UNIVERSITY OF COLORADO

2015 ANNUAL FINANCIAL REPORT

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ABBREVIATIONS AND ACRONYMS

18^{th} Avenue	18^{th} Avenue, LLC
33^{rd} Street	33rd Street, LLC
457	PERA Deferred Compensation Plan
AED	Amortization Equalization Disbursement
AHEC	Auraria Higher Education Center
AMP	Alternate Medicare Plan
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act
Children’s Colorado	Children’s Hospital Colorado Association
COF	College Opportunity Fund
C.R.S.	Colorado Revised Statutes
CU Anschutz Medical Campus	University of Colorado Anschutz Medical Campus
CU-Boulder	University of Colorado Boulder
CU Denver	University of Colorado Denver
CU Foundation	University of Colorado Foundation
CU UK	University of Colorado UK Foundation Limited
CUREF	University of Colorado Real Estate Foundation
CVA	Campus Village Apartments
DPCU	Discretely Presented Component Units
ERIP	Early Retirement Incentive Program
Foothills	Foothills Medical Office Building, LLC
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HCTF	Health Care Trust Fund
HDS	Housing and Dining Services
Hospital Authority	University of Colorado Hospital Authority
LHV LLC	Land Holdings Venture, LLC
OPEB	Other Postemployment Benefits
ORP	Optional Retirement Plan
PDPA	Public Deposit Protection Act
PERA	Public Employees’ Retirement Association of Colorado
PERA DC Plan	PERA Defined Contribution Retirement Plan
PHV LLC	Partnership Holdings Venture, LLC
Regents	Board of Regents
S&P	Standard and Poor’s
SAED	Supplemental Amortization Equalization Disbursement
SDTF	State Division Trust Fund
SEC	Securities and Exchange Commission
SEEC	Sustainability, Energy and Environment Complex
SOM	School of Medicine
State	State of Colorado
Surgery Center	Children’s Hospital North Surgery Center, LLC
TABOR	Taxpayer’s Bill of Rights
TriWest	TriWest Healthcare Alliance Corp.
Trust	University of Colorado Health and Welfare Trust
TWE	The Wildlife Experience
UAAL	Unfunded Actuarial Accrued Liability
UCCS	University of Colorado Colorado Springs
ULEHI	University License Equity Holding, Inc.
University	University of Colorado
UPI	University Physicians, Inc.

The University of Colorado, Board of Regents, September 2015

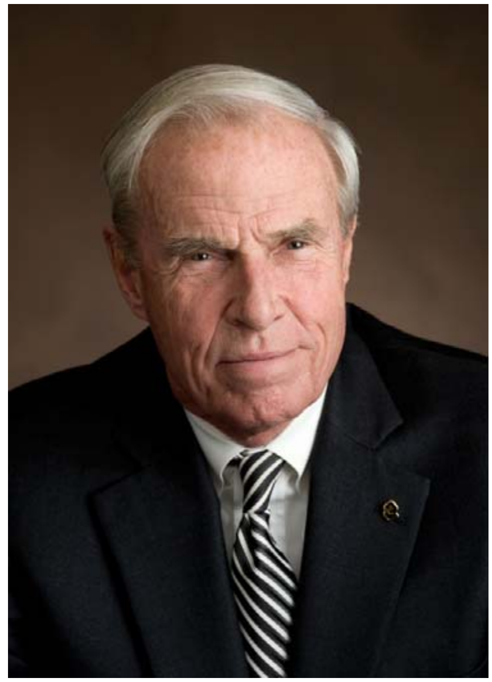
Seated left to right:

Linda Shoemaker, District 2; Chairman Kyle Hybl, District 5; Vice Chair Irene Griego, District 7; Sue Sharkey, District 4

Standing left to right:

Glen Gallegos, District 3; Steve Bosley, Regent at Large; Stephen Ludwig, Regent at Large; Michael Carrigan, District 1; John Carson, District 6

FROM THE PRESIDENT



Since its founding in 1876, the mission of the University of Colorado has been to serve Colorado, the nation and the world through leadership in education, public service, research and knowledge, and health care. Indeed, the University has contributed to wide-ranging growth in community, health, progress and exploration for nearly 140 years.

We have successfully navigated difficult financial times, although there may be more to come. Yet, the University will not waver from its mission, its core values or quality of education. The University will remain financially healthy by continuing to diversify and create more revenue streams, whether through contributions by individuals, foundations and corporations, or capitalizing on our investments.

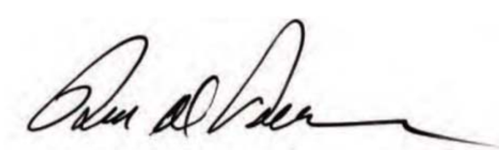
The University also will diligently seek efficiencies throughout the system. Since I became president in 2008, we have streamlined processes and bureaucracy, and in 2010, we worked with the Legislature to allow us to opt out of the state procurement system. Through the creation of the University of Colorado Health and Welfare Trust, the University has saved $6.3 million annually. Those and many more efficiencies have led to tens of millions of dollars in savings. (www.cu.edu/cu-efficiencies)

As this report shows, our primary funding streams have grown as we continue to increase revenue resources and improve on our efficiencies. For the year that ended June 30, 2015, the University's financial activities resulted in a current-year increase in net position of more than $170 million. We are in this position because we have taken active steps to ensure the financial health of the University.

The University continued to set new records in growth in Fiscal Year 2015: contributions totaled $375.4 million in support from individuals, foundations and corporations, a 19 percent increase over the year before; the University's endowment is $1.090 billion, up from $1.063 billion in Fiscal Year 2014; and the fall 2015 enrollment numbers, at 61,000, are up by some 2,000 students.

Our financial health is critical to ensuring that we meet our obligation to serve our students, state and nation. Accountability is important to the University and we will continue to share our progress in reports such as this and online at www.cu.edu/accountability.

Sincerely,



Bruce D. Benson
President

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2015 and 2014 financial statements of University Physicians, Inc. (UPI) a blended component unit, which represents approximately 7%, 15%, and 20.5%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2015 and 7%, 10%, and 20%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2014. In addition, we did not audit the 2015 and 2014 financial statements of the University of Colorado Foundation (CU Foundation) and the University of Colorado Real Estate Foundation (CUREF), which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units for 2015 and 2014. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for UPI, CU Foundation, and CUREF, 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 CU Foundation and CUREF, discretely presented component units, and UPI, a blended component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

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 of Colorado as of June 30, 2015 and 2014, 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 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the University. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Also as discussed in Note 1 to the financial statements, the University implemented the provision of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. June 30, 2014 financial statements were not restated for this change in accounting principle due to the fact information was not available to the University to restate net position as of July 1, 2013. 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 20 and the funding status of Other Post Employment Benefits and the Alternate Medicare Plan, the schedule of University's Proportionate Share of PERA Pension Liability, and the schedule of University's Contributions to PERA Pension on pages 75 through 76 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2015 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 3, 2015

Management is pleased to present this financial discussion and analysis of the University of Colorado (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open, accountable, and transparent manner. It provides an analysis of the University's position and results of operations for the years ended June 30, 2015 and 2014 (Fiscal Year 2015 and 2014, respectively), with comparative information for the year ended June 30, 2013. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Net Position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at a point in time (June 30, 2015 and 2014). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, and investors; and a picture of net position and the availability of assets for expenditure by the University.

Statements of Revenues, Expenses, and Changes in Net Position present the total revenues and expenses of the University for operating, nonoperating, and other undertakings during the fiscal years ended June 30, 2015 and 2014. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows present cash receipts and payments of the University during the fiscal years ended June 30, 2015 and 2014. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

Notes to the Financial Statements present additional information to support the financial statements and are commonly referred to as "Notes." Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

Required Supplementary Information (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 funding status of other postemployment benefits and the Alternate Medicare Plan, schedules of the University's proportionate share of the Public Employee's Retirement Association (PERA) pension liability and contributions to the PERA pension, as well as this management's discussion and analysis.

It is important to combine this financial analysis and discussion with relevant nonfinancial indicators to assess the overall state of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this analysis but may be obtained from the University's Budget and Finance Office (see www.cu.edu/budgetpolicy).

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2015 include:

- University assets total $6,155,709,000, deferred outflows of resources (representing loss on bond refundings and PERA pension) total $106,580,000, liabilities total $3,781,949,000, and deferred inflows total $7,317,000 (related to the PERA pension) resulting in net position of $2,473,023,000. Of this amount, $1,762,302,000 is the net investment in capital assets, $58,390,000 is restricted for nonexpendable purposes, meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $423,933,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining unrestricted balance is available to be used to meet the University's ongoing financial obligations.

- As discussed in Note 1, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68) effective, July 1, 2014, which was the first day of Fiscal Year 2015. As allowed by Statement No. 68, the University elected to adopt this standard as a cumulative effect in the Fiscal Year 2015 column. As a result, Fiscal Year 2014 balances were not impacted. Fiscal Year 2015 reflects the impact of the adoption, including a one-time decrease to unrestricted net position of $989,588,000 and varied increases to operating expense categories (See Note 1).

- In total, operating revenues increased approximately 7.4 percent in Fiscal Year 2015 while operating expenses increased 8.0 percent. For comparative purposes, operating revenues increased 7.0 percent in Fiscal Year 2014 while operating expenses increased 7.5 percent.

STATEMENT OF NET POSITION

Figure 1 illustrates the University's summary of net position. The mix of assets, liabilities, and net position has remained consistent, with the exception of deferred outflows and inflows of resources and the new net pension liability. The deferred outflows of resources of $57,286,000 in Fiscal Year 2015, $34,882,000 in Fiscal Year 2014 and $39,407,000 in Fiscal Year 2013 represent the deferred loss on bond refundings. In addition, in Fiscal Year 2015, the deferred outflows of resources and deferred inflows of resources sections include items related to the PERA pension whose liability was recorded due to the implementation of Statement No. 68 (See Note 1). The University's proportionate share of the net pension liability was $1,060,337,000 in Fiscal Year 2015. The change in net capital asset composition is related to ongoing capital-related activity. Analysis of the University's capital assets and related debt is included in the section Capital Asset and Debt Management, whereas this section provides analysis of the University's noncapital assets and other liabilities.

Figure 1. Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position as of June 30, 2015, 2014, and 2013 *(in thousands)*

	2015	2014	2013
Assets			
Current assets	$ 770,484	669,237	636,454
Noncurrent, noncapital assets	2,178,541	2,088,126	1,816,409
Net capital assets	3,206,684	2,884,916	2,713,849
Total Assets	**6,155,709**	**5,642,279**	**5,166,712**
Deferred Outflows			
Loss on bond refundings	57,286	34,882	39,407
PERA pension-related	49,294	-	-
Total Deferred Outflows	**106,580**	**34,882**	**39,407**
Total Assets and Deferred Outflows	**6,262,289**	**5,677,161**	**5,206,119**
Liabilities			
Current liabilities	635,057	559,364	519,960
Noncurrent liabilities	3,146,892	1,825,675	1,663,597
Total Liabilities	**3,781,949**	**2,385,039**	**2,183,557**
Deferred Inflows			
PERA pension-related	7,317	-	-
Total Deferred Inflows	**7,317**	**-**	**-**
Total Liabilities and Deferred Inflows	**3,789,266**	**-**	**-**
Net Position			
Net investment in capital assets	1,762,302	1,633,209	1,579,724
Restricted for nonexpendable purposes	58,390	32,861	32,861
Restricted for expendable purposes	423,933	448,402	390,116
Unrestricted	228,398	1,177,650	1,019,861
Total Net Position	**2,473,023**	**3,292,122**	**3,022,562**
Total Net Position and Liabilities and Deferred Inflows	**$ 6,262,289**	**5,677,161**	**5,206,119**

The University's investments were $2,461,486,000 and $2,305,328,000 at June 30, 2015 and 2014, respectively, representing an increase of $156,158,000. The University maximizes earnings through an internal pooling program and targeted rates of returns. The University has leveraged the investment portfolio and earning power while ensuring security and liquidity requirements are also met. The increase in investments in Fiscal Year 2015 was primarily due to normal fluctuations in balances such as changes in fair value and reallocation between funds held in cash versus those invested.

The University's investments were $2,305,328,000 and $2,044,486,000 at June 30, 2014 and 2013, respectively, representing an increase of $260,842,000. The increase was primarily due to an increase in net position of $269,560,000 (resulting in additional funds available for investing), and an increase in unrealized gains of $131,628,000.

The increase in net accounts and loans receivable from Fiscal Year 2014 to Fiscal Year 2015 of $7,993,000 was primarily due to the sale of the remaining property parcel at 9th and Colorado campus. The increase from Fiscal Year 2013 to Fiscal Year 2014 of $40,870,000 was due to sponsored projects revenues, the contractual PAC-12 distribution to Athletics, pollution remediation from September 2013 flooding, and University Physicians, Inc. (UPI) operations.

The University's non-debt-related liabilities were $2,074,319,000, $876,142,000 and $778,453,000 at June 30, 2015, 2014 and 2013, respectively. These liabilities are comprised of amounts categorized in Figure 2.

Figure 2. Composition of Non-debt-related Liabilities as of June 30, 2015, 2014, and 2013 *(in thousands)*

	2015	2014	2013
Accounts payable	$ 124,379	96,054	89,397
Accrued expenses	228,898	215,932	189,380
Compensated absences	182,404	166,505	157,540
Other postemployment benefits	241,779	195,587	165,393
Net pension	1,060,337	-	-
Unearned revenue	153,682	123,661	116,408
Alternate medicare plan	9,900	8,200	6,700
Early retirement incentive program	9,102	10,851	6,245
Risk financing	25,155	23,294	17,795
Construction contract retainage	17,878	10,502	6,036
Funds held for others	17,026	16,102	16,707
Miscellaneous liabilities	3,779	9,454	6,852
Total Non-debt-related Liabilities	**$ 2,074,319**	**876,142**	**778,453**

The largest categories of non-debt-related liabilities are accrued expenses, compensated absences, other postemployment benefits (OPEB), the net pension liability and unearned revenue. Accrued expenses primarily represent salaries and benefits earned by University employees, primarily for June payroll, but not paid as of fiscal year end. This balance will vary depending upon the timing of payment of bi-weekly payrolls.

Compensated absences and OPEB estimate the amount payable to employees in the future for their vested rights under the University's various leave and retirement programs. This estimate is based on personnel policies that define the amount of vacation, sick leave, and other postemployment benefits to which each employee may be entitled (Note 1). Compensated absences typically increase year-over-year as employees accrue additional vacation days and salaries change.

The University is required to account for and report on OPEB (Note 7). Such benefits include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be recorded for the cumulative difference between the annual OPEB cost and the employer's contribution to fund the obligation. The University has chosen to fund this liability on a pay-as-you-go basis rather than fund the annual OPEB cost. The unfunded actuarial liability, as determined by the University's actuary, is $523,409,000 as of July 1, 2014 and $406,782,000 as of July 1, 2012. The unfunded actuarial liability represents the excess of the actuarial accrued liability (the obligation for benefits earned) over the actuarial value of assets. As noted earlier, the University has elected not to fund this liability; therefore, there are no assets held in trust to pay future benefits, which have been earned by employees. Currently, Generally Accepted Accounting Principles (GAAP) do not require the unfunded actuarial liability amount to be reflected in the financial statements and the liability is, therefore, not included in Figure 2. GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* issued June 2015 and effective for Fiscal Year 2018 requires the full recognition of the liability to employees for OPEB. Therefore, the existence and amount of this balance should be considered in determining future resource demands on the University.

As noted in Figure 2, the liability required to be reported in the financial statements totaled $241,779,000 in Fiscal Year 2015, an increase of $46,192,000, and the liability for OPEB totaled $195,587,000 in Fiscal Year 2014, an increase of $30,194,000. This increase is primarily due to the annual required contribution of $65,667,000 and $49,553,000 offset by pay-as-you-go amounts of approximately $13,623,000 and $12,529,000 for Fiscal Year 2015, and Fiscal Year 2014, respectively. The remaining increase is detailed in Table 7.2 contained in Note 7 to the financial statements.

As discussed earlier, the University adopted the provisions of GASB Statement No. 68 effective July 1, 2014. As PERA did not provide the necessary information to restate the Fiscal Year 2014 financial statements, the impact of this adoption is reflected as a cumulative effect as of the beginning of Fiscal Year 2015. As such, no Fiscal Year 2014 balances, whether in this Management's Discussion and Analysis (MD&A), or the audited financial statements reflect the impact of Statement No. 68.

As discussed in Note 15, the University participates in the statewide PERA cost-sharing defined benefit pension plan. Statement No. 68 requires the University to record its "proportionate share" of PERA's net pension liability. The University has no legal requirement to pay this liability in the event of insolvency nor does it have the ability to determine the employer or employee annual contributions. The liability cannot be prepaid. Per PERA's Fiscal Year 2014 Comprehensive Annual Financial Report, PERA's net pension liability for the state division in which the University participates is $9,406,514,000. The University's "proportionate share" based on calendar 2014 contributions is $1,060,337,000. While the recording of the net pension liability increased total liabilities, decreased unrestricted net position, and increased pension expense, associated cash flow out of the University remains fixed by the contribution levels set in state statute. Absent significant changes in the plan, its actuarial assumptions, or its returns, the net pension liability recorded by the University in Fiscal Year 2016 is expected to be similar to the Fiscal Year 2015 balance.

Unearned revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors for which the University has not met all of its requirements for revenue recognition (Note 8). These amounts will be recognized as revenue in future periods after all conditions have been satisfied. The unearned revenue balance fluctuates from year to year depending on factors such as the timing of the first day of classes and the rate of spending on grants and contracts in which payment has been received in advance.

The University's net position may have restrictions imposed by external parties, such as donors, or include items that, by their nature are invested in capital assets (property, plant, and equipment) and are therefore not available for expenditure or debt repayment. To help understand these restrictions, the University's net position is shown in four categories, as displayed in Figure 1.

