the Board to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board approved the Colorado Mesa University Investment Policy and established an Investment Advisory Committee (IAC). The IAC is responsible for developing investment guidelines in support of the 'prudent investor' standard, providing liquidity, safety and yield. In formulating investment guidelines, the IAC takes into account institutional cash flow analysis, diversification of investments, appropriate time horizons and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year.

The University's investments were \$15.1 million (2019) and \$14.3 million (2018), including unrealized gains of \$2.1 million (2019) and \$2.4 million (2018). The University's investments included debt and equity securities, fixed income investments, short-term money market funds and an alternative investment fund (2019 and 2018). All of the University's investments are registered in the University's name. The fair value of all investments, except for bonds, are based on the quoted market prices as of June 30, 2019 and 2018. The fair value of individual bond pricing was provided via Interactive Data Corporation fair value information services.

The fair values of investments by value level at year ended at June 30, 2019 are as follows (*in thousands*):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value Total
U.S. Agency Securities (Not Explicitly Guaranteed)	\$ -	\$ 178	\$ -	\$ 178
Corporate Bonds	-	106	-	106
Money Market Mutual Funds	409	-	-	409
Bond Mutual Funds	2,860	-	-	2,860
Asset-Backed Securities	-	35	-	35
Mortgage-Backed Securities	-	50	-	50
Corporate Equities	3,672	-	-	3,673
Equity Mutual Funds	3,128	-	-	3,128
Other - Equity Exchange Traded Funds	1,943	-	-	1,942
Other - International Equity Mutual Funds	2,704	-	-	2,704
Other - Bond Exchange Traded Funds	10	-	-	10
	<b>\$ 14,726</b>	<b>\$ 369</b>	<b>\$ -</b>	<b>\$ 15,095</b>

The fair values of investments by value level at year ended at June 30, 2018 are as follows (*in thousands*):

	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Fair Value Total</b>
Corporate Bonds	\$ -	\$ 1,147	\$ -	\$ 1,147
Corporate Equities	5,387	-	-	5,387
Mortgages	-	551	-	551
Mutual Funds	6,651	-	-	6,651
Taxable Municipals	-	522	-	522
Money Market	45	-	-	45
	<b>\$ 12,083</b>	<b>\$ 2,220</b>	<b>\$ -</b>	<b>\$ 14,303</b>

Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). To manage credit risk, the University's investment policy specifies investments of a single issuer, with the exception of the U.S. government and its agencies, may not exceed 5% of the total portfolio and no more than 10% of the portfolio may be invested in corporate debt securities rated below investment grade.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. To mitigate interest rate risk, the investment portfolio should have an average duration of less than seven years and the University does not invest in instruments with a maturity date longer than 15 years.

The change in the investment balance during the year ended at June 30, 2019 consisted of the following components (*in thousands*):

Investments - cost	\$ 11,921
Additional contributions	-
Net interest revenue	119
Dividend income	283
Net realized gain	734
Investment fees	(62)
Investments - cost	<u>\$ 12,995</u>
Unrealized gain	<u>2,100</u>
Investments - market	<u>\$ 15,095</u>

The change in the investment balance during the year ended at June 30, 2018 consisted of the following components (*in thousands*):

Investments - cost	\$ 11,318
Additional contributions	-
Net interest revenue	63
Dividend income	183
Net realized gain	407
Investment fees	(49)
Investments - cost	<u>\$ 11,922</u>
Unrealized gain	<u>2,381</u>
Investments - market	<u>\$ 14,303</u>

Investments at June 30, 2019 consisted of the following:

	Fair Value	Moody's Rating	Weighted Average Maturity	Duration (in years)
<b>Debt Securities</b>				
U.S. Government Securities	\$ 178	Aaa		2.18
Corporate Bonds	106	A3-aa1		0.42
<b>Other Investments</b>				
Corporate Equities	3,673			
Equity Mutual Funds	3,128			
Equity Exchange Traded Funds	1,942			
International Equity Mutual Funds	2,704			
Money Market Mutual Funds	409			
Bond Mutual Funds	2,860			
Asset-Backed Securities	35			2.48
Mortgage-Backed Securities	50			2.02
Bond Exchange Traded Funds	10			
<b>Total</b>	<b>\$ 15,095</b>			

The return on investments for the year ended June 30, 2019 was 14.92% gross of fees and 14.77% net of fees.

Investments at June 30, 2018 consisted of the following:

	Fair Value	Moody's Rating	Weighted Average Maturity	Duration (in years)
<b>Debt Securities</b>				
U.S. Government Securities	\$ 551	Aaa	10.88	3.57
Corporate Bonds	1,147	A-Baa	4.68	3.78
Taxable Municipal Bonds	522	Aaa-Aa	5.95	4.61
<b>Other Investments</b>				
Corporate Equities	5,387			
Mutual Funds	6,651			
Money Market Mutual Funds	45			
<b>Total</b>	<b>\$ 14,303</b>			

The return on investments for the year ended June 30, 2018 was 8.69% gross of fees and 8.31% net of fees.

### NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2019 and 2018 (*in thousands*):

	June 30, 2019	June 30, 2018
Total Accounts and Loans Receivable	\$ 12,034	\$ 11,816
Less: Allowance for Doubtful Accounts	(4,807)	(4,594)
<b>Net Accounts and Loans Receivable</b>	<b>\$ 7,227</b>	<b>\$ 7,222</b>

Receivables reported on the Statements of Net Position may be aggregations of various components, such as balances from students, vendors, other governments and employees.

## NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2019 (*in thousands*):

	Balance June 30, 2018	Additions	Transfers	Disposals	Balance June 30, 2019
Non-depreciable Capital Assets					
Land and Improvements	\$ 42,186	1,241	\$ -	\$ -	\$ 43,427
Construction in Progress	92	8,081	(7)	-	8,166
<b>Total Non-depreciable Capital Assets</b>	<b>42,278</b>	<b>9,322</b>	<b>(7)</b>		<b>51,593</b>
Depreciable Capital Assets					
Leasehold and Land Improvements	38,057	-	-	-	38,057
Buildings	437,267	2,253	7	(913)	438,614
Equipment	19,317	1,013	-	(266)	20,064
Library Materials	13,987	625	-	-	14,612
<b>Total Depreciable Capital Assets</b>	<b>508,628</b>	<b>3,891</b>	<b>7</b>	<b>(1,179)</b>	<b>511,347</b>
Less: Accumulated Depreciation					
Leasehold and Land Improvements	(14,669)	(1,846)	-	-	(16,515)
Buildings	(92,262)	(11,726)	-	739	(103,249)
Equipment	(11,818)	(1,571)	-	265	(13,124)
Library Materials	(9,837)	(342)	-	-	(10,179)
<b>Total Accumulated Depreciation</b>	<b>(128,586)</b>	<b>(15,485)</b>	<b>-</b>	<b>1,004</b>	<b>(143,067)</b>
<b>Net Depreciable Capital Assets</b>	<b>380,042</b>	<b>(11,594)</b>	<b>-</b>	<b>(175)</b>	<b>368,280</b>
<b>Capital Assets, Net</b>	<b>\$ 422,320</b>	<b>\$ (2,272)</b>	<b>\$ -</b>	<b>\$ (175)</b>	<b>\$ 419,873</b>

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2018 (*in thousands*):

	Balance June 30, 2017	Additions	Transfers	Disposals	Balance June 30, 2018
Non-depreciable Capital Assets					
Land and Improvements	\$ 40,723	\$ 1,463	\$ -	\$ -	\$ 42,186
Construction in Progress	30,654	72	(30,634)	-	92
<b>Total Non-depreciable Capital Assets</b>	<b>71,377</b>	<b>1,535</b>	<b>(30,634)</b>	<b>-</b>	<b>42,278</b>
Depreciable Capital Assets					
Leasehold and Land Improvements	36,395	364	1,298	-	38,057
Buildings	393,768	14,732	29,336	(569)	437,267
Equipment	17,694	1,918	-	(295)	19,317
Library Materials	13,390	597	-	-	13,987
<b>Total Depreciable Capital Assets</b>	<b>461,247</b>	<b>17,611</b>	<b>30,634</b>	<b>(864)</b>	<b>508,628</b>
Less: Accumulated Depreciation					
Leasehold and Land Improvements	(12,808)	(1,861)	-	-	(14,669)
Buildings	(81,783)	(10,763)	-	284	(92,262)
Equipment	(10,557)	(1,534)	-	273	(11,818)
Library Materials	(9,525)	(312)	-	-	(9,837)
<b>Total Accumulated Depreciation</b>	<b>(114,673)</b>	<b>(14,470)</b>	<b>-</b>	<b>557</b>	<b>(128,586)</b>
<b>Net Depreciable Capital Assets</b>	<b>346,574</b>	<b>3,141</b>	<b>30,634</b>	<b>(307)</b>	<b>380,042</b>
<b>Capital Assets, Net</b>	<b>\$ 417,951</b>	<b>\$ 4,676</b>	<b>\$ -</b>	<b>\$ (307)</b>	<b>\$ 422,320</b>

## Capitalization of Interest

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the University's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs capitalized in determining the amount to be capitalized. During the years ended June 30, 2019 and 2018, interest revenue used to offset interest costs capitalized was \$0 and \$26 thousand, respectively. Total interest paid for the years ended June 30, 2019 and 2018 were \$8.5 million and \$9.2 million, respectively. Interest capitalized for the years ended June 30, 2019 and 2018 was \$0 and \$670 thousand, respectively. Gross interest costs incurred less interest capitalized during the period of construction, and the amortization of bond premiums, discounts and refunding losses for the years ended June 30, 2019 and 2018 were \$8.6 million and \$8.8 million, respectively, as reported on the Statements of Revenues, Expenses and Changes in Net Position.