A portion of net position is restricted for either expendable or nonexpendable purposes. This portion is then more specifically delineated by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net position. A nonexpendable restriction requires the original principal to be set aside for perpetual investment (as an endowment). The majority of the endowment assets benefiting the University are held by the University of Colorado Foundation (CU Foundation), which is a discretely presented component unit (Note 17) and not included in the above amounts. An expendable restriction allows the University to spend the full amount, but only for the purposes identified by the entity providing the money. Unrestricted net position, as defined by GAAP, is available for spending for any lawful purpose under the full discretion of management. However, the University has placed internal limitations on future use by designating unrestricted net position for certain purposes in keeping with management's plans to manage resources (Note 11).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Figure 3 illustrates the University's summary of revenues, expenses, and changes in net position. A key component of this summary is the differentiation of operating and nonoperating activities. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues/expenses include items determined to not fall in the operating category.

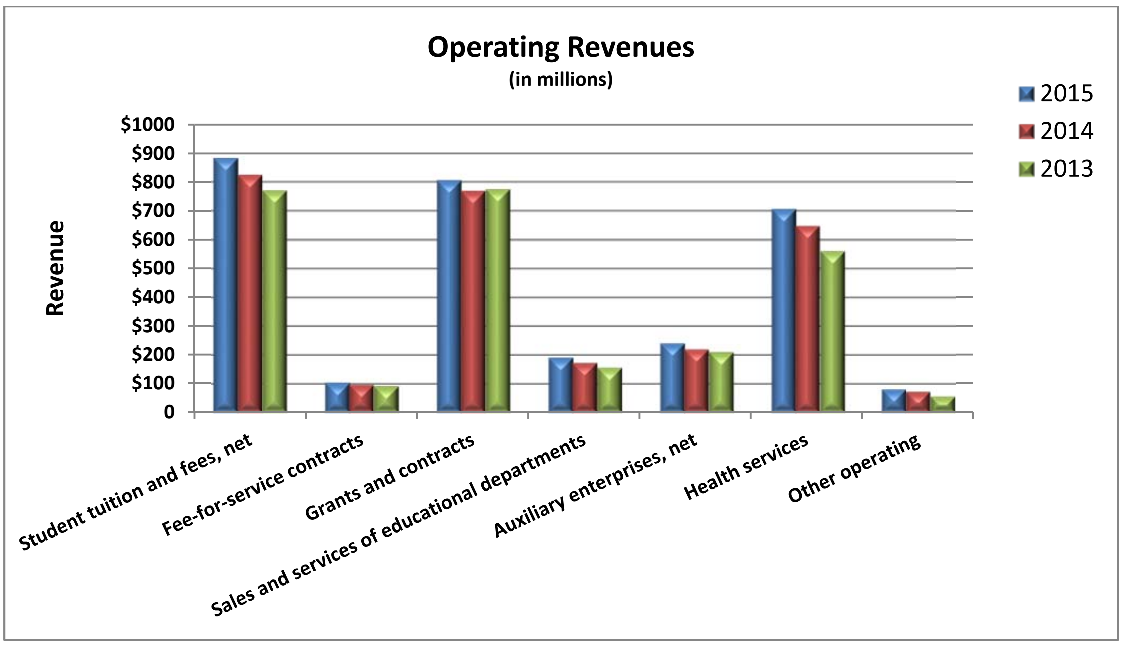
Figure 3. Summary of Revenues, Expenses, and Changes in Net Position for Years Ended June 30, 2015, 2014, and 2013 *(in thousands)*

	2015	2014	2013
Operating revenues	$ 3,018,930	2,811,353	2,628,120
Operating expenses	3,174,697	2,937,220	2,731,247
Operating Loss	**(155,767)**	**(125,867)**	**(103,127)**
Nonoperating revenues, net	217,013	361,916	264,642
Income Before Other Revenues	**61,246**	**236,049**	**161,515**
Other revenues	109,243	33,511	56,344
Increase in Net Position	**170,489**	**269,560**	**217,859**
Net Position, beginning of year	3,292,122	3,022,562	2,804,703
Cumulative effect of adoption of new accounting principle	(989,588)	-	-
Net Position, beginning of year, as restated	2,302,534	3,022,562	2,804,703
Net Position, End of Year	**$ 2,473,023**	**3,292,122**	**3,022,562**

Figure 4 provides an illustration of gross operating and nonoperating revenues by major sources excluding capital-related revenues. These sources include both State-appropriated and non-appropriated funds (Note 12). In Fiscal Year 2015, appropriated funds primarily included State of Colorado (State) stipends, fee-for-service contract revenues, and tobacco litigation settlement monies. The College Opportunity Fund (COF) provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. The Fiscal Year 2015, 2014 and 2013 State budgets specifically excluded student tuition and fees from appropriated funds. In November 1992, 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 the local governments and the State of Colorado, including the University. In Fiscal Year 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the Colorado Revised Statutes that an institution of higher education may be designated as an "enterprise" for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenue in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any provisions of TABOR. In July 2005, the University's Board of Regents (the Regents) designated the University as a TABOR enterprise pursuant to the statute. During the Fiscal Years ended June 30, 2015 and 2014, the University believes it has met all requirements of TABOR enterprise status (Note 12). The amount of State grants received by the University was 1.12 percent and 1.05 percent of total annual revenues during the Fiscal Years ended June 30, 2015 and 2014, respectively. The ability of the Regents to increase tuition rates is limited by the State, although the University's operations no longer impact the State's TABOR spending limits due to the University's enterprise status.

Figure 4. Operating and Nonoperating Revenues (Excluding Capital) for Years Ended June 30, 2015, 2014, and 2013 *(in thousands)*

		2015	2014	2013
Operating Revenues				
Student tuition and fees, net	$	884,810	826,104	771,692
Fee-for-service contracts		104,745	97,445	92,901
Grants and contracts		807,092	770,282	776,414
Sales and services of educational departments		191,520	173,912	157,437
Auxiliary enterprises, net		241,415	220,771	211,151
Health services		707,198	648,768	561,249
Other operating		82,150	74,071	57,276
Total Operating Revenues		**3,018,930**	**2,811,353**	**2,628,120**
Nonoperating Revenues				
Federal Pell Grant		48,513	46,355	44,754
State appropriations		13,008	13,720	14,172
Gifts		142,176	116,693	101,439
Investment income, net		34,680	226,570	130,685
Royalty income, net		2,873	2,560	7,718
Other nonoperating, net		8,408	6,784	6,690
Total Nonoperating Revenues		**249,658**	**412,682**	**305,458**
Total Noncapital Revenues	**$**	**3,268,588**	**3,224,035**	**2,933,578**



The University experienced increases in all operating revenue sources in Fiscal Year 2015. The increases in tuition and fee revenue for Fiscal Years 2015 and 2014 reflect a combination of changing enrollment and rate increases. In Fiscal Year 2015, approved tuition rates increased 3.3 percent at the University of Colorado Boulder (CU-Boulder), 3.2 percent at the University of Colorado Colorado Springs (UCCS), and 3.5 percent at the University of Colorado Denver (CU Denver). In Fiscal Year 2014, the increases were 8.7 percent, 6.0 percent, and 6.0 percent, respectively.

At the University of Colorado Anschutz Medical Campus (CU Anschutz Medical Campus), the increase to approved tuition rates ranged from 0 percent to 36.0 percent in Fiscal Year 2015, and ranged from 0 percent to 14.8 percent in Fiscal Year 2014.

In Fiscal Years 2015, 2014 and 2013, the University applied $62,353,000, $52,810,000 and $50,941,000, respectively; of COF stipends against student tuition bills, (these amounts are included in tuition revenues). Fee-for-service revenue from the State increased $7,300,000 between Fiscal Year 2015 and 2014, and $4,544,000 between Fiscal Year 2014 and 2013, due to the State budget.

Consistent with the University's goal to increase its focus and national role as a comprehensive research institution, one of the two largest sources of revenue for the University continues to be grants and contracts revenue, which includes funding from federal, state, and local governments, and private sources. Grants and contracts revenue from the federal government represents 79 percent, 81 percent and 82 percent of total grants and contract revenue for Fiscal Year 2015, 2014 and Fiscal Year 2013, respectively. These funds can only be used for the purpose given and have increased in Fiscal Year 2015 due to increased Federal Sponsored Project awards and decreased in Fiscal Year 2014 due to the national decline of available federal funding for research and the American Recovery and Reinvestment Act (ARRA) projects ending. These grants also provide necessary funding for the administrative functions and facilities that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2015, 2014 and 2013, the University received $162,766,000, $156,916,000 and $161,868,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges portions of this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues, thus creating a reliance on continued federal research funding.

The increase to auxiliary enterprise revenues in Fiscal Year 2015 is due to the addition of food services, catering, coffee shops, resident hall dining, housing room and board, increased Bookstore revenue and increased Athletics revenue. At CU-Boulder, revenues at Housing & Dining Services (HDS) increased due to a 4.5 percent increase to room & board rates, coupled with the addition of 440 beds, which was an approximate 6.8 percent increase to inventory after the renovation of Baker Hall in the prior academic year. Additionally, HDS experienced strong increases in both walk-in and block meal plan sales. These factors all contributed to HDS's 9.6 percent increase in auxiliary revenues. The revenue increase for Athletics was entirely due to increases in the Pac-12 Conference distributions. Fiscal Year 2015 was the initial year for the College Football Playoff, which brought the University's share of postseason football revenues to almost $5 million compared to approximately $2 million in Fiscal Year 2014. The increase in auxiliary enterprises revenue is also due to the addition of food services including catering, coffee shops and resident hall dining at UCCS.

The increase to auxiliary enterprise revenues in Fiscal Year 2014 was mainly due to HDS and Athletics. The increase for HDS was created by an increase to the room and board rates, as well as an overall increase in room occupancy. Room and board rates increased by 4.5 percent over Fiscal Year 2013 and HDS experienced an almost 4 percent increase in occupancy due to the re-opening of several newly renovated dorms. The occupancy also served to increase revenue through volume at the HDS dining halls and other retail centers. This combination of factors contributed to the 7.3 percent overall increase in HDS auxiliary revenues. Also contributing to the increase in auxiliary revenues was a larger PAC-12 distribution in Athletics. The Fiscal Year 2014 distribution was $20.4 million compared to the Fiscal Year 2013 amount of $17.9 million.

The majority of health services revenue includes medical practice plan revenues earned through UPI (Notes 1 and 16), which has experienced growth in operating revenue and receipt of $9.1 million of electronic health record incentive funds. Patient services revenue contributed the majority of the operating revenue increase which was driven by an 8.7 percent growth in clinical volumes, ongoing efforts to maximize reimbursement rates for commercial insurance and improved performance in revenue cycles operations.

The University received $13,008,000, $13,720,000 and $14,172,000 in Fiscal Years 2015, 2014 and 2013, respectively, in State appropriations funded by State of Colorado tobacco litigation settlement monies.

Gifts increased $25,483,000 between Fiscal Year 2015 and 2014 due to an increase of academic support gifts from University of Colorado Hospital Authority (Hospital Authority) and Children's Hospital Colorado Association (Children's Colorado) at CU Anschutz Medical Campus and an upgrade and expansion of satellite mission design software licenses gifted to the Aerospace Engineering Sciences department, increases in gifts to the Leeds School of Business, the Silicon Flatirons Center in the School of Law and the Department of Biochemistry at CU-Boulder. Gifts increased $15,254,000 between Fiscal Year 2014 and 2013 mainly due to the School of Medicine, which received support gifts from the Hospital Authority.

Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. Investment income decreased to $34,680,000 in Fiscal Year 2015, and increased in Fiscal Year 2014 to $226,570,000 mainly due to changes in the fair market value of investments. In Fiscal Year 2013, investment income was $130,685,000. In Fiscal Year 2015, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) decreased by $25,299,000. In Fiscal Year 2014, the University's unrealized gains on investments increased by $131,628,000.

Royalty income increased $313,000 between Fiscal Year 2015 and 2014 due to a favorable economy. Royalty income decreased $5,158,000 between Fiscal Year 2014 and Fiscal Year 2013 due to the economic downturn and a maturing portfolio with royalty expenses increasing slowly in staff-related costs and speculative patent expense.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. As a result of construction and renovation of certain buildings, the University recognized capital contributions from the State of $0, $0 and $314,000 in Fiscal Year 2015, 2014 and 2013, respectively. These capital contributions were related to certificates of participation issued by the State to finance construction and renovation.

Figure 5. Capital Revenues for Years Ended June 30, (in thousands)

		2015	2014	2013
Capital contributions from the State	$	-	-	314
Capital student fee, net		8,458	8,065	8,517
Capital appropriations		18,193	6,183	2,269
Capital grants and gifts		57,063	19,263	45,244
Gain (loss) on disposal of capital assets		21,334	(1,582)	6,490
Total Capital Revenues	**$**	**105,048**	**31,929**	**62,834**

The University received appropriations from the State of $18,193,000 in Fiscal Year 2015 compared to $6,183,000 in Fiscal Year 2014 and $2,269,000 in Fiscal Year 2013. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget.

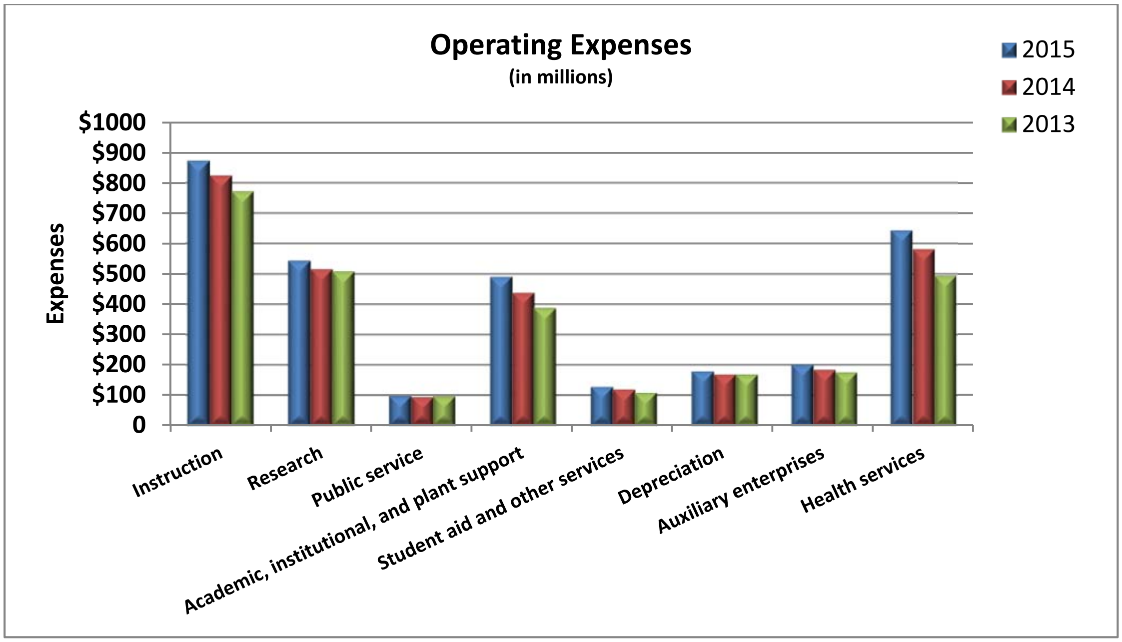
Capital grants and gifts increased $37,800,000 in Fiscal Year 2015 primarily due to a donation made on January 1, 2015 of the land and building held by The Wildlife Experience (TWE), which became known as CU South Denver. Capital grants and gifts decreased $25,981,000 in Fiscal Year 2014 due to decreases in software gift-in-kind to the Business School at CU Denver and the completion of the Business School Building at CU Denver and the Jennie Smoly Caruthers Biotechnology Building at CU-Boulder.

The gain on disposal of capital assets in Fiscal Year 2015 was due primarily to the sale of the remaining parcel for the former 9th and Colorado campus. The loss on disposal of capital assets in Fiscal Year 2014 was due to the sale or scrapping of various equipment before the end of their useful life. The gain on disposal of capital assets in Fiscal Year 2013 is due to the sale of 6.74 acres of the 28.55-acre site at the former 9th and Colorado campus.

The programmatic uses of resources are displayed in Figure 6 and demonstrate that the focus is basically unchanged over the past three fiscal years. Total educational and general programs overall have grown by 7.3 percent and 6.0 percent in Fiscal Year 2015 and Fiscal Year 2014, respectively. The increase in academic, institutional, and plant support is related to the increases in instruction. The increase in instruction is due to the increased number of students. The increase in research expenditures relate to increased Federal sponsored project awards in various departments and increases in institutional and state-funded needs-based financial aid programs. In addition, pension expense increased by $32,709,000 due to the implementation of Statement No. 68, which was allocated across the various expense program categories based on the related payroll.

Figure 6. Expense Program Categories for Years Ended June 30, 2015, 2014, and 2013
(in thousands)

		2015	2014	2013
Instruction	$	874,923	825,919	774,465
Research		547,036	517,244	511,162
Public service		99,512	95,251	98,606
Academic, institutional, and plant support		493,629	439,807	391,423
Student aid and other services		129,633	120,976	110,025
Total Education and General		**2,144,733**	**1,999,197**	**1,885,681**
Depreciation		180,843	170,090	170,478
Auxiliary enterprises		202,682	185,094	177,917
Health services		646,439	582,839	497,171
Total Operating Expenses	**$**	**3,174,697**	**2,937,220**	**2,731,247**



The amounts shown for student aid do not reflect the actual resources dedicated to student aid. The majority of the University's student aid resources are netted against tuition and fee revenue as a scholarship allowance (Note 13). The University's scholarship allowance was $172,463,000, $155,135,000 and $146,201,000 in Fiscal Year 2015, 2014 and 2013, respectively.

Auxiliary expenses changed in Fiscal Year 2015 primarily due to food services to include catering, coffee shops and resident hall dining as well as the addition of food service at UCCS. Auxiliary expenses in Fiscal Year 2014 changed due to an overall increase in salaries, benefits, cost of goods, and operating expenses, particularly within HDS at CU-Boulder resulting from greater volume. Increases in expenses related to health services, which are primarily related to UPI, are consistent with the associated increases in health services revenue discussed earlier in this section.

CAPITAL ASSETS AND DEBT MANAGEMENT

The University had $5,055,388,000, $4,732,746,000 and $4,407,275,000 of plant, property, and equipment at June 30, 2015, 2014 and 2013, respectively, offset by accumulated depreciation of $1,848,704,000, $1,847,830,000 and $1,693,426,000, respectively. The major categories of plant, property, and equipment at June 30, 2015, 2014 and 2013 are displayed in Figure 7. Related depreciation charges of $180,843,000, $170,090,000 and $170,478,000 were recognized in the Fiscal Years 2015, 2014 and 2013, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5. Figure 8 details the University's current construction commitments.

Figure 7. Capital Asset Categories (before depreciation) as of June 30, 2015, 2014, and 2013 *(in thousands)*

	2015	2014	2013
Land	$ 65,266	58,565	56,940
Construction in progress	534,173	266,229	251,891
Buildings and improvements	3,496,747	3,496,732	3,234,296
Equipment	494,899	466,679	442,467
Software and other intangibles	85,777	82,747	74,519
Library and other collections	378,526	361,794	347,162
Total Capital Assets (gross)	**$ 5,055,388**	**4,732,746**	**4,407,275**

Figure 8. Current Construction Projects as of June 30, 2015

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
Carlson Gym Renovations	Campus cash resources	$ 31,075
Engineering Center Complex Renovation	Campus cash resources	24,750
Wilderness Place ACQ & Renovation	Campus cash resources	17,949
Housing Stearns Fan Coil Units	Campus cash resources	9,562
Campus Utility System	Bond proceeds and campus cash resources	91,100
Geosciences Building (SEEC)	Bond proceeds and campus cash resources	111,500
Athletics Complex	Bond proceeds and campus cash resources	155,198
Euclid Autopark Addition (Center for Academic Success)	Campus cash resources	43,000
Quadrangle Residential Hall Redevelopment	Bond proceeds and campus cash resources	62,400
Ekeley Sciences Middle Wing Renovation	Campus cash resources	15,700
Williams Village Dining and Community Center	Campus cash resources	48,900
Housing Bathroom Upgrades	Campus cash resources	9,463
Jennie Smoly Caruthers Biotech Bldg (5th Wing)	Governmental grants and contracts, bond proceeds, and campus cash resources	201,458
Athletics Complex Parking Garage	Bond Proceeds	24,825
Ketchum Renovation (RAP029/P07)	State Appropriation and campus cash resources	22,550
CU Denver:		
AHEC Academic Building 1, backfill	Campus cash resources	9,296
BioScience 2	Bond proceeds and campus cash resources	37,643
Denver Wellness Center	Bond proceeds and capital student fee	42,322
UCCS:		
Alpine Village	Bond proceeds	83,000
Recreation Center Expansion & Student Wellness Center	Bond proceeds	17,000
ENT Center for the Arts	State, Gift and campus cash resources	60,000

** Value represents budgeted costs for project in thousands*

During Fiscal Year 2015, the University issued $493,320,000 in revenue bonds to fund the following University of Colorado Improvement Projects: Campus Utility System, Geosciences Building (SEEC), Athletics Complex, Quadrangle Residential Hall Redevelopment and Athletics Complex Parking Garage at CU-Boulder; Alpine Village and Recreation Center Expansion & Student Wellness Center at UCCS; and Bioscience 2 Building at CU Anschutz Medical Campus. These bonds are special limited obligations of the University, payable solely from net revenues, as defined.

At June 30, 2015, 2014 and 2013, the University had debt (or similar long-term obligations) of $1,707,630,000, $1,508,897,000 and $ 1,405,104,000, respectively, in the categories illustrated in Figure 9. More detailed information about the University's debt is included in Note 9.

Figure 9. Debt Categories as of June 30, 2015, 2014, and 2013

(in thousands)	2015	2014	2013
Revenue bonds	$ 1,690,795	1,493,279	1,388,696
Capital leases	16,835	15,618	16,408
Total Long-term Debt	**$ 1,707,630**	**1,508,897**	**1,405,104**

The Regents have adopted a debt management policy that includes limitations on the use of external debt. The University Treasurer will report to the Regents, prior to the issuance of new debt, the effect that the new debt will have on the University's debt capacity ratio to ensure the 7-percent debt ratio limit currently established by the Regents is not exceeded. The ratio is calculated as maximum annual debt service as a percentage of the University's unrestricted current fund expenditures plus mandatory transfers. State statute sets the maximum for this ratio at 10 percent in C.R.S. 23-5-129.5(2)(d). A component of this policy is debt capacity, which is the calculated ratio of the University's debt service requirement as compared to certain unrestricted revenues. The University maintained its debt capacity limits. The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of Aa2 and AA+ (Moody's and Fitch, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Fiscal Year 2016 budget approved by the State Legislature includes an additional $66,800,000 in funding for higher education, excluding financial aid. Of this amount, the University has been appropriated approximately $17,500,000. Additionally, State funding for capital projects at the University is set to increase compared to Fiscal Year 2015. The budget for the University for Fiscal Year 2016, as approved by the Regents, increased approximately $195,000,000, or 5.8 percent.

Over the past several years, the University has experienced continuing increases in net operating losses. Figure 10 illustrates this trend and the impact of UPI. Operating income from UPI offsets a portion of the University's operating loss.

Due to the nature of funding for public institutions of higher education, operating losses are normal. Colorado is unique in that the majority of funding from the state comes in the form of stipends paid directly to students and from fee-for-service agreements in which the state pays its public higher education institutions for providing certain agreed-upon educational activities. Unlike regular state appropriations, stipends and fee-for-service revenues are included in operating revenue. This difference in funding models between Colorado and the remainder of the country is a consideration when comparing results between the University and out-of-state peers.

Additionally, the University has experienced increases in net position since Fiscal Year 2009 despite incurring operating losses. Figure 10 identifies the largest items contributing to increases in net position.

Figure 10. Three Year Trend - Operating Loss and Change in Net Position for Years Ended June 30, 2015, 2014 and 2013 *(in thousands)*

	2015	2014	2013	
Operating loss per audited financial statements	$ (155,767)	(125,867)	(103,127)	
Operating income from UPI (a blended component unit)	50,659	53,037	50,659	
Operating loss excluding impact of UPI	$ (206,426)	(178,904)	(153,786)	
Percent increase from prior year	15.4%	16.3%	72.3%	*
Three Year Trend - Change in Net Position	$ 170,489	269,560	217,859	
Amount attributable to:				
Operating income from UPI	(50,659)	(53,037)	(50,659)	
Investment income (nonoperating revenue)	(34,680)	(226,570)	(130,685)	
Gifts (nonoperating revenue)	(142,176)	(116,693)	(101,439)	
TWE gift	(37,801)	-	-	
Gain on Sale of 9th and Colorado	(24,300)	-	-	
Change in Net Position excluding UPI, Investment Income, and Gifts	**$ (119,127)**	**(126,740)**	**(64,924)**	

* Operating income from UPI increased from $19,900 in fiscal year 2012 to $50,659 in fiscal year 2013, which makes the operating loss, excluding impact of UPI worse.

Figure 10 highlights several aspects of the University's financial results that may be useful in analyzing both the trend in operating losses and the drivers in change in net position. First, operating income from UPI (a blended component unit) reduces the operating loss resulting from the University's standalone results. Second, operating losses (both on a standalone basis and a blended basis) have been increasing consistently year over year.

University management conducted an analysis to determine the drivers of these results. Results showed that increases in the Consumer Price Index (CPI) explains most of the increase in Education and General per student spending. The student to employee ratio is the same today as it was 15 years ago. Average employee total compensation growth between 2011 and 2014 was below CPI. One driver in the increase in operating loss is the shift in student enrollment to majors that are higher cost due to either more dependence on laboratory space or market-driven compensation for instructors. The differences in tuition charged between these higher cost majors and those majors at the lower end of the cost spectrum do not cover the difference in the cost of education provided.

Figure 10 also displays the increasing role of not only UPI operating revenue, but also the increasing importance of investment income and gift income (both of which are nonoperating revenues) to generating increases in net position over the last several years despite the increases in operating losses. In Fiscal Year 2015, the increase in net position was bolstered by the gift of TWE property and the sale of land at the former 9th and Colorado campus. UPI operating income and nonoperating revenues, primarily investment income and gifts, is increasingly subsidizing the University's operating activities.

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2015 and 2014 *(in thousands)*

	2015		2014	
	University	*Component Units*	*University*	*Component Units*
Assets				
Current Assets				
Cash and cash equivalents (Note 2)	$ 102,893	24,944	77,890	26,378
Investments (Note 3)	351,891	7,415	254,167	2,609
Accounts, contributions, and loans receivable, net (No	290,141	20,525	313,919	19,960
Inventories	20,152	-	19,196	-
Other assets	5,407	1,634	4,065	1,487
Total Current Assets	**770,484**	**54,518**	**669,237**	**50,434**
Noncurrent Assets				
Investments (Note 3)	2,109,595	1,480,171	2,051,161	1,428,845
Assets held under split-interest agreements (Note 3)	-	44,119	-	45,527
Accounts, contributions, and loans receivable, net (No	57,836	65,405	26,065	58,260
Other assets	11,110	7,349	10,900	7,121
Capital assets, net (Note 5)	3,206,684	56,186	2,884,916	59,923
Total Noncurrent Assets	**5,385,225**	**1,653,230**	**4,973,042**	**1,599,676**
Total Assets	**$ 6,155,709**	**1,707,748**	**5,642,279**	**1,650,110**
Deferred Outflows				
Loss on bond refundings	$ 57,286	-	34,882	-
PERA pension-related (Note 15)	49,294	-	-	-
Total Deferred Outflows	**106,580**	**-**	**34,882**	**-**
Total Assets and Deferred Outflows	**$ 6,262,289**	**1,707,748**	**5,677,161**	**1,650,110**
Liabilities				
Current Liabilities				
Accounts payable	$ 124,379	7,505	96,054	9,887
Accrued expenses (Note 6)	228,898	-	215,932	-
Compensated absences (Note 7)	13,516	-	11,056	-
Unearned revenue (Note 8)	143,211	863	122,012	967
Bonds, leases, and notes payable (Note 9)	72,080	627	64,337	757
Split-interest agreements	-	2,765	-	2,998
Custodial funds	-	10,946	-	9,240
Alternate medicare plan (Note 15)	1,509	-	1,380	-
Early retirement incentive program (Note 15)	3,070	-	2,463	-
Other liabilities (Note 10)	48,394	-	46,130	-
Total Current Liabilities	**635,057**	**22,706**	**559,364**	**23,849**

.

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2015 and 2014 *(in thousands)*

	2015		2014	
	University	*Component Units*	*University*	*Component Units*
Noncurrent Liabilities				
Compensated absences (Note 7)	168,888	-	155,449	-
Other postemployment benefits (Note 7)	241,779	-	195,587	-
Net pension (Note 15)	1,060,337	-	-	-
Unearned revenue (Note 8)	10,471	-	1,649	-
Bonds, leases, and notes payable (Note 9)	1,635,550	69,155	1,444,560	69,718
Split-interest agreements	-	18,486	-	18,349
Custodial funds	-	343,826	-	324,769
Alternate medicare plan (Note 15)	8,391	-	6,820	-
Early retirement incentive program (Note 15)	6,032	-	8,388	-
Other liabilities (Note 10)	15,444	14,991	13,222	3,337
Total Noncurrent Liabilities	**3,146,892**	**446,458**	**1,825,675**	**416,173**
Total Liabilities	**$ 3,781,949**	**469,164**	**2,385,039**	**440,022**
Deferred Inflows				
PERA pension-related (Note 15)	7,317	-	-	-
Total Deferred Inflows	**7,317**	**-**	**-**	**-**
Total Liabilities and Deferred Inflows	**$ 3,789,266**	**469,164**	**2,385,039**	**440,022**
Net Position				
Net investment in capital assets	$ 1,762,302	(6,076)	1,633,209	(3,284)
Restricted for nonexpendable purposes (endowments)				
Instruction	-	254,054	-	240,056
Research	22,180	29,973	2,632	29,029
Academic support	21,169	20,357	15,188	18,564
Scholarships and fellowships	13,883	139,774	13,883	131,887
Capital and other	1,158	7,052	1,158	7,197
Total restricted for nonexpendable purposes	58,390	451,210	32,861	426,733
Restricted for expendable purposes				
Instruction	30,071	361,938	30,139	356,237
Research	30,137	73,251	31,819	76,480
Academic support	43,624	74,221	41,171	57,004
Student loans and services	47,021	-	42,185	-
Scholarships and fellowships	38,276	148,993	38,112	149,202
Auxiliary enterprises	124,860	-	170,983	-
Capital	67,763	61,217	46,384	60,278
Other	42,181	6,010	47,609	5,185
Total restricted for expendable purposes	423,933	725,630	448,402	704,386
Unrestricted (Note 11)	228,398	67,820	1,177,650	82,253
Total Net Position	**$ 2,473,023**	**1,238,584**	**3,292,122**	**1,210,088**

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See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2015 and 2014 *(in thousands)*

	2015		2014	
	University	*Component Units*	*University*	*Component Units*
Operating Revenues				
Student tuition (net of scholarship allowances of $151,423 in 2015 and $136,644 in 2014; net of bad debt of $2,491 in 2015 and $0 in 2014; pledged revenues of $80,054 in 2015 and $75,175 in 2014) (Note 9 and Note 13)	$ 800,541	-	751,752	-
Student fees (net of scholarship allowances of $15,953 in 2015 and $13,404 in 2014; net of bad debt of $147 in 2015 and $0 in 2014; pledged revenues of $10,039 in 2015 and $9,465 in 2014) (Note 9 and Note 13)	84,269	-	74,352	-
Fee-for-service contracts	104,745	-	97,445	-
Federal grants and contracts (pledged revenues of $160,067 in 2015 and $138,710 in 2014) (Note 9)	641,485	-	622,969	-
State and local grants and contracts (pledged revenues of $12,074 in 2015 and $10,463 in 2014) (Note 9)	48,387	-	39,699	-
Nongovernmental grants and contracts	117,220	-	107,614	-
Sales and services of educational departments (net of bad debt of $0 in 2015 and $190 in 2014; pledged revenues of $4,058 in 2015 and $3,517 in 2014) (Note 9)	191,520	-	173,912	-
Auxiliary enterprises (net of scholarship allowances of $3,579 in 2015 and $3,289 in 2014; net of bad debt of $524 in 2015 and $522 in 2014; pledged revenues of $60,239 in 2015 and $52,202 in 2014) (Note 9 and Note 13)	241,415	-	220,771	-
Health services (net of bad debt of $34,757 in 2015 and $21,896 in 2014; pledged revenues of $1,474 in 2015 and $1,277 in 2014) (Note 9 and Note 14)	707,198	-	648,768	-
Contributions	-	131,981	-	149,075
Other operating revenues (net of bad debt of $2,429 in 2015 and $0 in 2014; pledged revenues of $1,277 in 2015 and $1,107 in 2014) (Note 9)	82,150	11,210	74,071	14,618
Total Operating Revenues	**3,018,930**	**143,191**	**2,811,353**	**163,693**
Operating Expenses				
Education and general				
Instruction	874,923	-	825,919	-
Research	547,036	-	517,244	-
Public service	99,512	-	95,251	-
Academic support	172,990	-	150,190	-
Student services	109,452	-	100,141	-
Institutional support	186,344	150,637	163,870	135,301
Operation and maintenance of plant	134,295	-	125,747	-
Student aid	20,181	-	20,835	-
Total education and general expenses	**2,144,733**	**150,637**	**1,999,197**	**135,301**
Depreciation (Note 5)	180,843	2,506	170,090	2,999
Auxiliary enterprises	202,682	-	185,094	-
Health services (Note 14)	646,439	-	582,839	-
Total Operating Expenses	**3,174,697**	**153,143**	**2,937,220**	**138,300**
Operating Income (Loss)	**$ (155,767)**	**(9,952)**	**(125,867)**	**25,393**

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2015 and 2014 *(in thousands)*

	2015		*2014*	
	University	*Component Units*	*University*	*Component Units*
Nonoperating Revenues (Expenses)				
Federal Pell Grant	$ 48,513	-	46,355	-
State appropriations	13,008	-	13,720	-
Gifts	142,176	-	116,693	-
Investment income (net of investment expenses of $11,223 in 2015 and $10,466 in 2014) (Note 3)	34,680	42,190	226,570	164,386
Royalty income (net of royalty expense of $6,813 in 2015 and $5,997 in 2014; pledged revenues of $179 in 2015 and $155 in 2014) (Note 9)	2,873	-	2,560	-
Gain (loss) on disposal of capital assets	21,334	-	(1,582)	-
Interest expense on capital asset-related debt (including amortization of deferred loss of $8,130 in 2015 and $4,525 in 2014)	(50,932)	(3,742)	(48,148)	(3,884)
Bond issuance costs	(3,047)	-	(1,036)	-
Other nonoperating revenues (pledged revenues of $747 in 2015 and $648 in 2014) (Note 9)	8,408	-	6,784	-
Total Nonoperating Revenues (Expenses)	**217,013**	**38,448**	**361,916**	**160,502**
Income Before Other Revenues	**61,246**	**28,496**	**236,049**	**185,895**
Other Revenues				
Capital student fee (net of scholarship allowance of $1,508 in 2015 and $1,798 in 2014) (Note 13)	8,458	-	8,065	-
Capital appropriations	18,193	-	6,183	-
Capital grants and gifts	57,063	-	19,263	-
Additions to permanent endowments	25,529	-	-	-
Total Other Revenues	**109,243**	**-**	**33,511**	**-**
Increase in Net Position	**170,489**	**28,496**	**269,560**	**185,895**
Net Position, beginning of year	3,292,122	1,210,088	3,022,562	1,024,193
Cumulative effect of adoption of new accounting principle (Note 1)	(989,588)	-	-	-
Net Position, beginning of year, as restated	**2,302,534**	**-**	**-**	**-**
Net Position, End of Year	**$ 2,473,023**	**1,238,584**	**3,292,122**	**1,210,088**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
June 30, 2015 and 2014 *(in thousands)*