## NOTE 5 - SHORT-TERM LIABILITIES

Year-end payables were as follows (*in thousands*):

	June 30, 2019	June 30, 2018
Accounts Payable, Vendors	\$ 5,436	\$ 460
Salaries and Benefits Payable	4,660	2,200
Capital Leases Payable, Current Portion	376	375
Bonds Payable, Current Portion	6,480	6,615
Notes Payable, Current Portion	109	91
Compensated Absences, Current Portion	301	307
Retainage on Construction Contracts Payable	544	152
Accrued Interest Payable	1,578	1,513
<b>Total Payables</b>	<b>\$ 19,484</b>	<b>\$ 11,713</b>

## Unearned Revenues

Unearned revenues include unearned student tuition and fees, advances on grants and contracts and prepaid rent revenues from the John McConnell Math and Science Center as follows.

	June 30, 2019	June 30, 2018
Tuition and fees	\$ 1,674	\$ 1,581
Grants and contract advances	82	237
Prepaid facility rents	1,764	1,287
<b>Total unearned revenues</b>	<b>\$ 3,520</b>	<b>3,105</b>

In Fiscal Year 2018, the University and the John McConnell Math and Science Center (MSC), a separate 501(c)(3) organization, entered into an agreement where MSC will prepay rent of about \$4.4 million over the next five years, which is the cost of constructing the Eureka! Science Museum in Confluence Hall. In return, MSC will have use of the facility for 29 years and CMU will recognize revenue over the same period. Amounts collected from the MSC will be reported as unearned revenues as they are received and the University will recognize facilities rental income on a straight-line basis over the term of the agreement.

## NOTE 6 - LONG-TERM LIABILITIES

In fiscal year 2019, the University adopted GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88). GASB 88 increased disclosure requirements related to debt, especially direct borrowings and placements. The disclosures presented here

conform to these new requirements. Direct Borrowings are loans with a lender for funding and Direct Placements are debt securities issued directly to an investor. Changes in long-term debt for the year ended June 30, 2019 were as follows (*in thousands*):

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Current Portion</b>
Revenue bonds	\$ 211,480	\$ 41,485	\$ (31,805)	\$ 221,160	\$ 6,480
Plus: unamortized bond premiums	3,389	6,140	(1,219)	8,310	-
Less: unamortized bond discounts	(137)	-	6	(131)	-
Total revenue bonds	214,732	47,625	(33,018)	229,339	6,480
Capital leases	3,555	-	(375)	3,180	376
Notes payable	272	-	(91)	181	109
<b>Total Bonds, Notes and Leases Payable</b>	<b>\$ 218,559</b>	<b>\$ 47,625</b>	<b>\$ (33,484)</b>	<b>\$ 232,700</b>	<b>\$ 6,965</b>

Changes in long-term debt for the year ended June 30, 2018 were as follows (*in thousands*):

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Current Portion</b>
Revenue bonds	\$ 203,655	\$ 14,255	\$ (6,430)	\$ 211,480	\$ 6,615
Plus: unamortized bond premiums	3,736	-	(347)	3,389	-
Less: unamortized bond discounts	(310)	-	173	(137)	-
Total revenue bonds	207,081	14,255	(6,604)	214,732	6,615
Capital leases	3,909	-	(354)	3,555	375
Notes payable	870	-	(598)	272	91
<b>Total Bonds, Notes and Leases Payable</b>	<b>\$ 211,860</b>	<b>\$ 14,255</b>	<b>\$ (7,556)</b>	<b>\$ 218,559</b>	<b>\$ 7,081</b>

### Revenue Bonds Payable

Revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. For the years ended June 30, 2019 and 2018, net pledged revenues and debt service coverage are shown on the Enterprise Revenue Bonds Schedules of Revenues and Expenditures. Annual debt service payments are made in November and May of each year and are detailed below. Net pledged revenues will continue to be pledged for the life of the associated revenue bonds.

Upon the occurrence of an Event of Default, the Trustee may enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding or enforce any of the obligations of the Board and the University by any available remedy by suit at law or in equity. Should an Event of Default occur and should the Registered Owners of an aggregate of 25% of the principal amount of Bonds then Outstanding so request and indemnify the Trustee, the Trustee is obligated to exercise such one or more of the rights and powers conferred by the Bond Resolution, as the Trustee, being advised by counsel, will deem most expedient in the interest of the Bondholders. Such remedies will include acceleration of the principal amount of the Bonds either at the direction of the Bond Insurer or with the prior written consent of the Bond Insurer. Upon the occurrence of an Event of Default, the Board will immediately transfer all Net Revenues to the Trustee for so long as such Event of Default will continue. This is discussed more on the MSRB's Electronic Municipal Market Access website (<https://emma.msrb.org/#>).

Series 2009B and Series 2010B qualify as Build America Bonds under the American Recovery and Reinvestment Act of 2009. The University expects to receive cash subsidies of 35% of the interest payments, referred to as Federal Direct Payments. Due to federal budget cuts that occurred during the year ended June 30, 2013, the University received approximately 6.2% less in Fiscal Year 2019 and 6.8% less in Fiscal Year 2018. During the years ended June 30, 2019 and 2018 the University received \$1.2 million and \$1.2 million in Federal Direct Payments.

<b>Revenue Bond Detail (in thousands)</b>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2019</b>	<b>Outstanding Balance 2018</b>
<p>Series 2019B (Non-Direct Placement)</p> <p>Issued tax-exempt Series 2019B bonds to construct and equip a new residence hall and certain other campus improvements as are deemed necessary or desirable by the Board; pay capitalized interest on the Series 2019B bonds through May 15, 2022; and pay the costs of issuance related to the Series 2019B bonds. The bond was issued with a \$3.5 million premium and interest is fixed at 5.00%, effecting a net interest rate of 3.50%. Debt service payments are made in May and November of each year and the University will make interest only payments until the first principal payment is due in May 2020. Final payment is in May 2049.</p>	\$ 17,000	\$ 17,000	N/A
<p>Series 2019A (Direct Placement)</p> <p>Issued tax-exempt Series 2019A bonds to advance refund all of the Series 2009A bonds by placing the bond proceeds and the Series 2009A debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2009A bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The defeasance resulted in an economic gain of \$1.9 million and a book loss of \$2.9 million that is being amortized as an adjustment to interest expense over the life of the Series 2019A bonds. Coupon rates are between 4.00% and 5.00%, effecting a net interest rate of 3.57%. Debt service payments are made in May and November of each year and the first principal payment is due in May 2020. The final payment is due in May 2033.</p>	24,485	24,485	N/A
<p>Series 2017A (Direct Placement)</p> <p>Issued tax-exempt Series 2017A bonds to construct and equip a new Engineering Building and the John McConnell Math and Science Center and certain other campus improvements as are deemed necessary or desirable by the Board; and pay the costs of issuance related to the Series 2017A bonds. The interest rate for the Series 2017A was initially set at 2.3%. Beginning in 2027, on each May 15, the bond will adjust to an annual rate of the then effective LIBOR rate plus 1.75%. The net effective interest rate shall not exceed 6% if issued as a fixed rate obligation and shall not exceed 18% if issued as a variable rate obligation. Series 2017A bond proceeds were distributed to the University in predetermined amounts through February 2018. Principal and interest payments are made in May and November of each year and the final payment is due in May 2042.</p>	15,000	13,800	14,400
<p>Series 2016 (Non-Direct Placement)</p> <p>Issued tax-exempt Series 2016 bonds to construct and equip a new residence hall on the University campus, expand, renovate and equip the Maverick Center located on the University campus and construct a portion of a new Engineering facility; pay capitalized interest; and pay the costs of issuance related to the Series 2016 bonds. Coupon rates are between 3.00% and 5.00%, effecting a net interest rate of 3.55%. Debt service payments are made in May and November of each year and the University will pay interest only until principal payments begin in May 2025. Final payment is in May 2045.</p>	26,575	26,575	26,575



<b>Revenue Bond Detail (in thousands)</b>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2019</b>	<b>Outstanding Balance 2018</b>
<p>Series 2014BC (Direct Placement)</p> <p>Issued tax-exempt Series 2014B bonds to advance refund all of the College Enterprise Revenue Bonds, Series 2007 by placing the bond proceeds in an irrevocable trust to provide for future debt payments on the Series 2007 bonds. As such, the trust account assets and the liability for the defeased bonds are not be included in the University's financial statements. The Series 2007 bonds were paid in full in May 2017. The defeasance resulted in an economic gain of \$2.8 million and a book loss of \$1.8 million that is being amortized as an adjustment to interest expense over the life of the 2014B bond. The Series 2014B bond carries an interest rate of 2.96%. The Series 2014C bond is a non-bank qualified, draw down, tax-exempt term loan in an amount not to exceed \$5.0 million with a 10-year maturity in order to provide funding to renovate and expand Tomlinson Library. The interest rate for the Series 2014C is fixed at 2.37%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2037.</p>	24,005	20,885	21,525
<p>Series 2014A (Direct Placement)</p> <p>Issued tax-exempt Series 2014A bonds to construct and equip new housing facilities and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2014A bonds. Interest is fixed at 2.67%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2039.</p>	14,000	12,120	12,570
<p>Series 2013 (Non-Direct Placement)</p> <p>Issued tax-exempt Series 2013 bonds to construct and equip a new academic classroom building on campus, renovate and equip the campus library and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2013 bonds. Coupon rates are between 3.00% and 4.00%, effecting a net interest rate of 3.35%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2038.</p>	19,900	17,050	17,655
<p>Series 2012B (Non-Direct Placement)</p> <p>Issued tax-exempt Series 2012B bonds to construct, improve and equip a new, approximately 200-bed student residence hall; pay capitalized interest through May 15, 2013; and pay the costs of issuance relating to the Series 2012B bonds. Coupon rates are between 2.00% and 4.25%, affecting a net interest rate of 3.60%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2037.</p>	14,000	11,450	11,905
<p>Series 2012A – Refunding (Non-Direct Placement)</p> <p>Issued tax-exempt Series 2012A bonds to advance refund all of the Series 2005 bonds by placing the bond proceeds and the Series 2005 debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The Series 2005 were paid in full in May 2015. The defeasance resulted in an economic gain of \$742 thousand and a book loss of \$2.3 million that is being amortized as an</p>	19,315	14,470	15,230

<b>Revenue Bond Detail (in thousands)</b>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2019</b>	<b>Outstanding Balance 2018</b>
adjustment to interest expense over the life of the Series 2012A bonds. Coupon rates are between 2.00% and 4.00%, effecting a net interest rate of 3.27%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2034.			
Series 2011BC (Non-Direct Placement) Issued taxable Series 2011B bonds and tax-exempt Series 2011C bonds to advance refund all of the Series 2002B bonds by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the Series 2002B bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The bond trustees paid the outstanding balance of the defeased debt. The defeasance resulted in an economic gain of \$372 thousand and a book loss of \$1.4 million that is being amortized as an adjustment to interest expense over the life of the Series 2012BC bonds. Coupon rates are between 2.00% and 3.52%, affecting a net interest rate of 2.82%. Principal and interest payments are made in May and November of each year and the final payment is due in May 2022.	9,720	2,045	2,680
Series 2011A (Direct Placement) Issued tax-exempt Series 2011 bonds to finance the costs of construction and equipping the Orchard Avenue Apartments; and to fund a deposit into the Series 2011 Debt Service Reserve Fund. The Series 2011 bond matures in August 2021 with variable interest calculated as the product of (a) the Bank Qualified factor; and the sum of (i) the Five Year Treasury, Constant Maturity; plus (ii) 210 basis points. The initial rate is 2.49% and shall remain in effect for a five-year period. The bond will be recalculated in 2017 using the formula above. The bond will recalculate each year using the above formula and the University may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The University was under no obligation to accept any recalculated rate, but accepted the recalculated rate of 1.81% in August 2012, which was scheduled to be in effect for a period of five years. In December 2015, the University entered into the 2011A Supplemental Resolution that replaced the variable interest rate language above with a fixed rate of 1.40% for the remainder of the bond. The bonds are secured by the pledge of certain net revenues, which are pledged and assigned for equal and ratable payment of the bonds. Principal and interest payments are made in May and November of each year and the final payment is due in May 2021.	8,000	2,555	3,365
Series 2010AB (Non-Direct Placement) Issued tax-exempt Series 2010A bonds and taxable (Build America Bonds – Direct Payment to Board) Series 2010B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom and other University facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. Coupon rates are between 3.00% and 6.75%, effecting a net interest rate of 4.32%. Principal and	31,710	28,725	29,135

<b>Revenue Bond Detail</b> (in thousands)			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2019</b>	<b>Outstanding Balance 2018</b>
interest payments are made in May and November of each year and the final payment is due in May 2042.			
Series 2009AB (Non-Direct Placement) Issued taxable Series 2009B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, University Center, parking and other University facilities; and to fund a deposit to the Series 2009 Capitalized Interest Fund to pay a portion of the interest on the Series 2009 bonds through November 2010. Interest is fixed at 5.8%  Issued tax-exempt Series 2009A bonds to advance refund all of the Series 2008 bonds and issued taxable (Build America Bonds – Direct Payment to Board) The University in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University’s financial statements. The 2008 bond was paid in full on November 15, 2017. The defeasance resulted in an economic gain of \$2.5 million and a book loss of \$5.3 million that is being amortized as an adjustment to interest expense over the life of the Series 2009A bonds. Coupon rates are between 3.00% and 5.80%, effecting a net interest rate of 3.97%. In Fiscal Year 2019, the University issued tax-exempt Series 2019A bonds to advance refund all of the Series 2009A bonds as described above. Principal and interest payments are made in May and November of each year and the final payment is due in May 2040.	61,665	30,000	56,440
<b>Revenue Bonds Outstanding</b>	<b>\$ 253,710</b>	<b>\$ 221,160</b>	<b>211,480</b>
Plus: Bond Premiums		8,310	3,389
Less: Bond Discounts		(131)	(137)
<b>Revenue Bonds Outstanding Net of Premiums and Discounts</b>		<b>\$ 229,339</b>	<b>\$ 214,732</b>

The following is a schedule of future minimum bond payments as of June 30 (in thousands):

<b>Year Ending</b> <b>June 30</b>	<b>Direct Placements</b>		<b>Non-Direct Placements</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$ 3,515	\$ 2,783	\$ 2,965	\$ 7,066	\$16,329
2021	3,910	2,398	3,335	7,005	16,648
2022	4,025	2,274	3,450	6,875	16,624
2023	4,000	2,158	2,845	6,753	15,756
2024	4,125	2,017	2,945	6,642	15,729
2025-2029	19,690	7,915	19,565	31,127	78,297
2030-2034	19,905	3,916	27,155	26,663	77,639
2035-2039	12,875	1,103	40,335	18,831	73,144
2040-2044	1,800	83	36,235	7,143	45,261
2045-2049	-	-	8,485	907	9,392
<b>Total Future Minimum Payments</b>	<b>\$ 73,845</b>	<b>\$ 24,647</b>	<b>\$ 147,315</b>	<b>\$ 119,012</b>	<b>\$364,819</b>

### Reserve Fund Requirements

The Series 2017A bond is not secured by an encumbrance, mortgage or other pledge of any property except pledged net revenues. A Reserve Fund requirement was met for Series 2019B, 2019A, 2016, 2014BC,

2014A, 2013, 2012B, 2012A, 2011BC, 2010AB and 2009AB by participating in the State Intercept Program, which was enacted for bonds issued by state-supported institutions of higher education on or after June 4, 2008. Under C.R.S. Section 23-5-139, as amended, if the University cannot meet a scheduled payment of principal and interest, the Treasurer is required to forward the amount necessary to make the payment to the paying agent and will recover such amounts by withholding funds from the University's Fee-For-Service (FFS) contract with the Department of Higher Education.

### **Capital Leases**

*Campus Utility Metering Lease:* In November 2016, the University entered into a capital lease agreement to install meters and sub-meters in several buildings on the main campus in order to better monitor electric and gas usage for \$104 thousand at no interest to be paid over 36 months. Payments began in November 2016 and will continue through October 2019. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

*Equipment Lease:* During the year ended June 30, 2008, the University entered into a \$2.2 million capital lease purchase contract with an interest rate of 4.32% for the acquisition of equipment that will result in energy cost savings guarantees. Rent payments began in September 2009 and continue through August 2024. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

*State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008:* On November 6, 2008, the Treasurer entered a lease-purchase agreement under which a Trustee issued \$230.8 million of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (Certificates). The Certificates were issued at a net premium of \$181 thousand and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carry coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.38%.

The Certificates' proceeds were used to fund renovations, additions and new construction at twelve state institutions of higher education and are collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years.

The legislation envisioned annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

Proceeds from the issuance of \$18.4 million were allocated to renovate and expand the Wubben Hall science building. Of that, \$3.7 million was financed by the University through a sublease with the Treasurer. The University was scheduled to make rental payments from April 2009 through October 2027 totaling \$5.9 million including interest of \$2.2 million. The University pledged the Fine Arts Building and the Tomlinson Library as collateral for the project.

*State of Colorado Rural Colorado Certificates of Participation, Series 2018A.* On September 24, 2018, the State of Colorado issued \$500 million of State of Colorado Rural Colorado Certificates of Participation,

Series 2018A (Certificates). The Certificates have a final maturity in 2037. The Certificates carry interest rates ranging from 1.84% to 5.00%. Proceeds from the sale of the Series 2018A Certificates were used to finance the costs of the Series 2018A Projects, including high-priority rural State highway and transit projects and rural State capital construction projects, including projects and State institutions of higher education that have been delayed due to insufficient funding, as well as fund the costs of issuance. Proceeds from the issuance of the certificates were allocated to repair the roofs of Wubben Hall, Building B, Fine Arts, and Admissions Offices as well as fund phase 2 of the University's Electric Lineworker Building. The University was not required to pledge any collateral for the project.

The following is a schedule of future minimum capital lease payments as of June 30 (*in thousands*):

Years ending June 30	Principal	Interest	Total
2020	\$ 376	\$ 154	\$ 530
2021	389	135	524
2022	415	115	530
2023	443	94	537
2024	472	75	547
2025-2029	1,085	127	1,212
<b>Total Future Minimum Payments</b>	<b>\$ 3,180</b>	<b>\$ 700</b>	<b>\$ 3,880</b>

### Operating Lease

The University entered into an agreement to lease copier equipment during the year ended June 30, 2012. On July 20, 2016, the University extended the agreement through July 20, 2020.

During the year ended June 30, 2011, the University executed a five-year renewal to lease property from the City of Montrose, Colorado. At the end of the current extension, the University has the option to extend the agreement for a second five-year renewal term ending on June 30, 2020, and the University currently expects to exercise its option.