	2015	2014
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 991,266	918,807
Grants and contracts	829,860	767,952
Sales and services of educational departments	191,520	173,913
Auxiliary enterprise charges	242,349	221,756
Health services	707,392	639,715
Other receipts	99,566	59,977
Payments to employees and benefits	(2,369,490)	(2,180,146)
Payments to suppliers	(472,841)	(482,105)
Payments for scholarships and fellowships	(20,181)	(20,835)
Total Cash Flows Provided by Operating Activities	**199,441**	**99,034**
Cash Flows from Noncapital Financing Activities		
Federal Pell Grant	48,513	46,355
State appropriations	13,008	13,720
Gifts and grants for other than capital purposes	142,176	116,693
Endowment additions	25,529	-
Agency transactions	(11,321)	1,519
Direct lending receipts	371,211	362,977
Direct lending disbursements	(371,511)	(363,156)
Total Cash Flows Provided by Noncapital Financing Activities	**217,605**	**178,108**
Cash Flows from Capital and Related Financing Activities		
State capital contributions	18,193	6,183
Capital student fees	8,458	8,065
Proceeds from capital debt	554,628	163,914
Bond issuance costs paid	(3,047)	(1,036)
Principal paid on capital debt and leases	(341,543)	(51,112)
Interest paid on capital debt and leases	(110,107)	(68,590)
Proceeds from sale of capital assets	40,525	3,153
Purchases and construction of capital assets	(440,503)	(304,982)
Total Cash Flows Used for Capital and Related Financing Activities	**(273,396)**	**(244,405)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,662,542	4,100,077
Purchase of investments	(3,843,999)	(4,229,293)
Investment earnings	59,937	95,399
Royalty income	9,686	8,557
Royalty fees paid	(6,813)	(5,997)
Total Cash Flows Used for Investing Activities	**(118,647)**	**(31,257)**
Net Increase in Cash and Cash Equivalents	**25,003**	**1,480**
Cash and cash equivalents, beginning of year	77,890	76,410
Cash and Cash Equivalents, End of Year	**$ 102,893**	**77,890**

See accompanying notes to basic financial statements

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
June 30, 2015 and 2014 *(in thousands)*

		2015	2014
		University	
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	$	(155,767)	(125,867)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense		180,843	170,090
Receipts of items classified as nonoperating revenues		8,408	6,784
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Receivables		4,593	(43,270)
Inventories		(955)	211
Other assets		(1,552)	(1,519)
PERA pension-related deferred outflow		(49,294)	-
Accounts payable		34,441	5,812
Accrued expenses		12,408	26,174
Unearned revenue		30,021	7,253
Compensated absences and other postemployment benefits		62,091	39,159
Net pension liability		70,749	-
Alternate medicare plan and early retirement incentive plan		(48)	6,106
Other liabilities		(3,814)	8,101
PERA pension-related deferred inflow		7,317	-
Net Cash Provided by Operating Activities	**$**	**199,441**	**99,034**

Noncash Transactions			
Donations of capital assets	$	56,198	10,996
Lease-financed acquisitions		4,063	1,242
Change in unrealized gains on investments		25,299	(131,628)
Amortization of premiums		18,416	10,251
Amortization of deferred loss		(5,898)	(4,525)

See accompanying notes to basic financial statements

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado (the State). It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State's general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system office and the following three accredited campuses, each with its unique mission as detailed below:

- **University of Colorado Boulder (CU-Boulder)**

  Established in 1861, CU-Boulder is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.

- **University of Colorado Denver | Anschutz Medical Campus**

  Originally operated as two separate campuses, the Health Sciences Center and the Denver campus were established in 1883 and 1974, respectively. In 2004, the two campuses were institutionally merged into the University of Colorado Denver. The consolidated institution is an urban comprehensive research university offering a full range of undergraduate, graduate, and professional degree programs in life sciences, professional programs, and liberal arts. The campuses are currently referred to collectively as University of Colorado Denver | Anschutz Medical Campus and separately as the University of Colorado Denver (CU Denver) and the University of Colorado Anschutz Medical Campus (CU Anschutz Medical Campus).

- **University of Colorado Colorado Springs (UCCS)**

  Established as a separate campus in 1965, UCCS is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.

To accomplish its mission, the University has over 6,600 instructional faculty serving approximately 60,000 students through 376 degree programs in 26 schools and colleges.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

Blended Component Units

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable. Financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets, or its responsibility for debts of the related organization. Blended component units generally include those entities (1) that provide services entirely to the University, (2) in which there is a financial benefit or burden relationship, or (3) in which management of the University has operational responsibility. The University has the following blended component units:

- **University License Equity Holding, Inc. (ULEHI)**

  Originally established in 1992, with a significant reorganization in 2001, ULEHI facilitates certain licensing activities for the University. ULEHI is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. The University appoints a voting majority of ULEHI's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University.

  Detailed financial information may be obtained directly from ULEHI at 4845 Pearl East Circle, Boulder, Colorado 80301.

- **University Physicians, Inc. (UPI)**

  Established in 1982, UPI performs the billing, collection, and disbursement services for the professional health services rendered for CU Anschutz Medical Campus as authorized in Section 23-20-114, Colorado Revised Statutes (C.R.S.). UPI is the School of Medicine's faculty practice plan with approximately 2,600 member physicians. It does not employ physicians or practice medicine directly; it provides the business and administrative support for the clinical faculty employed by the School of Medicine. It is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. Medical care is provided to patients throughout the Rocky Mountain region through a statewide and regional network of services. The University appoints a majority of UPI's governing body, and is able to impose its will. Additionally, UPI exclusively benefits the University by providing the services described above.

  In 1997, UPI acquired a 30 percent interest in the University of Colorado Hospital Authority's (the Hospital Authority) investment in TriWest Healthcare Alliance Corp. (TriWest). Since that time, the Hospital Authority sold 50 percent of the joint TriWest investment back to TriWest resulting in a revised ownership split between the Hospital Authority and UPI whereby UPI held 60 percent of the Hospital Authority's 15 percent investment. UPI received $0 and $3,582,000 in dividends during the years ended June 30, 2015 and 2014, respectively. In April 2013, TriWest was replaced by United Health Care as the network management services provider under the Department of Defense's TRICARE management contract. As a result of that event, TriWest recapitalized the corporation and completed a stock repurchase of all outstanding shares in February 2014. UPI received $17,151,000 for its ownership interest, which is included in investment income. A total of $9,731,000 was in the form of cash at closing, $3,250,000 of the proceeds were reinvested by UPI in the new TriWest entity, and the remaining $4,170,000 was paid in April 2015. UPI's new interest in TriWest represents 35 percent of a combined $9,250,000 investment held by the Hospital Authority. UPI and the Hospital Authority's investment in TriWest represented approximately 3 percent of the book value of the entity at closing of the transaction. UPI accounts for its participation in TriWest on the cost basis, and includes it in noncurrent other assets.

  In December 2010, UPI, the Hospital Authority, and the University's School of Medicine (SOM) entered into a joint operating agreement to develop and operate a radiology imaging facility. No contributions were made in 2015 or 2014. Capital contributions and division of revenue and expenses will be split between the partners based upon the operating agreement. The University did not contribute any funds to the facility and has no equity interest in it. UPI received $517,000 and $444,000 in dividends during the years ended June 30, 2015 and 2014, respectively.

During 2009, UPI purchased 49 units representing a 24.5 percent share in The Children's Hospital North Surgery Center, LLC (Surgery Center) for $490,000. The Surgery Center was formed by the Children's Hospital Colorado Association (Children's Colorado), UPI, and individual community physicians for the purpose of owning and operating a multi-specialty ambulatory surgery center focused on pediatric care. UPI accounts for its participation in the Surgery Center on the cost basis.

In addition to its interest in the entity, UPI has issued a maximum guarantee up to $1.2 million in support of a $4.7 million loan taken by the Surgery Center in support of its operations. The loan guarantee was approved by the UPI's Board of Directors in May 2012. In the event of default, UPI and Children's Colorado would be responsible for their proportionate interest in this indebtedness to the extent it could not be satisfied by liquidating any remaining interest in the venture. The separate financial statements of the joint ventures are available to UPI on at least an annual basis.

Detailed financial information may be obtained directly from UPI at P.O. Box 111719, Aurora, Colorado 80042-1719.

Additionally, financial statements for UPI's joint ventures may be requested at the addresses listed below:

TriWest Healthcare Alliance Corporate Office, P.O. Box 42049, Phoenix, Arizona 85080-2049.

Children's North Surgery Center, 469 West State Highway 7, Suite 2, Broomfield, Colorado 80023.

Discretely Presented Component Units

The University's financial statements include certain supporting organizations as discretely presented component units (DPCU) of the University (labeled component units). The majority of the resources, or income thereon that the supporting organizations hold and invest, are restricted to the activities of the University by the donors.

Because these restricted resources held by the supporting organizations can only be used by, or for the benefit of, the University, the following supporting organizations are considered DPCU of the University (see Note 17 for additional information):

- **University of Colorado Foundation (CU Foundation)**

  Established in 1967, the CU Foundation solicits, receives, holds, invests, and transfers funds for the benefit of the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents, the president of the University, and another University designee serve as ex-officio non-voting members. The board of directors elects its own members, other than those serving as ex-officio non-voting members. The CU Foundation, as a not-for-profit entity, follows Financial Accounting Standards Board guidance in the preparation of its financial statements, which are then modified to match the University's financial reporting format. Under an agreement between the CU Foundation and the University, the CU Foundation provides certain development and investment services to the University in exchange for a fee.

  Detailed financial information may be obtained directly from the CU Foundation at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

- **The University of Colorado Real Estate Foundation (CUREF)**

Established in August 2002, CUREF solicits and manages real estate investments for the sole benefit of the University. CUREF, a nonprofit entity under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code, has up to a 14-member board of directors. Nine are voting members, of which four are appointed by the University. There are up to five ex-officio non-voting members.

Campus Village Apartments, LLC (CVA), a Delaware limited liability company, was formed under the laws of the State of Delaware on May 25, 2005, with CUREF as the sole member. CVA is organized, operated, and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping, and operating a student housing facility located in Denver, Colorado, as well as improvements and amenities related to this facility.

18th Avenue, LLC (18th Avenue), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 18th Avenue is organized, operated, and dedicated exclusively to promoting CUREF's charitable purposes and to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an office building in Denver, Colorado.

33rd Street, LLC (33rd Street), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 33rd Street is organized, operated, and dedicated exclusively to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an industrial building in Boulder, Colorado.

Partnership Holdings Venture, LLC (PHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. PHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including membership interest in real estate limited liability companies.

Land Holdings Venture, LLC (LHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. LHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including holdings in land.

The University of Colorado UK Foundation Limited (CU UK), a charitable company with limited liability, was formed under the laws of England and Wales and incorporated February 25, 2010, with CUREF as the sole shareholder. CU UK's purpose is to advance and promote education for the public benefit, in particular for any educational and charitable purposes connected with the University, its affiliates, and its past and present students and staff. CU UK owns property in London.

Foothills MOB, LLC (Foothills LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on December 10, 2012, with CUREF as the sole member. Foothills is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of developing, operating, and maintaining a medical office building in Boulder, Colorado. During Fiscal Year 2015, the prospective tenant of the building informed CUREF that it would not move forward with its contemplated occupancy. CUREF has written off costs incurred as a write-off of development costs of $991,000.

Effective May 21, 2015, the Board of Directors of CUREF approved a resolution to develop a memorandum of agreement for the transfer of assets, debts and obligations from CUREF to the University and to begin a process that will result in the CUREF Board of Directors being transitioned to a real estate advisory committee working for the Office of the President of the University. It is anticipated that following such transfer, CUREF will cease to exist. The asset transfer agreement is subject to the approval of the Board of Directors and the University, and an orderly transfer of all assets is anticipated to be completed by June 30, 2016. The transfer of the assets is expected to take place at historical carrying values and include the assumption of all liabilities of CUREF. As such, no adjustments have been made to the balances in these financial statements as of June 30, 2015, and no gain or loss at transfer is expected to be reflected in future financial statements of CUREF.

Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable, or has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 18.

- University of Colorado Hospital Authority (the Hospital Authority)
- Auraria Higher Education Center (AHEC)
- University of Colorado Health and Welfare Trust (the Trust)

Relationship to State of Colorado

Article VIII, Section 5 of the Colorado Constitution declares the University to be a state institution. The Board of Regents of the University is elected by popular vote of the citizens of the State. Therefore, the Board of the University is entirely different from the governing board of the State. Management of the University is completely separate and distinct from management of the State.

The services provided by the University benefit the citizens of the State, rather than serving the State government. The services include provisions of undergraduate and graduate education to the citizens of the State, and conducting extensive amounts of federally and other funded research for the benefit of the citizens of the State, the nation and the world. Additionally, the University offers more than 200 public outreach programs serving Coloradans and their communities. All outstanding debt of the University is expected to be repaid entirely with resources generated by the University. No State funds are used to repay any debt issued by the University.

TAX-EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2015 and 2014.

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 prepared 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.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

ACCOUNTING POLICIES

Cash and Cash Equivalents are defined for the purposes of reporting cash flows as cash on hand and deposit accounts. Investments in mutual funds and money market funds and securities are presented as investments. UPI and the CU Foundation consider money market funds and securities with a maturity, when acquired, of three months or less to be cash equivalents.

Investments are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of June 30, 2015 and 2014. Amortized costs (which approximate fair value) are used for money market investments. These money market accounts are held with Securities and Exchange Commission (SEC) registered investment companies under Rule 2a7 of the Investment Company Act of 1940.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third parties that can be used to pay current obligations of the University. Noncurrent investments include investments with a maturity in excess of one year, restricted investments, and those investments designated to be used for long-term obligations.

The University's investment policies permit investments in fixed-income and equity securities and alternative strategies. These policies are implemented using individual securities, mutual funds, commingled funds, and alternative investments for the endowments. All of the University's alternative investments are held at the CU Foundation and follow its valuation methods.

Investments of the CU Foundation include those held as agency funds for the University. The CU Foundation records investment purchases, and contributions, at the fair values of the investment assets received at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values.

The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices at June 30, 2015 and 2014, respectively. The fair values of alternative investments not publicly traded on national security exchanges represent the CU Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the CU Foundation, or on the basis of other information developed, obtained, and evaluated periodically by the CU Foundation. Because of the inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are booked at cost and present value, respectively.

Endowments and similar gift instruments owned by the University and the CU Foundation are primarily recorded as investments in the accompanying financial statements. Endowment funds are subject to the restrictions of donor gift instruments requiring the principal to be invested in perpetuity. Life income funds are used to account for cash or other property contributed to the University subject to the requirement that the University periodically pay the income earned on such assets to a designated beneficiary. The assets of life income funds become the property of the University or the CU Foundation upon the death of the designated beneficiary. Annuity funds are used to account for property contributed to the University or the CU Foundation in exchange for a promise to pay a fixed amount to the donor for a specified period of time. In addition, certain funds have been established by the Regents to function as endowment funds until the restrictions are lifted by the Regents. Gifts-in-kind are recorded at the fair market value as of the date of donation.

Accounts, Contributions, and Loans Receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses.

Contributions receivable for the CU Foundation are unconditional promises to give that are recorded at their estimated net realizable value, discounted using risk-free interest rates effective at the date of the promise to give, if expected to be collected within one year and at the present value of their expected future cash flows if expected to be collected in more than one year. Amortization of the discount is included in the CU Foundation's contribution revenue. Subsequent to the initial recording of the contribution receivable, the CU Foundation uses the allowance method to record amounts estimated to be uncollectible. The allowance is based on the historical collectability of contributions promised to the CU Foundation and on management's analysis of specific promises outstanding.

For all other receivables, individual accounts are written off against the allowance when collection of the account appears doubtful. Bad debts substantially consist of write-offs for uncollectible balances on self-pay patients and contributions receivable.

Inventories are primarily accounted for using the consumption method and are stated at the lower of cost or market. Cost is determined using either first-in, first-out, average cost, or retail method.

Other Assets consists of prepaid expenses, travel advances, patent acquisition costs, and other prepaid items.

Capital Assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of $5,000 or more, and an estimated useful life of greater than one year.

Intangibles (including software) and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of $75,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

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

Depreciation is computed using the straight-line method and monthly convention over the estimated useful lives of the assets as displayed in Table 1.1, Asset Useful Lives.

Table 1.1. Asset Useful Lives

Asset Class	Years
Buildings	20 – 40*
Improvements other than buildings	10 – 40
Equipment	3 – 20
Library and other collections	6 – 15
Software	5 – 10
Intangibles	Varies

* Certain buildings are componentized and the components may have useful lives similar to improvements or equipment.

Compensated Absences and Other Postemployment Benefits and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt and 12-month faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Other postemployment benefits (OPEB) consist of University-provided post-retirement healthcare and life insurance benefits for retired employees in accordance with the Regents' authority, as a single-employer plan. Substantially all University employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University's contributions are made on a pay-as-you-go basis. The University's annual OPEB expense is calculated based on the annual required contribution (ARC) of the University, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed 30 years.

Table 1.2. Compensated Absence Accrual Rates for Vacation

Type of Employee	Days Earned Per Month*	Maximum Accrual
Classified employees hired before January 1, 1968	1.25-1.75 days	30 – 42 days
Classified employees hired on or after January 1, 1968	1-1.75 days	24 – 42 days
Professional exempt and 12-month faculty employees	1.83 days	44 days**

* Rates are for full-time employees; part-time employees earn at pro-rata based on percentage of appointment.

** Effective September 1, 1976, vacation accrual in excess of 44 days, earned in accordance with prior policies, will be carried forward; however, persons with unused vacation in excess of 44 days may not accumulate additional vacation time by failure to use vacation earned after that date.

Unearned Revenue consists of amounts received for the provision of education, research, auxiliary goods and services, and royalties that have not yet been earned.

Bonds, Leases, and Notes Payable are debt by borrowing or financing usually for the acquisition of buildings, equipment, or capital construction. Bonds are addressed in Note 9.

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

Split-interest Agreements are beneficial interests in various agreements, which include gift annuities, charitable remainder annuity trusts and unitrusts, and a pooled income fund. The CU Foundation typically serves as trustee, although certain trusts are administered by outside trustees.