The following is a schedule of future minimum rental payments under the lease as of June 30 (*in thousands*):

Years Ending June 30	Total
2020	\$ 194
2021	-
<b>Total</b>	<b>\$ 194</b>

Rent expense for the years ended June 30, 2019 and 2018 was \$112 thousand and \$167 thousand, respectively.

### Notes Payable (All notes are Direct Borrowings)

*Seventh Day Adventist building:* In August 2016, CMUREF acquired a building to construct the Engineering building for \$4.1 million by paying \$1.2 million in cash plus issuing a note payable to the seller for \$2.9 million. In March 2017, CMUREF and University entered into an assumption agreement and the University assumed both the property and the note. The University paid \$2.4 million of the note in Fiscal Year 2017 and a balance of \$375 thousand was outstanding at June 30, 2017. The note was paid in full in June 2018. Upon vacation, CMUREF will transfer the property deed to the University. Because the University has an assumption agreement, has serviced the note payable and the intent is for the property to benefit the University, the property and note payable are recorded as an asset and a liability on its books.

*Campus expansion:* In May 2015, the University acquired a property near the Montrose campus by issuing a 5-year note payable for \$498 thousand payable in monthly installments at 4%. The University also acquired a property in July 2015 by issuing a 5-year note payable for \$300 thousand payable in annual installments at 3%. As part of its campus expansion program, in Fiscal Year 2006 the University acquired a property by issuing a 20-year note payable. The principal balance was \$190 thousand, payable in semi-

annual payments at 5% interest. The property is collateral for the debt and should the university default, the property would return to the note holders.

The following is a schedule of payments of notes payable as of June 30 (*in thousands*):

Years Ending June 30	Total Payments
2020	\$ 116
2021	15
2022	15
2023	15
2024	15
2025-2029	23
<b>Total Principal and Interest Payments</b>	199
Less: Interest Included Above	(18)
<b>Total Principal Outstanding</b>	181
Less: Current Portion of Notes Payable	(109)
<b>Net Long-term Notes Payable</b>	\$ 72

### Compensated Absences

Employees accrue annual and sick leave based on the length of service and is subject to certain limitations on amounts paid upon termination and/or retirement. The changes in compensated absences balances are presented below (*in thousands*):

Compensated Absences	June 30, 2019	June 30, 2018
Beginning of the year	\$ 2,528	\$ 2,172
Additions	-	1,827
Adjustments/reductions	(47)	(1,471)
<b>End of the year</b>	<b>\$ 2,481</b>	<b>\$ 2,528</b>
<b>Current portion</b>	<b>\$ 301</b>	<b>\$ 307</b>

### NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

Amounts expended under the terms of certain grants and contracts are subject to audit and possible adjustment by governmental agencies. In management’s opinion, adjustments, if required, will not have a material impact on the accompanying financial statements.

The University, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions cannot be determined at this time, management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the University.

### NOTE 8 - PENSION PLAN OBLIGATIONS

#### A. Colorado Public Employees Retirement Association (PERA) Defined Benefit Pension Plan

##### 1. Summary of Significant Accounting Policies

The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the

fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, 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. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SDTF by 0.25% on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2% (to be phased in over a period of three years starting on July 1, 2019).
- As specified in C.R.S. Section 24-51-413, the State is required to contribute \$225 million 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. The University's allocation was \$379 thousand.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

## **2. Plan Description**

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

## **3. Benefits Provided**

PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 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% and then multiplied by years of service credit.
- The value of the retiring employee’s member contribution account plus a 100% 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% 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% or 100% 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, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA’s Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned annual increase for a given year by up to 0.25% based on the parameters specified C.R.S. Section 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.

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.

**4. Contributions**

Eligible employees, the University 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. Section 24-51-401, et seq. and Section 24-51-413. Employee contribution rates are summarized below:

	Fiscal Year 2018		Fiscal Year 2019	
	CY 2017	CY 2018	CY 2018	CY 2019
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19
Employee Contribution Rate	8.00%	8.00%	8.00%	8.00%

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



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

	Fiscal Year 2018		Fiscal Year 2019	
	CY 2017	CY 2018	CY 2019	
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	19.13%	19.13%	19.13%	19.13%

Contributions rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. For the years ended June 30, employer contributions recognized by the SDTF from the University were \$2.9 million (2019) and \$2.9 million (2018).

As specified in C.R.S. Section 24-51-413, the State is required to contribute \$225 million 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.

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

At June 30, 2019 and 2018, the University reported a liability of \$55.0 million and \$98.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 and 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2018 and 2017. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2018 and 2017 relative to the total contributions of participating employers and the State as a non-employer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At December 31, 2018, the University's proportion was 0.4834%, which was a decrease of 0.0095% its proportion of 0.4929% measured as of December 31, 2017.

The University recognized net pension expense of *negative* \$6.3 million in Fiscal Year 2019 compared to a net pension expense of \$19.7 million in Fiscal Year 2018.

The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of June 30, 2019 and 2018 (*in thousands*):

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,573	\$ -	\$ 1,538	\$ -
Contributions subsequent to the measurement date	1,450	-	1,515	-
Net difference between projected and actual earnings on pension plan investments	2,778	28,404	-	3,716
Changes of assumptions or other inputs	2,896	-	17,131	-
Change in employer proportion	10	-	81	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	106	1,053	173	-
<b>Total</b>	<b>\$ 8,813</b>	<b>\$ 29,457</b>	<b>\$ 20,438</b>	<b>\$ 3,716</b>

The \$1.5 million and \$1.5 million 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 years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (*in thousands*):

Years Ended June 30	
2020	\$ (10,494)
2021	(13,257)
2022	136
2023	1,521

## 6. Actuarial Assumptions

The total pension liability in the December 31, 2017 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	4.72%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00% compounded annually, thereafter
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018.

Discount rate	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect 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% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows.

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to the PERA Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, 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 percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

## 7. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including 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%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.43% were used in the discount rate determination resulting in a discount rate of 4.72%, 2.53% lower compared to the current measurement date.

**8. Sensitivity of the University’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 as of June 30, 2019, calculated using the discount rate of 7.25%, 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%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$68,380	\$ 55,004	\$43,688

**9. Pension Plan Fiduciary Net Position**

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**B. Defined Contribution Retirement Plan (DC Plan)**

**1. 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 PERA DC Plan. SB 18-200 expands eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. C.R.S. Section 24-51-15, as amended, assigns the authority to establish Plan provisions to the PERA Board. The PERA DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

**2. Funding Policy**

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00% of their PERA-includable salary and the State of Colorado is required to

contribute 12.85% of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows.

	Fiscal Year 2018		Fiscal Year 2019	
	CY 2018		CY 2019	
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19
AED as specified in C.R.S. Section 24-51-411 <sup>1</sup>	5.00%	5.00%	5.00%	5.00%
SAED as specified in C.R.S., Section 24-51-411 <sup>1</sup>	5.00%	5.00%	5.00%	5.00%
<b>Total Employer Contribution Rate for AED and SAED<sup>1</sup></b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Contribution requirements are established under C.R.S. Section 24-51-1505, as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board in accordance with C.R.S. Section 24-51-204. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$10.6 million and the State of Colorado recognized pension contributions of \$13.2 million for the PERA DC Plan.

### **C. 401(k) Defined Contribution Plan**

#### **1. Plan Description**

Employees of the University 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. C.R.S. Section 24-51-14, as amended, assigns the authority to establish the Plan provisions to the PERA Board. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

#### **2. 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 C.R.S. Section 24-51-1402, as amended. Employees are immediately vested in their own contributions.

### **D. Student Employee’s Defined Contribution Pension Plan**

Beginning in Fiscal Year 1993, in accordance with the provisions of C.R.S. Section 24-54.6 and as provided in Section 403(b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Pension Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total payroll covered by the plan for the Fiscal Year ended June 30, 2018 and June 30, 2017 was \$443 thousand and \$510 thousand respectively. Employee contributions were \$33 thousand and \$38 thousand respectively, or 7.5% of covered payroll.

### **E. Defined Contribution Pension Plan (DCPP)**

The University offers a DCPP to its employees who may not be eligible to enroll in PERA or for employees who wish to make an irrevocable choice to enroll in the DCPP. When enrolled in the DCPP, the employee's retirement benefit is based on the total amount of the contributions made to his/her account and the return on investments of those contributions.

Employees enrolled in the DCPD are required to contribute 8% of their covered earnings to their DCPD account on a tax-deferred basis. The University currently contributes an amount equal to 11.4% of participating employees' covered earnings to their DCPD account.

Through February 2019, the DCPD was administered by three vendors, Fidelity Investments, TIAA-CREF and VALIC. In Fiscal Year 2019, the University contracted with TIAA-CREF to be the sole recordkeeper in order to align with best practices and simplify retirement options, reduce investment and recordkeeping service fees paid by employees, provide better advising to employees and to improve plan performance monitoring and oversight.

The University's contributions to the DCPD for fiscal years ending June 30, 2019 and 2018 were \$3.3 million and \$3.3 million, respectively. These contributions were equal to the required contributions for each year. All DCPD contributions are immediately invested in the employee's account. 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.

## **NOTE 9 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

### **1. Summary of Significant Accounting Policies**

The University participates in the HCTF, a cost-sharing multiple-employer defined benefit OPEB fund administered by 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 and additions to/deductions from the fiduciary net position 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.

### **2. Plan Description**

Eligible employees of the University are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under C.R.S. Section 24-51-12, as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. C.R.S. Section 24-51-12, 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 comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### **3. 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. Section 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.

#### **4. 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 basis for 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% 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. Section 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.

#### **5. Contributions**

Pursuant to C.R.S. Section 24-51-208(1)(f), 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% 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 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were \$146 thousand and \$151 thousand for the years ended June 30, 2019 and 2018.

##### **A. OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019 and 2018, the University reported a liability of \$2.2 million and \$2.2 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 and 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018 and 2017. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2018 and 2017 relative to the total contributions of participating employers to the HCTF.



At December 31, 2018, the University's proportion was .1647%, which was a decrease of .0040% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 and 2018, the University recognized a net OPEB expense of \$33 thousand and \$22 thousand. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of June 30, 2019 and 2018:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8	3	\$ 10	\$ -
Changes of assumptions or other inputs	16	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	13		-	37
Contributions subsequent to the measurement date	74		77	-
Change in employer proportions		45	-	1
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10		8	-
<b>Total</b>	<b>\$ 121</b>	<b>\$ 48</b>	<b>\$ 95</b>	<b>\$ 38</b>

The \$74 thousand 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Total
2020	\$ (1)
2021	(1)
2022	(1)
2023	7
2024	(6)

## 1. Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs.

<b>Actuarial Cost Method</b>	<b>Entry Age</b>
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation (in aggregate)	3.50%
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	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details

the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date.

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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 heuristics developed by health plan actuaries and administrators and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, 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:

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are 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% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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 2018 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.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

## 2. Sensitivity of the 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
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
<b>Net OPEB Liability</b>	<b>\$ 2,179</b>	<b>\$ 2,241</b>	<b>\$ 2,312</b>

## 3. Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2018, 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 3.50%.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

**4. Sensitivity of the 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%, 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%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,507	\$ 2,241	\$ 2,013

**5. OPEB Plan Fiduciary Net Position**

Detailed information about the HCTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 10 - COMPONENT UNITS**

In accordance with the GASB Statement No. 61 and GASB Statement No. 39, the discrete presentation of the Foundation and CMUREF’s financial statements appear on separate pages from the University. The Foundation and CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the University.

The financial statements of the Foundation and CMUREF are prepared on the accrual basis and follow the FASB Accounting Standards Codification Topic 958, *Not-for-Profit Entities*.

The Foundation and CMUREF use a different generally accepted accounting principles reporting model and following the GASB Statement No. 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University’s financial statements. The separate financials include the statements of financial position and the statements of activities.

**COLORADO MESA UNIVERSITY FOUNDATION**

The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the University Board of Trustees. The Foundation’s financial records are maintained separately from the University.

The Foundation solicits and receives donations and other forms of support for the benefit of the University’s intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily

scholarships awarded. During the years ended June 30, 2019 and 2018, the Foundation awarded \$2.6 million and \$1.8 million, respectively, in scholarship funds directly to University students. Since the funds were paid directly to students, the University did not record related revenue or expense.

Accordingly, this amount is not included in the schedule of student financial assistance provided in Note 11. The Foundation received donations to partially fund regular operations of various university departments. During the years ended June 30, 2019 and 2018 cash and in-kind donations totaled \$2.9 million and \$2.8 million, respectively, and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's Fiscal Year 2019 and 2018 independent annual financial reports.

#### **FOUNDATION – INVESTMENTS – As of and for the Year Ended June 30, 2019**

Investments are stated at fair value from quoted market prices and consist of the following (*in thousands*):

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Cash and Money Markets	\$ 173	\$ 173	\$ -
Common Stock	2,484	3,531	1,047
Equity Funds	15,071	17,303	2,232
Private Equity	-	313	313
Bonds	136	99	(37)
Bond Fund	9,833	10,062	229
Indexed	1,836	1,825	(11)
<b>Total</b>	<b>\$ 29,533</b>	<b>\$ 33,306</b>	<b>\$ 3,773</b>

The following schedule summarizes the investment return in the statement of activities for the year ended (*in thousands*):

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and Dividend Income	\$ 5	\$ 621	\$ 626
Investment Fees	-	(74)	(74)
Realized Gain (Loss)	-	282	282
Unrealized Gain (Loss)	-	1,136	1,136
<b>Total</b>	<b>\$ 5</b>	<b>\$ 1,965</b>	<b>\$ 1,970</b>

The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments.

#### **Cash, Accounts Payable and Debt**

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

#### **Investments**

Fair value measurements for assets reported at fair value on a recurring basis were determined based on the following (*in thousands*):

Long-Term Investments	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets	Observable	Unobservable
		for Identical	Inputs	Inputs
		Assets	(Level 2)	(Level 3)
		(Level 1)		
Cash and Money Markets	\$ 173	\$ 173	\$ -	\$ -
Common Stock	3,531	3,531	-	-
Equity Funds	17,303	17,303	-	-
Private Equity	313	-	313	-
Bonds	99	99	-	-
Bond Funds	10,062	10,062	-	-
Indexed	1,825	1,825	-	-
<b>Total Long-Term Investments</b>	<b>\$ 33,306</b>	<b>\$ 32,993</b>	<b>\$ 313</b>	<b>\$ -</b>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

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

- Fixed – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.
- Equity – Valued at the closing price as reported on the active market on which the stocks are traded. One stock was not traded on an active market; an outside firm was used to value the stock.
- Commodities – Valued by comparable terms and duration.
- Indexed – Values by comparable terms duration.

#### FOUNDATION – INVESTMENTS – As of and for the Year Ended June 30, 2018

Investments are stated at fair value from quoted market prices and consist of the following (*in thousands*):

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and Money Markets	\$ 95	\$ 95	\$ -
Bonds	9,630	9,338	(292)
Common Stock	8,055	9,553	1,498
Mutual Funds	8,371	9,605	1,234
Commodities	286	286	-
Indexed	1,337	1,247	(90)
<b>Total</b>	<b>\$ 27,774</b>	<b>\$ 30,124</b>	<b>\$ 2,350</b>

The following schedule summarizes the investment return in the statement of activities for the year ended (*in thousands*):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividend Income	\$ 4	\$ 681	\$ -	\$ 685
Investment Fees	-	(65)	-	(65)
Realized Gain (Loss)	-	622	-	622
Unrealized Gain (Loss)	-	664	-	664
<b>Total</b>	<b>\$ 4</b>	<b>\$ 1,902</b>	<b>\$ -</b>	<b>\$ 1,906</b>



The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments.

### Cash, Accounts Payable and Debt

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

### Investments

Fair value measurements for assets reported at fair value on a recurring basis were determined based on the following (*in thousands*):

<b>Long-Term Investments</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and Money Markets	\$ 95	\$ 95	\$ -	\$ -
Bonds	9,338	-	9,338	-
Common Stock	9,553	9,231	322	-
Mutual Funds	9,605	9,605	-	-
Commodities	286	-	286	-
Indexed	1,247	-	1,247	-
<b>Total Long-Term Investments</b>	<b>\$ 30,124</b>	<b>\$ 18,931</b>	<b>\$ 11,193</b>	<b>\$ -</b>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

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

- Bonds – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.
- Common Stock – Valued at the closing price as reported on the active market on which the stocks are traded.
- One stock was not traded on an active market; an outside valuation firm was used to value the stock.
- Mutual Funds – Valued at the closing price as reported on the active market on which the funds are traded.
- Commodities – Valued by comparable terms and duration.
- Indexed – Values by comparable terms duration.

### FOUNDATION – ENDOWMENT – As of and for the Year Ended June 30, 2019

At June 30, 2019, the Foundation's endowment consisted of 242 individual funds, established for providing a future income stream for scholarships for University students, research and other uses for certain University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as with donor restrictions (permanently restricted) net assets is classified as without donor restriction and is available for expenditure by the Foundation, in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The Foundation has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board-approved investment policy.

The spending policy is to distribute 3% to 5% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board of Directors shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of the University and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows (*in thousands*):

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Endowment Net Assets</b>
Donor-Restricted Endowment Funds	\$ -	\$ 34,486	\$ 34,486
Board-Designated Endowment Funds	389	-	389
<b>Total</b>	<b>\$ 389</b>	<b>\$ 34,486</b>	<b>\$ 34,875</b>

Endowment Net Assets - Beginning	\$	272	\$	29,886	\$	30,158
Contributions and Transfers		117		3,541		3,658
Investment Income		-		695		695
Net Appreciation (Depreciation)		-		1,418		1,418
Net Assets Released from Restrictions:		-		-		-
Amounts Appropriated for Expenditure		-		-		-
<b>Endowment Net Assets - Ending</b>	<b>\$</b>	<b>389</b>	<b>\$</b>	<b>34,486</b>	<b>\$</b>	<b>34,875</b>

## **FOUNDATION – ENDOWMENT – As of and for the Year Ended June 30, 2018**

At June 30, 2018, the Foundation’s endowment consisted of 230 individual funds, established for providing a future income stream for scholarships for University students, research and other uses for certain University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The Foundation has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board-approved investment policy.