For trusts administered by the CU Foundation, specified earnings are typically paid to a named beneficiary. After termination of the trusts, the assets revert to the CU Foundation to create an endowment to support University activities or to be temporarily restricted for other purposes at the University. Assets received under such agreements are typically marketable equity and fixed-income securities, are recorded at their market value, and are included in investments in the accompanying financial statements. The estimated net present value of the obligation to named beneficiaries is recorded as a liability under split-interest agreements. A risk-free rate, using U.S. Treasury bonds at the date of the gift, is used in conjunction with actuarially determined life expectancies to calculate present values.

The fair value of assets received in excess of the obligation is recognized as contribution revenue at the date of the gift. Changes in the value of the investments are combined with the changes in the estimated liability and are recorded in the accompanying financial statements.

In cases where a split-interest agreement is administered by an outside trustee, the CU Foundation records the estimated fair value of future cash flows from the trust as a contribution receivable from charitable remainder trusts at the point at which the CU Foundation becomes aware of its interest in the trust. Under certain circumstances, the CU Foundation accepts and manages trust funds for which the University or the CU Foundation has beneficial interest but is not the sole beneficiary of the trust. Funds received for which the University or the CU Foundation is not the ultimate beneficiary are included as other liabilities in the accompanying financial statements and are not included in contributions revenue.

Custodial Funds consist of funds held by the CU Foundation for endowments legally owned by other entities, including the University.

Alternate Medicare Plan is described in Note 15.

Early Retirement Incentive Plan is described in Note 15.

Other Liabilities are addressed in Note 10 and consist of risk financing, construction contract retainage, funds held for others, and miscellaneous.

Net Position is classified in the accompanying financial statements as follows:

Net investment in capital assets represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted for nonexpendable purposes consists of endowments and similar instruments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted for expendable purposes represents net resources in which the University or the DPCU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position represents net resources derived from student tuition and fees, fee-for-service contracts, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Regents to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Internal Transactions occur between University operating units, including its formal self-funded internal service units and blended component units. Examples of self-funded operating units are telecommunications, cogeneration, and storerooms. Transactions include the recognition of revenues, expenses, receivables, and payables in the appropriate accounts of the operating units. To accommodate external financial reporting, the internal revenues and receivables are netted against expenses and payables, respectively, and are eliminated at year-end.

Classification of Revenues and Expenses in the accompanying financial statements has been made according to the following criteria:

> *Operating revenues* are derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that are exchange transactions. Examples include student tuition and fees, fee-for-service contracts, sales and services of auxiliary enterprises, healthcare and patient services, grants, and contracts. Tuition and fee revenue for sessions that are conducted over two fiscal years are allocated on a pro-rata basis. Operating revenues of the DPCU also include contributions, which are derived from their fundraising mission.
>
> *Other operating revenues* include rental income, charges for services, transcript and diploma fees, other miscellaneous fees, and miscellaneous revenues from UPI.
>
> *Operating expenses* are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University.
>
> *Nonoperating revenues and expenses* include all revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (e.g., gifts, including those from the CU Foundation), from activities defined as such by the GASB cash flow standards (e.g., investment income) and also federal funds allocated to state governments, such as the Pell Grant, and insurance recoveries.

Scholarship Allowances are the difference between the stated charge for the goods and services provided by the University and the amount that is paid by the students or by other third parties making payments on the students' behalf.

Tuition and fee revenue and certain other auxiliary enterprise revenues are reported net of scholarship allowance in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying financial statements. To the extent that such grant revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. The student aid line under operating expenses represents the amount of financial aid disbursed to students net of the aid applied to the student's account to pay for tuition and fees.

Health Services Revenue from Contractual Arrangements is recognized by UPI as a result of providing care to patients covered under various third parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed-rate agreements. The federal and state governments annually update fixed-rate agreements for Medicare and Medicaid, respectively. In addition to the standard Medicaid program, UPI provides substantial care to Medicaid patients under the Colorado Access program. Contractual arrangements with insurance companies and managed care plans are negotiated periodically for future years.

Health services revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Net patient services revenue includes care provided to patients who meet certain criteria under UPI's medically indigent care policy as reimbursed with funds provided by the State processed by the Hospital Authority, and co-payments made by care recipients. In accordance with UPI's mission and philosophy, UPI members annually provide substantial levels of charity care to patients who meet certain defined criteria. Charity care relates to services rendered for which no payment is expected.

Donor Restricted Endowment disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise.

The amount of earnings and net appreciation available for spending by the University and the CU Foundation is based on a spending rate set by the CU Foundation board on an annual basis. For the years ended June 30, 2015 and 2014, the authorized spending rate was equal to the greater of 4 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing 36-month average fair market value. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the University's financial statements as investment or gift revenue for University or CU Foundation-owned endowments, respectively. In Fiscal Years 2015 and 2014, there was $13,280,000 and $9,941,000, respectively, in net appreciation of investments available for authorization for expenditure as reported in restricted expendable net position.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources.

Use of Estimates is made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required 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 revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation.

Adoption of New Accounting Standard

Effective July 1, 2014 the University adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended (Statement No. 68). Statement No. 68 requires the University, as a participant of the multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program, to record its proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly.

To the extent practical, changes made to comply with Statement No. 68 should be presented as a restatement of the fiscal year 2014 financial statements. However, PERA did not provide the information required to restate the University's fiscal year 2014 financial statements; therefore, the impact of adoption of Statement No. 68 is shown as a cumulative effect adjustment to Net Position, beginning of year, in fiscal year 2015. The impact of the adoption of Statement 68 is detailed below:

Table 1.3. Impact of Adoption of Statement No. 68 *(in thousands)*

Net Position, beginning of year	$	3,292,122
Cumulative effect of change in accounting principle		(989,588)
Net Position, beginning of year, as restated	**$**	**2,302,534**

The University's proportionate share of PERA's unfunded pension liability directly reduces unrestricted net position. Beginning unrestricted net position of $1,177,650,000 was reduced by the cumulative effect of adopting Statement No. 68 ($989,588,000).

NOTE 2 – CASH AND CASH EQUIVALENTS

The University's cash and cash equivalents are detailed in Table 2, Cash and Cash Equivalents.

Table 2. Cash and Cash Equivalents ***(in thousands)***

		2015	2014
University			
Cash on hand (petty cash and change funds)	$	362	374
Deposits with U.S. financial institutions		102,481	77,454
Deposits with foreign financial institutions		50	62
Total Cash and Cash Equivalents – University	**$**	**102,893**	**77,890**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. Deposits with foreign financial institutions are not PDPA-eligible deposits and thus are exposed to custodial credit risk and require separate authorization as depositories by the State. During the years ended June 30, 2015 and 2014, all deposits with foreign financial institutions were authorized.

NOTE 3 – INVESTMENTS

The University's investments generally include direct obligations of the U.S. government and its agencies, commercial paper, municipal and corporate bonds, asset-backed securities, mutual and commingled funds, repurchase agreements, corporate equities, negotiable certificates of deposit, and alternative non-equity securities. CU Foundation investments are similar to the University's but also include alternative non-equity securities in hedge funds and oil and gas. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the University in accordance with its investment policy. Details of investments by type for both the University and the CU Foundation are included in Table 3.1, Investments.

To the extent permitted, and excluding the University's blended entities, the University pools cash balances for investment purposes. An investment policy statement approved by the Regents directs the Treasurer of the University to meet the following investment objectives:

- liquidity for daily operations,
- protection of the nominal value of assets, and
- generation of distributable earnings at a level commensurate with the time horizon of the investments.

For financial statement purposes, investment income (loss) is reported on a total return basis and is allocated among operational units based on average daily balances, using amortized costs. Average daily balances, based on amortized costs, approximated $1,535,574,000 and $1,429,711,000 for the years ended June 30, 2015 and 2014, respectively. The total return on this pool was 1.89 and 11.5 percent for the years ended June 30, 2015 and 2014, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. None of the University's investments are subject to custodial risk.

Table 3. 1. Investments *(in thousands)*

Investment Type		2015	2014
University			
U.S. government securities	$	311,832	307,827
Certificates of deposit		2,912	1,987
Commercial paper		-	800
Corporate bonds		229,997	191,083
Corporate equities		6,033	5,168
Municipal bonds		8,044	9,205
Mutual funds		1,360,082	1,225,137
Repurchase agreements		218,871	234,912
Asset-backed securities		171,079	186,279
Alternative non-equity securities:			
Absolute return fund		39,453	40,479
Private equity		52,728	43,652
Real estate		32,860	28,540
Venture capital		15,458	17,976
Other		12,137	12,283
Total Investments – University	**$**	**2,461,486**	**2,305,328**
CU Foundation			
Cash equivalents	$	11,386	17,084
Equity securities:			
Domestic		336,250	331,467
International		415,007	393,159
Fixed-income securities		162,745	152,863
Alternative non-equity securities:			
Real estate		86,815	75,071
Private equity		206,651	175,571
Hedge funds		57,052	56,403
Absolute return funds		95,999	105,906
Venture capital		60,990	71,795
Oil and gas		25,390	29,623
Commodities		15,000	12,801
Other		1,008	972
Total Investments – CU Foundation	**$**	**1,474,293**	**1,422,715**

CREDIT QUALITY RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University's investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased.

University policy allows no more than 20 percent of investments to be rated below Baa (Moody's) or BBB (Standard & Poor's (S&P) and Fitch) at the time of purchase. There are two other investment policies tailored to non-pooled investments. Those policies do not restrict investments to a particular credit quality standard. Credit quality ratings are not required for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. Government. The CU Foundation does not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2015, and 2014 is shown in Table 3.2, Debt Investments and Credit Quality Risk. The University obtains ratings from both Moody's and S&P, and primarily reflects the Moody's ratings in Table 3.2 unless S&P is lower.

The ratings reflected are S&P for UPI and S&P for the CU Foundation. Table 3.2 is a subset of Table 3.1 and does not include $1,019,058,000 of non-debt securities and $219,587,000 of debt investments that are backed by the full faith and credit of the U.S. government in Fiscal Year 2015, and does not include $932,418,000 of non-debt securities and $238,130,000 of debt investments that are backed by the full faith and credit of the U.S. government in Fiscal Year 2014.

Table 3.2. Debt Investments and Credit Quality Risk *(in thousands)*

	2015			2014		
	Unrated	Rated		Unrated	Rated	
Investment Type	**Fair Value**	**Fair Value**	**% of Rated Value by Credit Rating**	**Fair Value**	**Fair Value**	**% of Rated Value by Credit Rating**
University						
U.S. government securities	$ -	92,246	100% AA	-	69,697	100% AA
Bond mutual funds	174,367	-	-	167,082	50	8% Aa
						23% A
						69% <A
Certificates of deposit	2,912	-	-	1,987	-	-
Corporate bonds	9,816	122,664	42% A	4,741	107,562	3% Aaa
			13% Aa			17% Aa
			11% Aaa			47% A
			34% <A			33% <A
Money market mutual funds	-	325,326	100% AAA	48,827	224,856	98% Aaa
						2% AA
Municipal bonds	4,484	3,560	16% A	17	9,188	91% Aa/AA
			84% AA			9% A
Repurchase agreements	218,871	-	-	234,912	-	-
Asset-backed securities	85,049	33,262	8% A	16,379	117,109	37% Aaa
			65% Aa/Aaa			53% Aa/A
			27% <A			10% <A
Commercial paper – UPI	-	-	-	-	800	100% A
Corporate bonds – UPI	-	97,516	49% A	-	78,780	33% Aaa/Aa
Asset-backed securities – UPI	-	52,768	55% Aaa	9,919	42,874	100% Aaa
Total Debt Investments – University	**$ 495,499**	**727,342**		**$ 483,864**	**650,916**	

INTEREST RATE RISK

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The University, except for UPI, manages interest rate risk in its investment portfolios by managing the duration, the maximum maturity, or both. University investment policies establish duration and maturity guidelines for each portfolio.

The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. UPI manages interest rate risk using weighted average maturity. Weighted average maturity is a measure of the time to maturity in years that has been weighted to reflect the dollar size of the individual investment within an investment type. The University's investment policy mitigates interest rate risk through the use of maturity limits for each of the investment segment pools.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2015 and 2014 is shown in Table 3.3, Debt Investments and Interest Rate Risk. Table 3.3 is a subset of Table 3.1 and does not include $1,344,439,000 of non-debt securities in Fiscal Year 2015, and does not include $1,206,156,000 of non-debt securities in Fiscal Year 2014. The main difference in the amount of non-debt securities excluded in Table 3.2 and Table 3.3 is that money-market mutual funds are included in Table 3.2 as they have credit risk but they are excluded from Table 3.3 as they do not have interest rate risk. Also, U.S. backed securities are not subject to credit risks but are subject to interest rate risks and are included here but not in the credit quality risk section.

The University has investments in asset-backed securities, which consist mainly of mortgages, home equity loans, student loans, automobile loans, equipment trusts, and credit card receivables. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security has repayments that are expected to significantly vary with interest rate changes. The variance may present itself in terms of variable repayment amounts and uncertain early or extended repayments.

Table 3. 3. Debt Investments and Interest Rate Risk ***(in thousands and years)***

Investment Type	**2015**	**2015**	**2014**	**2014**
University	**Amount**	**Duration**	**Amount**	**Duration**
U.S. government securities	$ 250,759	5.1	$ 257,337	4.3
Bond mutual funds	174,366	2.7	167,132	2.8
Certificates of deposit	2,912	3.1	1,987	2.6
Corporate bonds	132,481	7.8	112,303	6.2
Municipal bonds	8,044	7.3	9,205	7.7
Repurchase agreements	218,871	1.4	234,912	1.7
Asset-backed securities:				
Fixed-rate securities	3,675	-	77,697	-
Variable-rate securities	90,602	-	33,890	-
Collateralized mortgage obligations	24,034	-	21,901	-
Total asset-backed securities	**$ 118,311**	**14.57**	**$ 133,488**	**4.3**
	Amount	**Weighted Average Maturity**	**Amount**	**Weighted Average Maturity**
U.S. government securities – UPI	$ 61,019	4.76	$ 50,436	6.19
Commercial paper – UPI	-	4.52	800	0.13
Corporate bonds – UPI	97,516	3.15	78,780	3.04
Asset-backed securities – UPI	52,768	3.22	52,792	3.86
Total Debt Investments – University	**$ 1,117,047**		**$ 1,099,172**	

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer other than the federal government. The University's policy is that exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, or government-sponsored corporations, shall not exceed 10 percent of the market value of the fixed income portfolio. The University had no investments exceeding 5 percent and is therefore not subject to concentration of credit risk.

SPLIT-INTEREST AGREEMENTS

Assets held by the CU Foundation under split-interest agreements are included in investments and consisted of the following as of June 30, 2015 and 2014, as shown in Table 3.4, CU Foundation Investments Held under Split-interest Agreements.

Table 3. 4. CU Foundation Investments Held under Split-interest Agreements *(in thousands)*

Type		2015	2014
Charitable remainder trusts	$	40,192	43,224
Charitable gift annuities and pooled income funds		3,927	2,303
Total Investments Held under Split-interest Agreements	**$**	**44,119**	**45,527**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2015 and 2014, by type.

Table 4.1. Accounts, Contributions, and Loans Receivable *(in thousands)*

	2015			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University				
Student accounts	$ 63,963	23,872	40,091	39,895
Federal government	51,549	-	51,549	51,549
Other governments	35,564	-	35,564	35,564
Private sponsors	41,899	-	41,899	41,899
Patient accounts	85,454	7,277	78,177	78,177
CU Foundation	6,221	-	6,221	6,321
Interest	2,595	-	2,595	2,595
Direct financing lease	19,778	-	19,778	489
Other	30,532	1,722	28,810	27,045
Total accounts receivable	337,555	32,871	304,684	283,534
Loans	46,349	3,056	43,293	6,607
Total Receivable – University	**$ 383,904**	**35,927**	**347,977**	**290,141**

	2014			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University				
Student accounts	$ 57,992	20,122	37,870	37,870
Federal government	64,257	-	64,257	64,257
Other governments	31,582	-	31,582	31,582
Private sponsors	39,783	-	39,783	39,783
Patient accounts	85,698	7,327	78,371	78,371
CU Foundation	18,282	-	18,282	18,282
Interest	2,551	-	2,551	2,551
Other	37,983	1,446	36,537	35,732
Total accounts receivable	338,128	28,895	309,233	308,428
Loans	33,914	3,163	30,751	5,491
Total Receivable – University	**$ 372,042**	**32,058**	**339,984**	**313,919**

CONCENTRATION OF CREDIT RISK – PATIENT ACCOUNTS

UPI grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2015 and 2014 is detailed in Table 4.2, UPI Concentration of Credit Risk.

Table 4.2. UPI Concentration of Credit Risk

Category	2015	2014
Managed care	52.2 %	51.8 %
Medicare	15.4	16.4
Medicaid	19.3	17.6
Other third-party payers	7.6	7.3
Self-pay	5.5	6.9
Total	**100.0 %**	**100.0 %**

NOTE 5 – CAPITAL ASSETS

Table 5, Capital Assets, presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2015 and 2014.

The total interest expense, net of amortization of premiums and deferred loss, related to capital asset debt incurred by the University during the years ended June 30, 2015 and 2014 approximated $69,845,000 and $63,242,000, respectively. Of this amount, approximately $18,913,000 and $15,094,000, respectively, was capitalized as part of the value of construction in progress.