The spending policy is to distribute 3% to 5% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board of Directors shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of the University and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows (*in thousands*):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ 6,446	\$ 23,440	\$ 29,886
Board-Designated Endowment Funds	272	-	-	272
<b>Total</b>	<b>\$ 272</b>	<b>\$ 6,446</b>	<b>\$ 23,440</b>	<b>\$ 30,158</b>
Endowment Net Assets - Beginning	\$ 103	\$ 5,542	\$ 22,053	\$ 27,698
Contributions and Transfers	169	9	1,387	1,565
Investment Income	-	1,238	-	1,238
Net Appreciation (Depreciation)	-	667	-	667
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(1,010)	-	(1,010)
<b>Endowment Net Assets - Ending</b>	<b>\$ 272</b>	<b>\$ 6,446</b>	<b>\$ 23,440</b>	<b>\$ 30,158</b>

## FOUNDATION – CONCENTRATIONS

Amounts in excess of \$250 thousand in one bank account are not insured by the FDIC or related entity. The Foundation has one bank account which exceeds the FDIC insured amount but is fully collateralized by the bank with federal Ginnie Mae securities. Additionally, the Foundation has significant investments in stocks and bonds, which are subject to the risk of market value fluctuation.

As of and for the year ended June 30, 2019, eighteen donors gave 68% of all contributions, and 73% of the unconditional promises to give are from five donors.

As of and for the year ended June 30, 2018, fourteen donors gave 50% of all contributions, and 69% of the unconditional promises to give are from five donors.

## FOUNDATION – PROMISES TO GIVE – As of and for the Year Ended June 30, 2019

Unconditional promises to give at year end consisted of the following (*in thousands*):

Colorado Mesa University Building Projects and Expansion	\$	1,199
Colorado Mesa University Departments and Clubs		190
Scholarships - Endowments		257,071
<b>Subtotal</b>	<b>\$</b>	<b>258,460</b>
Less discounts to net present value - Discount rate 2.32%		(28)
Less allowance for uncollectible promises receivable		(43)
<b>Total</b>	<b>\$</b>	<b>258,389</b>
Receivable in less than one year	\$	855
Receivable in one to five years		719
Receivables after five years		-
<b>Total</b>	<b>\$</b>	<b>1,574</b>

## FOUNDATION – PROMISES TO GIVE – As of and for the Year Ended June 30, 2018

Unconditional promises to give at year end consisted of the following (*in thousands*):

Unrestricted	\$	-
Colorado Mesa University Building Projects and Expansion		1,439
Colorado Mesa University Departments and Clubs		25
Scholarships - Endowments		324
Scholarships - Temporary		-
<b>Subtotal</b>	<b>\$</b>	<b>1,788</b>
Less discounts to net present value - Discount rate 2.52%		(18)
Less allowance for uncollectible promises receivable		(72)
<b>Total</b>	<b>\$</b>	<b>1,698</b>
Receivable in less than one year	\$	879
Receivable in one to five years		909
Receivables after five years		-
<b>Total</b>	<b>\$</b>	<b>1,788</b>

## FOUNDATION – RESTRICTIONS ON NET ASSETS – As of and for the Year Ended June 30, 2019

Net assets with donor restrictions at year end are as follows (*in thousands*):

With Donor Restrictions – Permanent Endowment		
Student Scholarship Endowments	\$	20,201
Research Endowments		2,016
Department Legacy Endowments		4,678
<b>Total</b>	<b>\$</b>	<b>26,895</b>
With Donor Restrictions – Temporary		
Accumulated expendable portion of investment income from student scholarship endowments	\$	7,590
Colorado Mesa University Building Projects and Expansion		1,108
Colorado Mesa University Departments and Clubs		3,597
Various other Student Scholarships or Grants		959
<b>Total</b>	<b>\$</b>	<b>13,254</b>

## FOUNDATION – RESTRICTIONS ON NET ASSETS – As of and for the Year Ended June 30, 2018

Permanently and temporarily restricted net assets at year end (*in thousands*):

Permanently restricted net assets are comprised of the following:	
Student Scholarship Endowments	\$ 15,843
Research Endowments	3,200
Department Legacy Endowments	3,010
<b>Total</b>	<b>\$ 22,053</b>
Temporarily restricted net assets are comprised of the following:	
Accumulated expendable portion of investment income from student scholarship endowments	\$ 6,446
Colorado Mesa University Building Projects and Expansion	1,356
Colorado Mesa University Departments and Clubs	2,854
Various other Student Scholarships or Grants	755
<b>Total</b>	<b>\$ 11,411</b>

## FOUNDATION – CAMPUS EXPANSION

CMU has plans to further expand the size of the university campus. The Foundation is assisting in the expansion by purchasing real estate or collecting monies to purchase real estate needed for the expansion. Colorado Mesa University Real Estate Foundation (CMUREF) a nonprofit that manages real estate for CMU also assists in the expansion. If the real estate closing is in the Foundation's name, The Foundation will quit claim the real estate to CMU or CMUREF for the purchase of real estate or to reimburse them for purchases that have already occurred. The Foundation transferred \$1.2 million (2019) and \$1.3 million (2018) to CMU and CMUREF during the fiscal year for building projects and expansion.

## FOUNDATION – RELATED PARTY

The University provides staff and office space for the Foundation. The value of this is not reflected on the statement of activities.

## FOUNDATION – RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance.

The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on

the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents.

The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have of the financial statements.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changes the current guidance for assets classification, governing board designations, investment returns, underwater endowment funds, expenses, liquidity, and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions.

ASU 206-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purpose of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit to disclose its interpretations of the ability to spend from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 required not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method of the indirect method.

ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provision of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the Year ending June 30, 2019.

## **FOUNDATION – LIQUIDITY AND AVAILABILITY**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support with donor restrictions; such support has historically represented approximately 87% of annual program funding needs, with the remainder funded by investment income with donor restrictions and appropriated earnings from gifts without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, scholarship, and other programmatic

expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term programmatic commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for management and general and fundraising expenses. Additionally, an amount that represents 50% of the anticipated programmatic expenses for the next year is made available.

<b>Financial Assets at Year End</b>	
Cash and Cash Equivalents	\$ 5,795
Investments	33,306
Unconditional Promises to Give	1,575
Accounts Receivables	5
Prepaid Program Expenses	130
Property Subject of Life Estate	508
<b>Total Financial Assets</b>	<b>\$ 41,319</b>
<b>Less Amounts not Available for Use within One Year</b>	
Unconditional Promises to Give	1,301
Permanently Restricted Portion of Endowment	26,895
Historical Earnings from Endowment Available not Anticipated to be Used	6,553
Property Subject to Life Estate	508
Private Equity Investment	313
<b>Total Financial Assets not Available for Use within One Year</b>	<b>\$ 35,570</b>
<b>Total Financial Assets</b>	
Expenditures within One Year	<b>\$ 5,749</b>

## COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

CMUREF is a separate 501(c)(3) corporation that was organized to receive, hold, invest and administer real and personal property, borrow money and to make expenditures to or for the benefit of the University. CMUREF may receive gifts of real and personal property that persons and entities wish to donate for the benefit of the University in support and furtherance of the University’s educational purposes. CMUREF may hold, maintain, improve, leverage, manage and lease such donated property in a manner consistent with donor intent until such time as CMUREF deems it advisable to convey, transfer or otherwise dispose of the property and then donate to support the University.

Under an operating agreement with the University, the parties generally intend to satisfy CMUREF’s need for financial capital by allowing CMUREF to retain a portion of proceeds on an approximate 20% CMUREF and 80% University sharing. In fiscal year 2019 and 2018, the University transferred \$1.6 million and \$1.9 million, respectively, to CMUREF for property acquisitions as part of the University’s expansion project and the Foundation made capital property transfers of \$1.5 million and \$2.0 million, respectively, to the University. See related party note below.



The following is an excerpt from the CMUREF’s Fiscal Year 2019 and 2018 independent annual financial reports.

### **CMUREF – LAND HELD FOR INVESTMENT AND OTHER LONG-TERM ASSETS**

The University contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6-year life (*in thousands*). As of June 30, 2019, the building is fully depreciated. The cost of the land held for investments plus development costs is \$880 thousand. The building cost is \$22 thousand less depreciation of \$22 thousand.

### **CMUREF – OPERATING LEASE COMMITMENTS**

CMUREF leases four commercial spaces in Grand Junction from the University to tenants under non-cancelable operating leases with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is remitted to the University.

CMUREF entered into a master lease with the University to rent six commercial spaces in the North Avenue Student Housing complex (NASH). CMUREF retains, as a management fee, rental income over \$15 per square foot. Terms of the leases range from five to ten years and rents range from \$17 to \$20 per square foot.

CMUREF has agreements with the University to lease other properties that are owned by the University. CMUREF has non-cancelable operating leases on these properties with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

CMUREF also leases land and a building it owns in Grand Junction, to tenants under non-cancelable operating leases, with terms of one to five years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

The rental income for the years ended June 30, 2019 and 2018 was \$600 thousand and \$527 thousand, respectively, of which CMUREF retained \$114 thousand and \$115 thousand, respectively, as a management fee.

Future minimum rentals and expected management fees to CMUREF are as follows (*in thousands*):

<b>For the Year Ending</b>	<b>Minimum Rentals</b>	<b>Minimum Expected Management Fees</b>
June 30, 2020	\$ 338	\$ 72
June 30, 2021	259	48
June 30, 2022	205	41
June 30, 2023	204	41
June 30, 2024	187	37
	<b>\$ 1,193</b>	<b>\$ 239</b>

### **CMUREF – CONCENTRATIONS AND RELATED PARTY**

At various times during the year, CMUREF maintained significant amounts of cash in a checking account with one financial institution. Such concentrations of cash may exceed the federally insured limits provided on such accounts. Management is aware of such exposure and is willing to accept the risks associated with the potential losses involved.