The University had insurance recoveries of $4,290,000 and $2,085,000 in the years ended June 30, 2015 and 2014, respectively, which are included in nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category	2014	Additions	Retirements	Transfers	2015
University					
Nondepreciable capital assets					
Land	$ 58,565	6,290	35	446	65,266
Construction in progress	266,229	409,208	3,597	(137,667)	534,173
Collections	16,419	781	27	-	17,173
Total nondepreciable capital assets	341,213	416,279	3,659	(137,221)	616,612
Depreciable capital assets					
Buildings	3,306,145	41,515	171,331	117,787	3,294,116
Improvements other than buildings	190,587	146	4,558	16,456	202,631
Equipment	466,679	43,175	17,933	2,978	494,899
Software	80,837	3,031	1	-	83,867
Other intangibles	1,910	-	-	-	1,910
Library and other collections	345,375	17,657	1,679	-	361,353
Total depreciable capital assets	4,391,533	105,524	195,502	137,221	4,438,776
Less accumulated depreciation					
Buildings	1,095,902	106,536	158,751	-	1,043,687
Improvements other than buildings	103,416	8,316	4,548	-	107,184
Equipment	345,782	38,961	16,023	-	368,720
Software	62,459	11,384	1	-	73,842
Other intangibles	171	77	-	-	248
Library and other collections	240,100	15,569	646	-	255,023
Total accumulated depreciation	1,847,830	180,843	179,969	-	1,848,704
Net depreciable capital assets	2,543,703	(75,319)	15,533	137,221	2,590,072
Total Net Capital Assets – University	**$ 2,884,916**	**340,960**	**19,192**	**-**	**3,206,684**

Table 5. Capital Assets *(in thousands)*

Category	2013	Additions	Retirements	Transfers	2014
University					
Nondepreciable capital assets					
Land	$ 56,940	1,981	356	-	58,565
Construction in progress	251,891	289,001	1,619	(273,044)	266,229
Collections	16,066	361	8	-	16,419
Total nondepreciable capital assets	324,897	291,343	1,983	(273,044)	341,213
Depreciable capital assets					
Buildings	3,047,886	-	2,298	260,557	3,306,145
Improvements other than buildings	186,410	915	-	3,262	190,587
Equipment	442,467	33,193	13,799	4,818	466,679
Software	72,609	3,821	-	4,407	80,837
Other intangibles	1,910	-	-	-	1,910
Library and other collections	331,096	16,620	2,341	-	345,375
Total depreciable capital assets	4,082,378	54,549	18,438	273,044	4,391,533
Less accumulated depreciation					
Buildings	1,000,817	96,636	1,551	-	1,095,902
Improvements other than buildings	95,806	7,610	-	-	103,416
Equipment	320,133	37,444	11,795	-	345,782
Software	49,120	13,339	-	-	62,459
Other intangibles	95	76	-	-	171
Library and other collections	227,455	14,985	2,340	-	240,100
Total accumulated depreciation	1,693,426	170,090	15,686	-	1,847,830
Net depreciable capital assets	2,388,952	(115,541)	2,752	273,044	2,543,703
Total Net Capital Assets – University	**$ 2,713,849**	**175,802**	**4,735**	**-**	**2,884,916**

NOTE 6 – ACCRUED EXPENSES

Table 6, Accrued Expenses, details the accrued expenses as of June 30, 2015 and 2014 by type.

Table 6. Accrued Expenses *(in thousands)*

Type	2015	2014
University		
Accrued salaries and benefits	$ 223,344	210,802
Accrued interest payable	4,405	3,847
Other accrued expenses	1,149	1,283
Total Accrued Expenses – University	**$ 228,898**	**215,932**

NOTE 7 – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

Table 7.1, Compensated Absences, and Table 7.2, Other Postemployment Benefits, present changes in compensated absences and postemployment benefits other than pension benefits for the years ended June 30, 2015 and 2014.

Table 7.1 Compensated Absences (*in thousands)*

	2015	2014
University		
Beginning of year	$ 166,505	157,540
Additions	146,693	134,950
Reductions	(130,794)	(125,985)
End of year	**$ 182,404**	**166,505**
Current compensated absences	$ 13,516	11,056

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2015 and 2014, approximately 4,700 and 4,500 retirees, respectively, met the eligibility requirements and are receiving benefits under the University-administered single-employer postemployment benefit (non-pension) program. This program was established by the Regents who have the authority to amend the program provisions. Under this program, the University subsidizes a portion of healthcare and life insurance premiums on a pay-as-you-go basis. This program does not issue a separate financial report.

Table 7.2 Other Postemployment Benefits (*in thousands*)

		2015	2014
University			
Annual required contribution (ARC)	$	65,667	49,553
Interest on net obligation		8,801	7,443
Adjustment to ARC		(12,007)	(10,154)
Annual OPEB cost (expense)		62,461	46,842
Estimated benefit payments		(16,269)	(16,648)
Increase in OPEB		46,192	30,194
Beginning of year		195,587	165,393
End of year	**$**	**241,779**	**195,587**

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was 0 percent funded, and the actuarial accrued liability for benefits was $523,409,000.

The actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $523,409,000. For the year ended June 30, 2015, the covered payroll (annual payroll of active employees covered by the program) was $1,336,248,000 and the ratio of the UAAL to the covered payroll was 39.17 percent.

For the years ended June 30, 2015, 2014 and 2013, the annual OPEB cost was $62,461,000 $46,842,000, and $47,398,000, respectively. The University contributed $13,623,000 $12,529,000, and $11,608,000, respectively, which was 22 percent, 27 percent, and 25 percent, respectively, of the annual OPEB cost. The net OPEB obligation was $241,779,000, $195,587,000, and $165,393,000, respectively.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the program members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method is used. The discount rate used in the valuation is 4.5 percent based on the University's expected long-term rate of return. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 5.5 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5 percent increase for 2024 and later years. It was assumed that all members would be entitled to the maximum life insurance benefit amount; therefore, no salary increase rate is assumed. The UAAL is being amortized as a level dollar on an open basis over a period of 30 years.

PERA HEALTH CARE TRUST FUND

The University contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended.

The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The total PERA-defined payroll of employees covered by this plan was approximately $295,357,000 and $288,904,000 for the years ended June 30, 2015 and 2014, respectively. The University contributed a total of 18.62 percent and 17.55 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 7.3, University Contributions to PERA. These contributions met the contribution requirement for each year. As of June 30, 2015, the University recorded an accounts payable to PERA of $6,364,000, which represents the amount due for the June 30, 2015 payroll.

Table 7.3 University Contributions to PERA *(in thousands)*

Program	Basis	2015	2014	2013
Health Care Trust Fund	1.02% after July 1, 2004	$ 3,013	2,947	2,851
Defined Benefit Plan	The balance remaining	51,994	47,751	43,219
Total University Contribution		**$ 55,007**	**50,698**	**46,070**

NOTE 8 – UNEARNED REVENUE

As of June 30, 2015 and 2014, the types and amounts of unearned revenue are shown in Table 8, Unearned revenue.

Table 8. Unearned Revenue *(in thousands)*

Type	2015 Total	2015 Current Portion	2014 Total	2014 Current Portion
University				
Tuition and fees	$ 31,589	31,589	27,657	27,657
Auxiliary enterprises	17,632	17,604	16,699	16,670
Grants and contracts	85,696	85,696	69,539	69,539
Miscellaneous	18,765	8,322	9,766	8,146
Total Unearned Revenue – University	**$ 153,682**	**143,211**	**123,661**	**122,012**

NOTE 9 – BONDS AND CAPITAL LEASES

As of June 30, 2015 and 2014, the categories of long-term obligations are summarized in Table 9.1, Bonds and Capital Leases.

Table 9.1. Bonds and Capital Leases *(in thousands)*

Type	Interest Rates	Final Maturity	2015	2014
University				
Enterprise system revenue bonds (including premium of $139,421 in 2015 and $96,529 in 2014)	0.30-6.26%	6/1/46	$1,679,786	1,478,084
UPI fixed bonds	2.3%*	1/1/25	11,009	15,195
Total revenue bonds			1,690,795	1,493,279
Capital leases	1.29%-11.83%	Various	16,835	15,618
Total Bonds and Capital Leases – University			**$1,707,630**	**1,508,897**

* In the prior fiscal year, UPI held Variable Rate Bonds, set at an adjustable rate. The average interest rate in the prior year was 0.06%. During the current fiscal year, UPI refinanced its variable-rate debt with a fixed-rate debt. The revenue bonds carried a fixed rate of 2.3%.

Table 9.2, Changes in Bonds and Capital Leases, presents changes in bonds and capital leases for the years ended June 30, 2015 and 2014.

Table 9.2. Changes in Bonds and Capital Leases *(in thousands)*

Type	Balance 2014	Additions	Retirements	Balance 2015	Current Portion
University					
Revenue bonds	$ 1,396,750	493,320	338,696	1,551,374	56,231
Plus unamortized premiums	96,529	61,308	18,416	139,421	13,444
Net revenue bonds	1,493,279	554,628	357,112	1,690,795	69,675
Capital leases	15,618	4,064	2,847	16,835	2,405
Total Bonds and Capital Leases – University	**$ 1,508,897**	**558,692**	**359,959**	**1,707,630**	**72,080**
Type	**Balance 2013**	**Additions**	**Retirements**	**Balance 2014**	**Current Portion**
University					
Revenue bonds	$ 1,292,125	153,705	49,080	1,396,750	52,580
Plus unamortized premiums	96,571	10,209	10,251	96,529	9,880
Net revenue bonds	1,388,696	163,914	59,331	1,493,279	62,460
Capital leases	16,408	1,242	2,032	15,618	1,877
Total Bonds and Capital Leases – University	**$ 1,405,104**	**165,156**	**61,363**	**1,508,897**	**64,337**

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2015 and 2014 is detailed in Table 9.3, Revenue Bonds Detail.

Table 9.3. Revenue Bonds Detail *(in thousands)*

Issuance Description	Original Issuance At Par	Outstanding Balance 2015	Outstanding Balance 2014
University			
Enterprise system revenue bonds:			
Series 2005A -			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Anschutz Medical Campus, and refund 1995 Research Building Fund Act Bonds	$ 230,025	-	11,096
Series 2005B -			
Used to fund capital improvements at UCCS and CU Anschutz Medical Campus	25,225	-	13,191
Series 2006A -			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Denver	101,425	3,365	35,389
Refunding Series 2007A -			
Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B	184,180	86,508	158,900
Series 2007B -			
Used to fund acquisition and capital improvements at CU-Boulder	63,875	4,146	43,614
Series 2009A -			
Used to fund acquisition and capital improvements at CU-Boulder, UCCS and CU Denver	165,635	19,478	150,165
Series 2009B-1 -			
Used to fund capital improvements at CU-Boulder and CU Anschutz Medical Campus	76,725	22,695	31,229
Series 2009B-2 -			
Used to fund capital improvements at CU-Boulder and CU Anschutz Medical Campus	138,130	138,130	138,130
Series 2009C -			
Used to refund Enterprise System Refund Series 1997, Enterprise System Revenue Refund Bonds Series 2001A for years 2012 through 2026, and Enterprise System Revenue Bonds Series 2002A for years 2014 through 2018	24,510	16,242	20,592
Series 2010A -			
Used to fund acquisition and capital improvements at CU Anschutz Medical Campus	35,510	30,360	31,635
Series 2010B -			
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A	56,905	39,528	45,296
Series 2010C -			
Used to fund capital improvements at CU Anschutz Medical Campus	4,375	3,495	3,740
Series 2011A -			
Used to fund capital improvements at CU-Boulder and UCCS	203,425	210,795	216,460
Series 2011B -			
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A	52,600	53,719	54,791
Series 2012A-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B	121,850	138,735	140,839
Series 2012A-2 -			
Used to partially refund Enterprise System Revenue Bonds Series 2004, 2005A, and	53,000	58,262	59,941
Series 2012A-3 -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A, 2005B, 2006A, and 2007B	47,165	51,144	52,007

Table 9.3. Revenue Bonds Detail (continued) ***(in thousands)***

Issuance Description	Original Issuance At Par	Outstanding Balance 2015	Outstanding Balance 2014
Series 2012B -			
Used to fund capital improvements at CU-Boulder, CU Denver and UCCS	$ 95,705	105,800	108,263
Series 2013A -			
Used to fund capital improvements at CU-Boulder, CU Anschutz Medical Campus &	142,460	149,672	151,561
Series 2013B -			
Used to fund capital improvements at CU Anschutz Medical Campus	11,245	11,245	11,245
Series 2014A -			
Used to fund capital improvements at CU-Boulder	203,485	235,742	-
Series 2014B-1 -			
Used to partially refund Enterprise System Revenue Bond Series 2005B, 2006A, 2007B and 2009A	100,440	110,016	-
Series 2015A -			
Used to partially refund Enterprise System Revenue Bonds Series 2006A, 2007B, and	102,450	116,135	-
Series 2015B -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A	3,925	4,279	-
Series 2015C -			
Used to partially refund Enterprise System Revenue Bonds Series 2007A	71,325	70,295	-
Total enterprise system revenue bonds	2,315,595	1,679,786	1,478,084
Series 2014 - UPI Fixed Rate Bonds -			
Used to fund capital improvements at UPI	20,500	11,009	15,195
Total revenue bonds		1,690,795	1,493,279
Less premium		139,421	96,529
Total Outstanding Revenue Bond Principal - University		$ 1,551,374	1,396,750

The University's revenue bonds are payable semiannually, have serial and term maturities, and contain optional redemption provisions. The optional redemption provisions allow the University to redeem, at various dates, portions of the outstanding revenue bonds at prices varying from 100 to 101 percent of the principal amount of the revenue bonds redeemed.

The Enterprise System Revenue Bonds are secured by a pledge of all net revenues of auxiliary services, other self-funded services, and research services, in addition to 10 percent of the University's tuition, 100 percent of the University's capital student fees, and 100 percent of the University's indirect cost recoveries. All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the net income of the facilities as defined in the bond resolution). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents. The University's bonds are payable through June 1, 2046. As of June 30, 2015 and 2014, the total principal and interest paid on the University's bonds was $125,695,000 and $114,917,000, respectively, which is 38 percent and 39 percent of the total net pledged revenues of $330,208,000 and $292,719,000, respectively. Net pledged revenues are 12 percent and 10 percent of the total specific revenue streams, respectively.

On August 21, 2014, the University issued $203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the University issued $100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B-1, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance.

These special limited obligations are payable solely from the net revenues as defined. The refunding of the Series 2014B-1 bond resulted in an economic gain of $7,690,000 and accounting loss of $11,000,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $9,579,000. Series 2014A has an interest rate of 5 percent, and the bonds mature through June 1, 2046. Series 2014B-1 has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

On January 15, 2015, the University issued $102,450,000 of Enterprise Refunding Revenue Bonds Series 2015A, $3,925,000 of Enterprise Refunding Revenue Bonds Series 2015B and $71,325,000 of Enterprise Taxable Refunding Revenue Bonds Series 2015C. The proceeds will be used to finance the payment and discharge of all or a portion of certain outstanding obligations of the Board and to pay certain costs relating to the issuance of the Series 2015 Bonds. The refunding of these bonds resulted in an economic gain of $9,855,000, $587,000, and $3,795,000 and accounting loss of $13,555,000, $26,000, and $4,729,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $13,518,000, $745,000, and $5,376,000. Series 2015A has an interest rates ranging from 2 percent to 5 percent and the bonds mature on June 1, 2039, Series 2015B has an interest rates ranging from 2 percent to 5 percent and the bonds mature on June 1, 2035 and Series 2015C has an interest rates ranging from 0.299 percent to 3.039 percent and then bonds mature on June 1, 2027.

The University's revenue bonds contain provisions to establish and maintain reasonable fees, rates, and other charges to ensure gross revenues are sufficient for debt service coverage. The University is also required to comply with various other covenants while the bonds are outstanding. These covenants, among other things, restrict the disposition of certain assets, require the Regents to maintain adequate insurance, and require the Regents to continue to operate the underlying programs. Management believes the University has met all debt service coverage ratios and has complied with all bond covenants.

UPI variable rate bonds, Series 2002, were issued in December 2002 on behalf of UPI by the Fitzsimons Redevelopment Authority in the amount of $20,500,000. In October 2014, UPI refinanced its variable-rate debt with a fixed-rate bank direct purchase obligation, Series 2014. The new borrowing, funded by US Bank, included a $3,500,000 reduction in principal to a net amount outstanding at the time of the refinance of $11,695,000. The obligation is amortizable over 10 years and carries a fixed rate of 2.3 percent. The interest payments in the debt service requirements schedule are calculated based on the fixed interest rate. Proceeds from the sale of these bonds were used to fund the development, construction, and equipping of UPI's administrative office building. The new financing is subject to the same financial covenants as those included in the original variable rate obligation, the most significant of which are the maintenance of 60 days' cash on hand (defined as cash plus readily marketable securities) and a debt service coverage ratio of 1.25. UPI management believes it is in compliance with its debt service requirements and financial covenants.

Future minimum payments for revenue bonds are detailed in Table 9.4, Revenue Bonds Future Minimum Payments.

Table 9.4. Revenue Bonds Future Minimum Payments *(in thousands)*

	University		
Years Ending June 30	**Principal**	**Interest**	**Total**
2016	$ 56,231	72,968	129,199
2017	60,741	70,744	131,485
2018	63,046	68,156	131,202
2019	66,351	65,411	131,762
2020	66,829	62,375	129,204
2021 – 2025	359,221	267,256	626,477
2026 – 2030	331,345	182,949	514,294
2031 – 2035	292,510	105,411	397,921
2036 – 2040	177,465	43,326	220,791
2041 – 2045	71,610	9,399	81,009
2046 – 2050	6,025	301	6,326
Total	**$ 1,551,374**	**948,296**	**2,499,670**

EXTINGUISHMENT OF DEBT

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principles (GAAP) are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately $312,505,000 and $234,000,000 as of June 30, 2015 and 2014, respectively. In Fiscal Year 2015, the amount of debt defeased totaled $267,145,000, and escrow agent payments were $188,640,000. In Fiscal Year 2014, there was no debt defeased with escrow agent payments of $15,785,000.

CAPITAL LEASES

The University's capital leases are primarily for equipment. The University also has a capital lease with a related party. During the year ended June 30, 2009, CU Denver entered into a $10,272,000 site lease agreement with AHEC associated with the build-out of educational space for CU Denver. As of June 30, 2015, and 2014, the University paid base rent to AHEC of approximately $837,000 annually for each year. Amortization expense is included in depreciation expense.