Approximately 90% of the CMUREF's support was received from the University. Another 4.7% of CMUREF's support was received from the Foundation. During the years ended June 30, 2019 and 2018, CMUREF received \$2.0 million and \$2.0 million, respectively, from the University and the Foundation that was used to acquire real estate properties in the surrounding area of the University, in order to grow and expand. See note above. Ownership of the acquired properties was conveyed back to the University in the amount of \$1.4 million and \$2.0 million.

The University provides staff and office space to perform the administrative functions of CMUREF; the value of these are not reflected on the Statement of Activities.

#### **CMUREF – RECENTLY ISSUED ACCOUNTING STANDARDS**

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance.

The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In November 2016, FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents.

The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have of the financial statements.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changes the current guidance for assets classification, governing board designations, investment returns, underwater endowment funds, expenses, liquidity, and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 206-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purpose of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit to disclose it interpretations of the ability to spend from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service

approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 required not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method.

ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provision of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the Year ending June 30, 2019.

### CMUREF – LIQUIDITY AND AVAILABILITY

The Organization receives significant revenue with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives management fees for servicing the rentals managed by the Organization; such support has historically represented the funding necessary to operate the general expenses of the Organization.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that future property purchases can be obtained.

The Organization’s Board of Directors (Board) meets periodically to review leases, rents, and future needs of Colorado Mesa University. Due to this timing, the Organization strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative and general, expenses plus an amount that represents any future purchase of property that is in process of closing.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial Assets at Year End	
Cash and Cash Equivalents	\$ 425
Rents Receivable	2
Plus-amount with timing restrictions available within one year	172
<b>Total Financial Assets Available within One Year</b>	<b>\$ 599</b>

### NOTE 11 - STUDENT FINANCIAL ASSISTANCE

The University receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the University dedicates institutional resources to fund scholarships and work-study programs for students. The tables below reflect the student financial assistance activities for which the University received resources for and expended on behalf of students during the years ended June 30, 2019 and 2018. Student loans, external scholarships, grants and other student financial assistance not recorded on the University’s financial system are not included.

A schedule of non-loan student assistance for the year ended June 30, 2019 follows (*in thousands*):

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	\$ -	\$ 7,456	\$ -	\$ 7,456
Federal Pell Grants	13,767	-	-	13,767
General Institutional Aid	-	-	11,625	11,625
Auxiliary	-	-	1,664	1,664
Other Federal Student Aid				
Work Study**	239	980	3,768	4,987
Federal SEOG	275	-	92	367
<b>Total</b>	<b>\$ 14,281</b>	<b>\$ 8,436</b>	<b>\$ 17,149</b>	<b>\$ 39,866</b>

\*\*Includes University student assist work study - not based on financial need.

A schedule of non-loan student assistance for the year ended June 30, 2018 follows (*in thousands*):

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	\$ -	\$ 6,734	\$ -	\$ 6,734
Federal Pell Grants	14,067	-	-	14,067
General Institutional Aid	-	-	10,372	10,372
Auxiliary	-	-	1,460	1,460
Other Federal Student Aid				
Work Study**	230	987	3,361	4,578
Federal SEOG	164	-	55	219
<b>Total</b>	<b>\$ 14,461</b>	<b>\$ 7,721</b>	<b>\$ 15,248</b>	<b>\$ 37,430</b>

\*\*Includes University student assist work study - not based on financial need.

## NOTE 12 - LEGISLATIVE APPROPRIATIONS

*Appropriated Funds:* The Colorado Legislature establishes spending authority for the Trustees of the University in its annual Long Appropriation Bill (the Long Bill). The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund (COF). In prior years and for fiscal years beginning on or after July 1, 2016, the general assembly annual appropriation of general fund moneys bill includes certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2019 and 2018, appropriated expenses were within spending authority. For the year ended June 30, 2019, long-bill appropriated state support was \$29.0 million, plus an additional \$741 thousand appropriated through SB 18-262, Higher Education Targeted Master Plan Funding and an additional \$300 thousand appropriated through SB 18-086 for cybersecurity technology, for a total of \$30.1 million. For the year ended June 30, 2018, the University had a total non-capital appropriation of \$26.0 million.

For the years ended June 30, 2019 and 2018, long-bill appropriated funds included \$15.9 million and \$14.6 million, respectively, from students that qualified for stipends from COF; \$13.6 million and \$11.3 million, respectively, as FFS contract revenue; and \$433 thousand and \$432 thousand, respectively, from limited gaming tax revenues pursuant to C.R.S. Section 12-47-1-701.5(3)(c)(I). In Fiscal Year 2019 and 2018, appropriations from cash funds included \$76.6 million and \$75.8 million for the students' share of tuition and mandatory fees. All other revenues represent non-appropriated funds and are excluded from the annual appropriations bill.

Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources. Appropriated expenses were \$82.1 million and \$79.7 million in Fiscal Years ended June 30, 2019 and 2018, respectively.

*Capital Construction State Appropriations:* In Fiscal Year 2019, the legislature appropriated \$557 thousand to fund an upgrade to HVAC controls in Lowell Heiny Hall. In Fiscal Year 2018, the legislature appropriated \$1.5 million to fund the final phase of the Electric Lineworker Building.

**NOTE 13 - TABOR ENTERPRISE STATUS**

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to all local governments and to the State of Colorado, including the University. On August 10, 2005, the Colorado State Auditor issued an opinion that the University meets the TABOR requirements and recommended that the Legislative Audit Committee approve them as a TABOR-exempt enterprise.

To qualify as a TABOR-exempt enterprise, a higher education institution needs to be a government-owned business authorized to issue its own revenue bonds that receives less than 10% of its revenue grants from all Colorado state and local governments combined. Designation is reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

The schedule below shows the University’s TABOR Enterprise state support calculation for Fiscal Year 2019 (*in thousands*):

<hr/>		
State and Local Government Grants		
State Capital Appropriation	\$	84
State PERA Support		379
State Share - Certificates of Participation (COPS)		1,480
Local Government Grants		712
Total State and Local Government Grants		<hr/> 2,655
Total Revenues and State share of COPS (gross operating, non-operating and other revenues and State share of COPS)	\$	158,440
		<hr/>
	<i>Ratio of State Grants to Total Revenues</i>	1.7%
<hr/>		

The schedule below shows the University’s TABOR Enterprise state support calculation for Fiscal Year 2018 (*in thousands*):

<hr/>		
State and Local Government Grants		
State Capital Appropriation	\$	176
State Share - COPS		1,194
Local Government Grants		726
Total State and Local Government Grants		<hr/> 2,096
Total Revenues and State share of COPS (gross operating, non-operating and other revenues and State share of COPS)	\$	145,250
		<hr/>
	<i>Ratio of State Grants to Total Revenues</i>	1.44%
<hr/>		

**NOTE 14 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES**

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 (*in thousands*):

<b>Coverage</b>	<b>Company</b>	<b>Limit \$</b>	<b>Deductible</b>
General liability	Hanover	\$ 2,000	\$ 1
Directors' and officers' liability	Hanover	2,000	10
Automobile liability	Hanover	1,000	1
Employment practices liability	Hanover	2,000	10
Employee benefits administration	Hanover	3,000	1
Employee dishonesty (Fidelity)	Hanover	300	1
Student professional liability	AIX Specialty	3,000	3
Sexual misconduct or molestation	Hanover	2,000	-
Commercial excess liability	Hanover	8,000	-
Workers compensation	Pinnacol	1,000	5
Boiler machinery breakdown	Hanover	included	25
Property - building	Hanover	478,745	25
Property - personal property	Hanover	64,288	25

The University became fully insured through several insurance companies in 2012 and is insured for everything above its reserve and deductible. The coverage for the year ended June 30, 2019 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverage.

**NOTE 15 – SUBSEQUENT EVENT**

In October 2019, the Board authorized the University to issue Series 2019C bonds to advance refund certain Series 2012A, 2012B and 2016; and, possibly 2013 and 2019B bonds, if market conditions warrant. The goal of the refunding is to achieve a minimum present value savings of 6% on a maturity by maturity basis. The market sale would occur when the University is confident it can achieve these savings, likely before the end of calendar year 2019.

REQUIRED SUPPLEMENTARY INFORMATION

**COLORADO MESA UNIVERSITY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For the Years Ended June 30,

	2019*	2018*	2017*	2016*	2015*
University's proportion of the net pension liability	0.4834%	0.4929%	0.4926%	0.4905%	0.4917%
University's proportionate share of the net pension liability	\$ 55,004,497	\$ 98,661,537	\$ 90,474,883	\$ 51,652,554	\$ 46,250,520
University's covered payroll	\$ 14,524,040	\$ 14,384,933	\$ 13,187,958	\$ 12,658,750	\$ 12,549,395
University's proportionate share of the net pension liability as a percentage of its covered payroll	378.71%	685.87%	686.04%	408.04%	368.55%
Plan fiduciary net position as a percentage of the total pension liability	55.10%	43.20%	42.60%	56.10%	56.84%

\* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2018, 2017, 2016, 2015, and 2014 (the plan's measurement periods) occurring within the University's fiscal years ended June 30, 2019, 2018, 2017, 2016, and 2015 in accordance with Governmental Accounting Standards Board Statement No. 68 and 82, *Accounting and Financial Reporting for Pensions* .