As of June 30, 2015 and 2014, the University had an outstanding liability for all its capital leases approximating $16,835,000 and $15,618,000, respectively, with underlying gross capitalized asset cost approximating $26,615,000 and $22,230,000, respectively, with amortization of $10,233,000 and $8,638,000 respectively, resulting in underlying net capitalized assets of $16,382,000 and $13,592,000, respectively.

Future minimum payments for all the University's capital lease obligations are detailed in Table 9.5, Capital Leases.

Table 9.5. Capital Leases *(in thousands)*

	University		
Years Ending June 30	**Principal**	**Interest**	**Total**
2016	$ 2,405	730	3,135
2017	2,184	647	2,831
2018	1,813	572	2,385
2019	1,666	507	2,173
2020	1,474	446	1,920
2021 – 2025	3,483	1,249	4,732
2026 – 2030	3,810	427	4,237
Total	**$ 16,835**	**4,578**	**21,413**

STATE OF COLORADO CERTIFICATES OF PARTICIPATION

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with a par value of $230,845,000, at a net premium of $181,000. The certificates have interest rates ranging from 3.0 to 5.5 percent and mature in November 2027. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds are being used to fund various capital projects for the benefit of certain State-supported institutions of higher education in Colorado, including UCCS and CU-Boulder. The underlying capitalized assets are contributed to the University from the State. As of June 30, 2015, the University had underlying gross capitalized assets at UCCS costing approximately $17,735,000 amortized by $4,582,000 resulting in an underlying net capitalized asset of $13,153,000. As of June 30, 2015, the University had underlying gross capitalized assets at CU-Boulder costing approximately $796,000, amortized by $29,000 resulting in an underlying net capitalized asset of $767,000.

In addition, annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements. As of June 30, 2015, the University had underlying gross capitalized assets consisting of seven academic buildings on the CU Anschutz Medical Campus costing approximately $188,801,000, amortized by $36,804,000 resulting in an underlying net capitalized asset of $151,997,000.

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2015 and 2014.

Table 10.1. Other Liabilities *(in thousands)*

	2015		**2014**	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 25,155	12,421	23,294	12,880
Construction contract retainage	17,878	17,878	10,502	10,502
Funds held for others	17,026	17,025	16,102	16,102
Miscellaneous	3,779	1,070	9,454	6,646
Total Other Liabilities – University	**$ 63,838**	**48,394**	**59,352**	**46,130**

RISK FINANCING-RELATED LIABILITIES

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; medical malpractice; employee occupational injuries; graduate medical students' health; and natural disasters. The University finances these risks through various self-insurance programs. The University finances the cost and risks associated with employee health benefit programs through the Trust, a related organization as discussed in Note 18 to the financial statements. Under the terms of the Trust, the University is self-insured for medical claims beginning July 1, 2010. However, the risk of loss has been transferred to the Trust. Therefore, no liability was reported as of June 30, 2015 or 2014 for unpaid claims.

The University utilizes a protected self-insurance program for its property, liability, and workers' compensation risks. The University has established a separate self-insurance program for the purpose of providing professional liability coverage for CU Denver and the Hospital Authority. A separate self-insurance program has also been established to provide health insurance for graduate medical students and eligible dependents at CU Denver.

All self-insurance programs, other than employee health benefit programs, assume losses up to certain limits and purchase a defined amount of excess insurance for losses over those limits. These limits range from $350,000 to $1,500,000 per occurrence. Reserves for unpaid claims under these programs are actuarially reviewed and evaluated for adequacy each year. The Property, General Liability, and Workers' Compensation reserve is reported on an undiscounted basis, and the CU Denver Professional Liability reserve of $9,498,000 is reported at a discount basis using 4 percent. Settlements have not exceeded coverages for each of the past four fiscal years. There were no significant reductions or changes in insurance coverage from the prior year.

The amount recorded as risk financing-related liabilities represents reserves based upon the annual actuarial valuation and includes reserves for incurred but not reported claims. Such liabilities depend on many factors, including claims history, inflation, damage awards, investment return, and changes in legal doctrine. Accordingly, computation of the claims liabilities requires an annual estimation process. Claims liabilities are reevaluated on a periodic basis and take into consideration recently settled claims, frequency of claims, and other relevant factors.

Changes in the balances of risk financing-related liabilities for the years ended June 30, 2015 and 2014 are presented in Table 10.2, Risk Financing-related Liabilities.

Table 10.2. Risk Financing-related Liabilities *(in thousands)*

		Property, General Liability, and Workers' Compensation	CU Denver Professional Liability	Graduate Medical Student Health Benefits	Total
University					
Balance as of June 30, 2013	**$**	**10,962**	**5,448**	**1,385**	**17,795**
Fiscal Year 2014:					
Claims and changes in estimates		11,714	3,798	8,595	24,107
Claim payments		(8,231)	(2,107)	(8,270)	(18,608)
Balance as of June 30, 2014	**$**	**14,445**	**7,139**	**1,710**	**23,294**
Fiscal Year 2015:					
Claims and changes in estimates		8,684	4,060	7,644	20,388
Claim payments		(9,271)	(1,701)	(7,555)	(18,527)
Balance as of June 30, 2015	**$**	**13,858**	**9,498**	**1,799**	**25,155**

DIRECT LENDING

The University participates in two student lending programs operated by the federal government, Direct Student Loan and the State School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions. For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore, these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2015 and 2014 was $371,511,000 and $363,156,000, respectively.

NOTE 11 – UNRESTRICTED NET POSITION

Unrestricted Net Position is one component of the University's financial statements, which represents the net position held by the collective units of the University as of June 30. Balances fluctuate throughout the year and are reported as of a point-in-time. The University designates unrestricted net position by their intended purpose. Unobligated funds are generally available for campus use or support of schools, colleges, departments, or units. These funds are generated by nonrecurring revenue surpluses (such as departmental share unspent indirect cost recoveries) or year-end balances resulting from lower than expected spending levels (such as vacancy savings from an unfilled position). Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives. Obligated Funds are unrestricted net position that are obligated to specific projects or are held for contractual payments (such as faculty start-up).

University policy requires each campus provide the Regents prior to December 31 a detailed report on designated net position. This report enhances clarity and frequency of internal communications and provides context for Regent decisions on key budget items. These reports are available on the Regents' website.

NOTE 12 – SPENDING LIMITATIONS

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 the State, including the University. In Fiscal Year 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the Colorado Revised Statutes (C.R.S.) that an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenues in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In July 2005, the Regents designated the University as a TABOR enterprise pursuant to the statute. During the years ended June 30, 2015 and 2014, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of State grants received by the University was 1.12 percent and 1.05 percent during the years ended June 30, 2015 and 2014, respectively, as shown in Table 12, TABOR Enterprise State Support Calculation.

Table 12. TABOR Enterprise State Support Calculation *(in thousands)*

	2015	2014
University		
Capital appropriations	$ 18,193	6,183
Tobacco Litigation Settlement Appropriation	13,008	13,720
State COP annual debt service payments for CU Anschutz Medical Campus	14,089	14,366
State COP annual debt service payments for UCCS	1,548	1,548
State COP annual debt service payments for CU-Boulder	33	61
Total State Support	**$ 46,871**	**35,878**
Total TABOR enterprise revenues	$ 3,566,852	3,421,880
Ratio of State support to total revenues	1.31%	1.05%

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For the years ended June 30, 2015 and 2014, the University's appropriated funds included $62,353,000 and $52,810,000, respectively, received for students that qualified for stipends from the College Opportunity Fund (COF) and $104,745,000, and $97,445,000, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill. For the years ended June 30, 2015 and 2014, expenses were within the appropriated spending authority.

Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, in addition to the student-paid portion of tuition, certain fees, and certain other revenue sources. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill.

NOTE 13 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2015 and 2014, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13, Scholarship Allowances.

Table 13. Scholarship Allowances *(in thousands)*

For years ended June 30	2015			2014		
Funding Source Description	Tuition and Fees	Auxiliary Enterprise Revenues	Total	Tuition and Fees	Auxiliary Enterprise Revenues	Total
University						
University general resources	$ 70,286	1,758	72,044	60,415	1,453	61,868
University auxiliary resources	10,209	296	10,505	10,507	329	10,836
Colorado Commission on Higher Education financial aid program	18,817	244	19,061	14,242	233	14,475
Federal programs, including Federal Pell grants	51,953	925	52,878	50,559	948	51,507
Other State of Colorado programs	82	2	84	112	3	115
Private programs	248	1	249	451	(4)	447
Gift fund	17,289	353	17,642	15,560	327	15,887
Total Scholarship Allowances - University	**$ 168,884**	**3,579**	**172,463**	**151,846**	**3,289**	**155,135**

NOTE 14 – HEALTH SERVICES REVENUE

Health services revenue of $707,198,000 and $648,768,000 is recorded net of contractual adjustments approximating $1,015,132,000 and $933,770,000 and bad debt expense on uncollectible patient account receivables approximating $34,520,000 and $21,819,000, from UPI and $237,000 and $77,000 from various departments at CU Anschutz Medical Campus, for the years ended June 30, 2015 and 2014, respectively. Charity care provided during the years ended June 30, 2015 and 2014, based on estimated service costs of providing charity care, totaled approximately $7,349,000 and $18,766,000, respectively.

NOTE 15 – RETIREMENT PLANS AND INSURANCE PROGRAMS

Employees of the University eligible for retirement benefits participate in one of four retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the three additional plans, the Public Employees' Retirement Association (PERA) plan, the University's optional retirement plan, and UPI's retirement plan. The CU Foundation and CUREF offer a retirement plan for certain employees.

PERA DEFINED BENEFIT PENSION PLAN

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.

Eligible employees of the University are provided with pensions through the SDTF. Plan benefits are specified in Title 24, Article 51 of the C.R.S., administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLA), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

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. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in Table 15.1, Employer Contribution Requirements.

Table 15.1. Employer Contribution Requirements

	2015	2014
Employer Contribution Rate	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%
Amount Apportioned to the SDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	3.80%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00%	3.50%
Total Employer Contribution Rate to the SDTF	17.33%	16.43%

*Rates are expressed as a percentage of salary as defined in C.R.S. 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. Employer contributions recognized by the SDTF from the University were $51,994,000 for the year ended June 30, 2015 and $47,751,000 for the year ended June 30, 2014.

At June 30, 2015, the University reported a liability of $1,060,337,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The University's proportion of the net pension liability was based on the University contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2014, the University proportion was 11.27 percent, which was a decrease of 13 basis points from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the University recognized pension expense of $82,480,000. Table 15.2 details the sources of the University's deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2015.

Table 15.2. Deferred Inflows and Deferred Outflows of Resources Related to Pension *(in thousands)*

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	-	79
Net difference between projected and actual earnings on pension plan investments		21,620	-
Changes in proportionate share of contributions		-	7,238
Contributions subsequent to the measurement date		27,674	-
Total	**$**	**49,294**	**7,317**

The $27,674,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed in Table 15.3, Future Amortization of Deferred Outflows and Deferred Inflows.

Table 15.3. Future Amortization of Deferred Outflows and Deferred Inflows (in thousands)

Years ending June 30:		
2016	$	1,492
2017		2,001
2018		5,405
2019		5,405
Thereafter		-
Total	**$**	**14,303**

The actuarial assumptions and other inputs used to determine the total pension liability in the December 31, 2013 actuarial valuation are detailed in Table 15.4, Actuarial Assumptions.

Table 15.4. Actuarial Assumptions

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SDTF's long-term expected rate of return on pension plan investments was determined using 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 15.5, Target Allocation and Expected Rate of Return.

Table 15.5. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Govt/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

* 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 7.50%.

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

The proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate are presented in Table 15.6, Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

Table 15.6. Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate *(in thousands)*

		1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$	1,359,608	1,060,337	808,609

The University has reported pension amounts under Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees* (Statement No. 27) for Fiscal Year 2014. As discussed earlier, the University adopted Statement No. 68 effective July 1, 2015. Required Statement No. 27 disclosures not included in this note can be found in Note 7.

Detailed information about the SDTF'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.

PERA VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The employees' contributions to this 401(k) plan approximated $4,338,000 and $4,019,000 for the years ended June 30, 2015 and 2014, respectively.

PERA DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014 for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants. The employees' contributions to the 457 plan approximated $13,372,000 and $12,209,000 for the years June 30, 2015 and 2014, respectively.

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan (ORP), certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the years ended June 30, 2015 and 2014, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated $106,024,000 and $98,925,000 during the years ended June 30, 2015 and 2014, respectively. The employees' contribution under the ORP approximated $52,850,000 and $49,319,000 during the years ended June 30, 2015 and 2014, respectively.

Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security.

UNIVERSITY VOLUNTARY RETIREMENT SAVINGS PLAN

The University provides a voluntary retirement savings plan to most employees referred to as a 403(b) plan. Employee salary deferrals into the 403(b) plan are made before income tax is paid and allowed to grow tax-deferred until the money is taxed as income when withdrawn from the plan. For calendar year 2015 and 2014, the plan had a contribution limit of $18,000 and $17,500, respectively. In addition, the plan allowed catch-up contributions of $6,000 and $5,500, respectively. The plan is administered by the University and the benefit terms are established and can be amended under the Employee Retirement Income Security Act (ERISA). The employees' contributions to this 403(b) plan approximated $33,833,000 and $31,913,000 for the years ended June 30, 2015 and 2014, respectively.

ALTERNATE MEDICARE PLAN

The University provides an Alternate Medicare Plan (AMP) to retirees aged 65 and over. The AMP was established by the University who also administers and has the authority to amend benefits. The AMP is available to the employee and eligible spouse/same gender domestic partner. Coverage is not provided for dependent children. The AMP provides a monthly cash payment of approximately $140 for a retiree and approximately $238 for a retiree plus spouse/same gender domestic partner to offset medical plan costs for non-university Medicare Risk or Medicare-Eligible plan. No retiree contribution is permitted. As these monthly cash payments are not restricted as to use, they are considered a pension rather than a postemployment benefit. As of June 30, 2015 and 2014, based on the July 1, 2014 actuarial valuation, the unfunded actuarial accrued liability and expense was $34,100,000 and $28,100,000, and the associated pension liability was $9,900,000 and $8,200,000, respectively. Table 15.2, Alternate Medicare Plan presents changes in the AMP for the years ended June 30, 2015 and 2014.

Table 15.8. Alternate Medicare Plan (*in thousands*)

	2015	2014
University		
Annual required contribution (ARC)	$ 3,200	$ 2,700
Interest on net obligation	400	300
Adjustment to ARC	(500)	(400)
Net pension expense	3,100	2,600
Contributions made during the year	(1,400)	(1,100)
Increase in AMP	1,700	1,500
Beginning of year	8,200	6,700
End of year	**$ 9,900**	**8,200**
Current AMP	1,509	1,380

EARLY RETIREMENT INCENTIVE PROGRAM

The University provides an early retirement incentive program (ERIP) to tenured professors who are at least 55 years of age and whose age and years of service total at least 70. These professors must also be participants in the University's Optional Retirement Plan. The ERIP provides eligible participants with an incentive equal to twice the professor's base salary and supplemental pay. In return, the participants will retire and relinquish tenure immediately. There were no new participants in Fiscal Year 2015. Benefits under the ERIP are payable over a five-year period. Participation in this program does not impact the Optional Retirement Plan or OPEB. The liability for Fiscal Year 2015 and Fiscal Year 2014 was $9,102,000 and $10,851,000, respectively, measured at a discounted present value using a rate of 5 percent. Table 15.3, Early Retirement Incentive Program, presents changes in the ERIP for the years ended June 30, 2015 and 2014.

Table 15.9. Early Retirement Incentive Program (*in thousands*)

		2015	2014
University			
Beginning of year	$	10,851	6,245
Additions		-	6,210
Reductions		(1,749)	(1,604)
End of year	**$**	**9,102**	**10,851**
Current ERIP		3,070	2,463

UPI RETIREMENT PLAN

UPI sponsors a defined contribution retirement plan for its permanent employees that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund. The board of directors for UPI has the authority to amend plan provisions. Employees are eligible for participation in the plan after completing one year of service. On behalf of eligible employees, UPI contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2015 and 2014. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2015 and 2014, approximated $1,872,000 and $1,836,000, respectively.

HEALTH INSURANCE PROGRAMS

The University’s contributions to its various health insurance programs approximated $157,066,000 and $127,951,000 during the years ended June 30, 2015 and 2014, respectively. See Note 18 for discussion of the Trust.

NOTE 16 – SEGMENT AND BLENDED COMPONENT UNIT INFORMATION

As of June 30, 2015 and 2014, the University has one segment, UPI. UPI is also a blended component unit of the University. UPI has identifiable activities for which UPI Variable Rate bonds approximating $11,009,000 and $15,195,000 are outstanding as of June 30, 2015 and 2014, respectively. The activities of this segment include all the CU Denver SOM’s faculty practice plan.

The University paid UPI rental amounts of $1,962,000 in Fiscal Year 2015 and $1,883,000 in Fiscal Year 2014. As UPI is a blended component unit, these amounts are eliminated during consolidation.

Summary financial information as of and for the years ended June 30, 2015 and 2014, is presented in Table 16, Segment Financial Information.