**COLORADO MESA UNIVERSITY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF UNIVERSITY CONTRIBUTIONS TO THE PERA DEFINED BENEFIT PENSION PLAN  
 For the Years Ended June 30,

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	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,935,354	\$ 2,873,141	\$ 2,815,953	\$ 2,506,149	\$ 2,372,914
Contributions in relation to the contractually required contribution	\$ (2,935,354)	\$ (2,873,141)	\$ (2,815,953)	\$ (2,506,149)	\$ (2,372,914)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,198,998	\$ 14,559,702	\$ 13,410,752	\$ 12,786,325	\$ 12,537,485
Contributions as a percentage of covered payroll	20.67%	19.73%	21.00%	19.60%	18.93%

**COLORADO MESA UNIVERSITY**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
As of and for the year ended June 30, 2019

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**Changes in benefit terms and actuarial assumptions – Net Pension Liability**

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 7.5% 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 the pension plan compared to the prior year.

**COLORADO MESA UNIVERSITY**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY**  
**For the Year Ended June 30, \***

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	<u>2019</u>	<u>2018</u>
University's proportion of the net other post-employment benefit liability	0.1647%	0.1687%
University's proportionate share of the net other post-employment benefit liability	\$ 2,240,739	\$ 2,192,392
University's covered payroll	\$ 14,673,712	\$ 14,729,991
University's proportionate share of the net other post-employment benefit liability as a percentage of its covered payroll	15.27%	14.88%
Plan fiduciary net position as a percentage of the total other post-employment benefit liability	17.03%	17.53%

\* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2018 and 2017 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2019 and 2018 in accordance with Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* .

**COLORADO MESA UNIVERSITY**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF UNIVERSITY CONTRIBUTIONS TO PERA DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN**  
For the Year Ended June 30,

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	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 146,322	\$ 150,246
Contributions in relation to the contractually required contribution	\$ (146,322)	\$ (150,246)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,345,321	\$ 14,729,991
Contributions as a percentage of covered payroll	1.02%	1.02%

**COLORADO MESA UNIVERSITY**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
As of and for the year ended June 30, 2019

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**Changes in benefit terms and actuarial assumptions – Net OPEB Liability**

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.

SUPPLEMENTAL INFORMATION SECTION

**COLORADO MESA UNIVERSITY**  
**Enterprise Revenue Bonds Schedules of Revenues and Expenditures**  
For the years ended June 30, *(in thousands)*

	2019	2018
<b>Pledged Revenues</b>		
Pledged tuition revenue	\$ 8,759	\$ 8,455
Residence halls and apartments	15,414	13,613
Food services	9,997	9,288
University center	3,168	3,017
Bookstore	3,582	3,611
Recreation center	2,166	2,129
Campus parking	818	821
Continuing education	282	228
MAVcard	254	195
Central services	2,499	2,872
Student fee revenue	1,407	1,376
Indirect Cost Recoveries	94	200
Math and Science Center Pledge	637	715
<i>Total Pledged Revenues</i>	49,075	46,520
<b>Operating Expenses</b>		
Residence halls and apartments	5,941	6,093
Food services	6,117	5,905
University center	1,070	1,041
Bookstore	3,964	3,308
Recreation center	1,614	1,605
Campus parking	319	387
Continuing education	496	613
MAVcard	125	101
Central services	798	1,365
<i>Total Operating Expenses</i>	20,441	20,417
<i>Net Revenue Before Transfers</i>	28,635	26,103
<b>Transfers</b>		
Mandatory transfers	(12,607)	(14,223)
Net Non-mandatory transfers	(2,051)	(4,375)
<i>Total Transfers</i>	(14,658)	(18,598)
<i>Net Revenue</i>	\$ 13,976	\$ 7,505
<b>Debt Service Coverage</b>		
Net operating revenue	\$ 28,635	\$ 26,103
Bond principal and interest	12,607	14,223
<i>Excess of Net Operating Revenue Over Debt Service</i>	\$ 16,027	\$ 11,880
<b>Debt Service Coverage Ratio</b>	227%	184%



**INDEPENDENT AUDITOR'S 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:  
Denver, Colorado

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 aggregate discretely presented component units of Colorado Mesa University (the University); an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 6, 2019. The financial statements of Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, discretely presented component units of the University, as of and for the years ended June 30, 2019 and 2018 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors. The financial statements of the discretely presented component units, Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. 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. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Dalby Wendland & Co. P.C." in a cursive script.

DALBY WENDLAND & CO., P.C.  
Grand Junction, Colorado

December 6, 2019



## AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University) for the year ended June 30, 2019, and have issued our report thereon dated December 6, 2019. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Colorado Mesa University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. 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 our engagement letter to you dated May 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **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. As described in Note 6 to the financial statements, the University adopted new accounting policies related to adopting Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, in 2019. 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 financial statements were:

- Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of June 30, 2019 and 2018 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 8 to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar years 2019 and 2018 relative to the total contributions made to the SDTF by participating employers for the calendar years 2019 and 2018.
- Management's estimate of the net Other Post-Employment Benefits (OPEB) liability is based on the estimate of the University's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 of the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit

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OPEB plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 9 to the University's financial statements. The University's proportion of the HCTF's net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2019 and 2018 relative to the total contributions made to the HCTF by participating employers for the calendar years 2019 and 2018.

- Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of depreciation expense is based on their evaluation of the useful lives of property and equipment. We evaluated the key factors and assumptions used to determine the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

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

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during the audit.

#### **Disagreements with Management**

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

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 6, 2019.

#### **Management Consultations with Other Independent Accountants**

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

#### **Other Audit Findings or Issues**

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

**Other Matters**

We applied certain limited procedures to the management’s discussion and analysis, the schedule of the University’s Proportionate Share of the Net Pension Liability of the State Division Trust Fund– a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees’ Retirement Association (PERA), the schedule of University contributions to the State Division Trust Fund– a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees’ Retirement Association (PERA), the schedule of the University’s proportionate share of the net other post-employment benefit liability and the schedule of University Contributions to the PERA Defined Other Post-Employment Benefit Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenue and expenses for enterprise revenue bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

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

Sincerely,



DALBY WENDLAND & CO., P.C.  
Grand Junction, Colorado

December 6, 2019

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS SECTION

**COLORADO MESA UNIVERSITY**  
**STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
For the year ended June 30, 2019

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**Introduction**

Colorado Mesa University (the University) is a state-supported institution of higher education located in Grand Junction, Colorado.

The financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2019, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2019.

**State-Funded Student Assistance Programs**

The various State-funded student assistance programs at the University include the Colorado Need Based Grant Program, the Colorado Work Study Program, the Colorado Merit Aid, the Colorado Graduate Grant and the Colorado Career and Technical Education Grant.

The State-funded student assistance awards made by the University totaled approximately \$8,439,000 for the fiscal year ended 2019.

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

During the audit period, the University obtained authorizations to award Colorado student financial aid funds of approximately \$7,083,000 under the Need Based Grant Program, \$269,000 under the Colorado Merit Scholarship, and \$982,000 under the Colorado Work Study Program.



DALBY, WENDLAND & CO., P.C.

Grand Junction

*CPAs and Business Advisors*

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**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF  
APPROPRIATIONS, EXPENDITURES, TRANSFERS, 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 Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Colorado Mesa University (the University) for the year ended June 30, 2019. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

**Management's Responsibility for the Statement**

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2018-19 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for 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.

**Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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.

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## **Opinion**

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2019, in accordance with the format as set forth in the *2018-19 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note A to the Statement.

## **Basis of Accounting**

We draw attention to Note A to the Statement, which describes the basis of accounting. As described in Note A to the Statement, the Statement prepared by the University was prepared in accordance with the *2018-2019 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. 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.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have issued our report dated December 6, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## **Restriction on Use**

This report is intended solely for the information and use of the Legislative Audit Committee, the University's Board of Trustees, and management of the University, the Colorado Department of Higher Education, and the Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties.



DALBY WENDLAND & CO., P.C.  
Grand Junction, Colorado

December 6, 2019



**STATE OF COLORADO  
 COLORADO MESA UNIVERSITY  
 STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS  
 YEAR ENDED JUNE 30, 2019**

	Total State-Funded Student Assistance	Colorado Need-Based Grant	Colorado Graduate Grant	Colorado Merit	CTE Grant	Colorado Work-Study
Appropriations:						
Original	\$ 8,438,853	\$ 7,173,823	\$ 10,323	\$ 268,323	\$ 4,648	\$ 981,736
Supplemental	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
TOTAL	<u>8,438,853</u>	<u>7,173,823</u>	<u>10,323</u>	<u>268,323</u>		<u>981,736</u>
Expenditures	<u>8,436,443</u>	<u>7,173,823</u>	<u>10,323</u>	<u>268,323</u>	<u>2,250</u>	<u>981,724</u>
Reversions to State General Fund	\$ 2,410	\$ -	\$ -	\$ -	\$ 2,398	\$ 12

**COLORADO MESA UNIVERSITY**  
STATE –FUNDED STUDENT FINANCIAL ASSISTANCE  
PROGRAMS NOTES TO STATEMENT OF  
APPROPRIATIONS,  
EXPENDITURES, TRANSFERS, AND REVERSIONS

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Colorado Mesa University (the University) is governed by the University’s Board of Trustees.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2018-2019 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year-ended June 30, 2019. Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

**Basis of Accounting**

The University’s accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

All student aid is expensed on a cash basis except for the Colorado Work Study (CWS) Program. The CWS is on the accrual basis in that the expense is recognized when students earn their wages from employment positions funded by CWS.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,  
TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT  
FINANCIAL ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

Members of the Legislative Audit Committee:  
Denver, Colorado

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 statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs (the Statement) of Colorado Mesa University (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2019, and the related notes to the Statement, and have issued our report thereon dated December 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Statement, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, 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. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Dalby Wendland & Co. P.C." in a cursive script.

DALBY WENDLAND & CO., P.C.  
Grand Junction, Colorado

December 6, 2019

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