Table 16. Segment Financial Information *(in thousands)*

As of and for the year ended June 30		2015	2014
Condensed Statement of Net Position			
Assets			
Cash and cash equivalents	$	98,891	67,125
Short-term investments		38,020	24,806
Other current assets		82,235	89,740
Total current assets		219,146	181,671
Investments		177,153	166,542
Capital assets, net		44,112	45,166
Other noncurrent assets		5,253	5,253
Total noncurrent assets		226,518	216,961
Total Assets	**$**	**445,664**	**398,632**
Liabilities			
Accounts payable and accrued expenses	$	49,158	41,750
Accounts payable to University of Colorado		7,062	3,092
Bonds, leases, and notes payable		1,369	1,063
Total current liabilities		57,589	45,905
Bonds, leases, and notes payable		10,194	14,879
Total noncurrent liabilities		10,194	14,879
Total Liabilities	**$**	**67,783**	**60,784**
Net Position			
Net investment in capital assets		32,549	29,224
Unrestricted		345,332	308,624
Total Net Position	**$**	**377,881**	**337,848**
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues (expenses)			
Patient revenues	$	680,035	621,303
Depreciation expense		(4,125)	(3,944)
Other operating expenses		(625,251)	(564,322)
Operating income		50,659	53,037
Nonoperating revenues (expenses)			
Investment income		4,612	25,175
Interest expense on capital asset-related debt		(203)	(24)
Other nonoperating expenses		(15,035)	(9,876)
Total nonoperating revenues (expenses)		(10,626)	15,275
Increase in Net Position		**40,033**	**68,312**
Net Position, beginning of year		337,848	269,536
Net Position, end of year	**$**	**377,881**	**337,848**
Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	67,273	53,175
Non-capital financing activities		(15,029)	(9,889)
Capital and related financing activities		(7,664)	(4,353)
Investing activities		(12,814)	(38,711)
Net Increase in Cash and Cash Equivalents		**31,766**	**222**
Cash and cash equivalents, beginning of year		67,125	66,903
Cash and Cash Equivalents, End of Year	**$**	**98,891**	**67,125**

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2015 and 2014, for the University's DPCU are presented in Table 17, DPCU Summary Financial Statements.

Table 17. DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Position	As of June 30, 2015		
	CU Foundation	CUREF	Total
Assets			
Current assets			
Cash and cash equivalents	$ 18,493	5,708	24,201
Restricted cash	-	743	743
Short-term investments	-	7,415	7,415
Accounts and contributions receivable, net	20,383	142	20,525
Other current assets	505	1,129	1,634
Total current assets	39,381	15,137	54,518
Noncurrent assets			
Investments	1,474,293	5,878	1,480,171
Assets held under split-interest agreements	44,119	-	44,119
Contributions receivable, net	65,405	-	65,405
Other assets	6,455	894	7,349
Capital assets, net	341	55,845	56,186
Total noncurrent assets	1,590,613	62,617	1,653,230
Total Assets	**$ 1,629,994**	**77,754**	**1,707,748**
Liabilities			
Current liabilities			
Accounts payable	$ 359	925	1,284
Accounts payable - University	6,221	-	6,221
Unearned revenue	-	863	863
Bonds, leases, and notes payable	-	627	627
Split-interest agreements	2,765	-	2,765
Custodial funds	10,946	-	10,946
Total current liabilities	20,291	2,415	22,706
Noncurrent liabilities			
Bonds, leases, and notes payable	-	69,155	69,155
Split-interest agreements	18,486	-	18,486
Custodial funds	343,826	-	343,826
Other liabilities	2,681	12,310	14,991
Total noncurrent liabilities	364,993	81,465	446,458
Total Liabilities	**$ 385,284**	**83,880**	**469,164**
Net Position			
Net investment in capital assets	$ -	(6,076)	(6,076)
Restricted for nonexpendable purposes	451,210	-	451,210
Restricted for expendable purposes	723,887	1,743	725,630
Unrestricted	69,613	(1,793)	67,820
Total Net Position	**$ 1,244,710**	**(6,126)**	**1,238,584**

Table 17. (continued) DPCU Summary Financial Statements *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position	**For the Year Ended June 30, 2015**		
	CU Foundation	**CUREF**	**Total**
Operating revenues			
Contributions	$ 131,859	122	131,981
University support	-	-	-
Other revenue	(124)	11,334	11,210
Total operating revenues	131,735	11,456	143,191
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	109,204	706	109,910
Other program services	4,586	17,606	22,192
Support services	18,201	334	18,535
Depreciation and amortization	228	2,278	2,506
Total operating expenses	132,219	20,924	153,143
Operating Income	(484)	(9,468)	(9,952)
Nonoperating revenues (expenses)			
Investment income	41,943	247	42,190
Pledges assigned to affiliate	-	-	-
Interest expense on capital asset-related debt	(5)	(3,737)	(3,742)
Increase (Decrease) in Net Position	**41,454**	**(12,958)**	**28,496**
Net Position, beginning of year	1,203,256	6,832	1,210,088
Net Position, End of Year	**$ 1,244,710**	**(6,126)**	**1,238,584**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$ 594	1,474	2,068
Non-capital financing activities	18,138	175	18,313
Capital and related financing activities	(445)	-	(445)
Investing activities	(17,085)	(4,220)	(21,305)
Net Increase in Cash and Cash Equivalents	**1,202**	**(2,571)**	**(1,369)**
Cash and cash equivalents, beginning of year	17,291	8,279	25,570
Cash and Cash Equivalents, End of Year	**$ 18,493**	**5,708**	**24,201**

Table 17. DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Position	As of June 30, 2014		
	CU Foundation	CUREF	Total
Assets			
Current assets			
Cash and cash equivalents	$ 17,291	8,279	25,570
Restricted cash	-	808	808
Short-term investments	-	2,609	2,609
Accounts and contributions receivable, net	19,783	177	19,960
Other current assets	444	1,043	1,487
Total current assets	37,518	12,916	50,434
Noncurrent assets			
Investments	1,422,715	6,130	1,428,845
Assets held under split-interest agreements	45,527	-	45,527
Contributions receivable, net	57,795	465	58,260
Other assets	6,144	977	7,121
Capital assets, net	1,060	58,863	59,923
Total noncurrent assets	1,533,241	66,435	1,599,676
Total Assets	**$ 1,570,759**	**79,351**	**1,650,110**
Liabilities			
Current liabilities			
Accounts payable	$ 866	727	1,593
Accounts payable - University	8,294	-	8,294
Unearned revenue	-	967	967
Bonds, leases, and notes payable	256	501	757
Split-interest agreements	2,998	-	2,998
Custodial funds	9,240	-	9,240
Total current liabilities	21,654	2,195	23,849
Noncurrent liabilities			
Bonds, leases, and notes payable	-	69,718	69,718
Split-interest agreements	18,349	-	18,349
Custodial funds	324,769	-	324,769
Other liabilities	2,731	606	3,337
Total noncurrent liabilities	345,849	70,324	416,173
Total Liabilities	**$ 367,503**	**72,519**	**440,022**
Net Position			
Net investment in capital assets	$ -	(3,284)	(3,284)
Restricted for nonexpendable purposes	426,733	-	426,733
Restricted for expendable purposes	702,078	2,308	704,386
Unrestricted	74,445	7,808	82,253
Total Net Position	**$ 1,203,256**	**6,832**	**1,210,088**

Table 17. (continued) DPCU Summary Financial Statements *(in thousands)*

Statement of Revenues, Expenses, and Changes in Net Position	**For the Year Ended June 30, 2014**			
		CU Foundation	**CUREF**	**Total**
Operating revenues				
Contributions	$	148,898	177	149,075
University support		-	-	-
Other revenue		4,002	10,616	14,618
Total operating revenues		152,900	10,793	163,693
Operating expenses				
Institutional support				
Gifts and income distributed to University and related parties		109,172	570	109,742
Other program services		5,088	4,350	9,438
Support services		15,860	261	16,121
Depreciation and amortization		595	2,404	2,999
Total operating expenses		130,715	7,585	138,300
Operating Income		22,185	3,208	25,393
Nonoperating revenues (expenses)				
Investment income		164,129	257	164,386
Pledges assigned to affiliate		-	-	-
Interest expense on capital asset-related debt		(84)	(3,800)	(3,884)
Increase (Decrease) in Net Position		**186,230**	**(335)**	**185,895**
Net Position, beginning of year		1,017,026	7,167	1,024,193
Net Position, End of Year	**$**	**1,203,256**	**6,832**	**1,210,088**

Condensed Statement of Cash Flows				
Net cash flows provided by (used for)				
Operating activities	$	39,718	1,135	40,853
Non-capital financing activities		22,340	(2,913)	19,427
Capital and related financing activities		(1,315)	-	(1,315)
Investing activities		(58,484)	381	(58,103)
Net Increase in Cash and Cash Equivalents		**2,259**	**(1,397)**	**862**
Cash and cash equivalents, beginning of year		15,032	9,676	24,708
Cash and Cash Equivalents, End of Year	**$**	**17,291**	**8,279**	**25,570**

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University were approximately $116,639,000 and $110,088,000 during the years ended June 30, 2015 and 2014, respectively. This amount has been recorded as University grant or gift revenue and DPCU operating expense in the accompanying financial statements and does not include undistributed income on University endowments.

Since July 1, 2007, the University has contracted with the CU Foundation to manage a portion of its investments. As of June 30, 2015 and 2014, respectively, $159,245,000 and $155,518,000 is being managed by the CU Foundation. The University is the ultimate beneficiary of substantially all restricted and trust funds held by the CU Foundation and is income beneficiary of a significant portion of endowment funds held by the CU Foundation. In addition, the University contracts with the CU Foundation to manage its endowments. The University has endowments and other assets held by the CU Foundation approximating $178,724,000 and $165,081,000 as of June 30, 2015 and 2014, respectively. The CU Foundation retained an investment management fee equal to 1 percent.

The CU Foundation paid the University $18,434,000 to help cover development costs during the year ended June 30, 2015, which is reported as other operating revenue.

As of June 30, 2015 and 2014, the University recorded an accounts receivable from the CU Foundation of $19,601,000 and $18,282,000, respectively. As of June 30, 2015 and 2014, the University recorded an account payable to the CU Foundation of $603,000 and $950,000, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2015 and 2014, CUREF distributed approximately $706,000 and $570,000, respectively, reported as operating expense, to the University, which recognized an equal amount of gift revenue.

During Fiscal Year 2015, the University increased its existing unsecured line of credit to CUREF to an amount of $16,000,000, which expires on July 1, 2025. Interest rates and any amortization of principal are determined at the time a draw on the line of credit is made. Interest payments on the draw are due semiannually on June 30 and December 31. Any amortizing principal payments are due on or before June 30 of each fiscal year with no prepayment penalty. The outstanding balance as of June 30, 2015 is $300,000 and accrues interest at the rate of 1.03 percent per annum.

CUREF has a long-term agreement with the University to rent portions of facilities from 18th Avenue and 33rd Street. For the years ended June 30, 2015 and 2014, the University paid approximately $2,415,000 and $2,346,000, respectively, in base rent of which approximately $442,000 and $429,000, respectively was prepaid at June 30, 2015 and 2014, to CUREF, which recognized an equal amount of other operating revenues.

Effective as of January 18, 2011, the CU Foundation entered into an agreement with CUREF to provide certain administrative, financial and operational services. CUREF paid the CU Foundation $385,000 for these services during 2015. The agreement was terminated as of June 30, 2015 and effective as of July 1, 2015, the University entered into an agreement with CUREF to provide certain administrative, financial and operational services for approximately $457,000 per annum.

As of June 30, 2015 and 2014, the University had no accounts receivable owed from and no accounts payable due to CUREF.

NOTE 18 – RELATED ORGANIZATIONS, JOINT VENTURES, AND JOINTLY GOVERNED ORGANIZATIONS

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

In accordance with 1991 State legislation, the Hospital Authority was established as a separate and distinct entity. Detailed financial information may be obtained directly from the Hospital Authority at Mail Stop F-401, P.O. Box 6506, Aurora, Colorado 80045.

CU Denver and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, CU Denver or UPI and the Hospital Authority enter into agreements specifying the fees to be charged for services and the allocation of expenses between the two organizations. In certain circumstances, CU Denver may bear the entire cost of certain services in exchange for educational or other services provided by the Hospital Authority. In some instances, the fee charged by CU Denver, UPI, or the Hospital Authority is a set amount for specific services to be provided. In other circumstances, the fee charged is based upon the amount or type of services requested by either CU Denver or the Hospital Authority.

Examples of services provided by CU Denver to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to CU Denver medical and patient services for sponsored research projects. In general, amounts receivable from, or payable to, the Hospital Authority are settled within the following calendar quarter.

Total payments issued by the Hospital Authority to CU Denver approximated $46,626,000 and $47,510,000 for years ended June 30, 2015 and 2014, respectively. Total payments issued by CU Denver to the Hospital Authority for the years ended June 30, 2015 and 2014 approximated $12,538,000 and $10,952,000, respectively.

During the years ended June 30, 2015 and 2014, UPI recognized approximately $37,729,000 and $36,957,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $39,541,000 and $37,634,000 during the years ended June 30, 2015 and 2014, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but required to be processed through the Hospital Authority (such as the State medically indigent program, Ryan White, and other miscellaneous programs).

As of June 30, 2015 and 2014, the University recorded an accounts receivable from the Hospital Authority of $5,893,000 and $2,886,000, respectively, for various services provided. As of June 30, 2015 and 2014, the University recorded an accounts payable to the Hospital Authority of $20,000 and $30,000, respectively. Generally, amounts due are paid during the current or subsequent month.

AURARIA HIGHER EDUCATION CENTER

AHEC, established by legislation in 1974, is jointly governed and utilized by CU Denver, the Community College of Denver, and Metropolitan State University of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2015 and 2014, the University incurred expenses related to the common facilities approximating $10,285,000 and $10,871,000, respectively, for payments to AHEC.

At June 30, 2015 and 2014, the University recorded an accounts payable to AHEC of $93,000 and $694,000, respectively, for services rendered but not yet paid, and for fees collected for the spring end of term but not yet paid. At June 30, 2015 the University had accounts receivable due from AHEC of $12,000, and at June 30, 2014, the University had no accounts receivable due from AHEC.

In addition, the University leases space from AHEC. At June 30, 2015 and 2014, the University has future operating lease payment obligations to AHEC of $2,703,000 and $418,000, respectively. For related party lease transactions, see Note 9.

Detailed financial information may be obtained directly from AHEC at 1201 5th Street Suite 370, Denver, Colorado 80217-336.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST

The Trust was formed June 28, 2010. Trust members are the University, the Hospital Authority, and UPI. The purpose of the Trust is to provide healthcare benefits to the employees of the Trust members on a self-insured basis. The University does not have financial accountability over the Trust. Self-insured risks are transferred to the pool.

The Trust paid medical claims on behalf of the University of $137,535,000 and $121,653,000 for Fiscal Year 2015 and Fiscal Year 2014, respectively. The University's contributions to the Trust were $153,360,000 and $135,494,000 for the years ended June 30, 2014 and 2013, respectively, and the employees' contributions were $17,495,000 and $16,131,000, respectively. As of June 30, 2015 and 2014, the University had accounts receivable owed from the Trust of $567,000 and $302,000, respectively, and accounts payable due to the Trust of $1,253,000 and $396,000, respectively.

Detailed financial information may be obtained directly from the Trust at 1800 Grant Street, Suite 225, Denver, Colorado 80203.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2015 and 2014, total rental expense under these agreements approximated $11,631,000 and $11,015,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 19, University Operating Leases Minimum Lease Obligations.

Table 19. University Operating Leases Minimum Lease Obligations (in thousands)

Years Ending June 30	*University* Minimum Lease Obligation
2016	$ 9,164
2017	7,950
2018	7,502
2019	5,612
2020	4,809
2021-2025	10,928
2026-2030	2,079
Total Operating Lease Obligations	**$ 48,044**

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects with outstanding amounts totaling approximately $212,694,000 and $182,607,000, as of June 30, 2015 and 2014, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2015 and 2014, the amount of capital construction appropriations authorized from the State for these projects approximated $44,410,000 and $18,657,000, respectively.

Substantial amounts are received and expended by the University under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position or operations.

UPI, as a member of the healthcare industry, is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The University is a defendant in a number of legal actions. While the final outcome of many of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability not covered by insurance, if any, for these legal actions will not have a material effect on the University's financial position or operations.

CUREF is involved in litigation whereby the owner of an off-campus student housing project has filed claims against CVA challenging, as a federal antitrust conspiracy to monopolize, the decision of the University to require, according to the plaintiff, "with very few exceptions [that] all first-time domestic freshmen and international students" at CU Denver live at Campus Village Apartments. A jury trial was held during the fiscal year, and the jury returned a verdict in favor of the plaintiff on its antitrust claim and awarded damages of $3,261,000, which have been trebled under the Sherman Act for a total of $9,783,000. Post-judgment interest is accruing on the total amount awarded at the rate of 0.17 percent per annum as of February 3, 2015, the date of entry of judgment. Reasonable attorneys' fees and costs may be awarded.

CUREF management continues to believe the claims to be without merit. A notice of appeal was filed September 24, 2015, following the denial of two post-trial motions. The judgment remains stayed under a $12,000,000 supersedeas bond posted by CVA. The bond is secured by two restricted investment accounts totaling $5,016,880 as of June 30, 2015 and also by a $7,000,000 indemnification agreement with the University. During the fiscal year, CUREF accrued claims and judgments expense of $12,000,000 related to this contingency. In addition, $52,500 in legal fees estimated to be incurred but not reimbursed from insurance proceeds was also accrued at June 30, 2015.

On October 31, 2013, 33rd Street executed a binding commitment to sell real property to the University on August 1, 2016 (the closing date). The ultimate purchase price will be equal to the currently agreed on price plus a 15 percent premium on certain additional costs incurred. 33rd Street is entitled to all revenues and will incur all expenses through the closing date in 2016.

NOTE 20 – SUBSEQUENT EVENTS

CU DENVER ACQUISITION PLAN

In November 2015, the Regents approved a resolution in which CUREF would transfer ownership of two parcels of land and improvements from CVA to CU Denver. The properties include 4.75 acres of land located at 4th and Walnut, which is the site of a 250,773 square foot student housing facility, and 3.16 acres of adjacent land. CU Denver will apply a Supplemental Credit Facility (SCF) extended by the University's Treasury to defease the existing debt carried by CUREF. The total amount needed to transfer the property is estimated at $61.7 million.

PERKINS PROGRAM

The University has made student loans through the Federal Perkins Loan Program (Perkins program). The Perkins program expired after fiscal year-end. Total federal student loan balances as of June 30, 2015 and 2014 were $26,209,000 and $26,753,000, respectively. Congress had until September 30, 2015, to legislate continuation of the Perkins program, but it let the deadline pass without action. As such, the University is currently determining the necessary actions that will need to be taken to exit the Perkins program, including waiting for the Department of Education to release an official communication on closeout deadlines and expectations.

FUNDING STATUS OF OTHER POSTEMPLOYMENT BENEFITS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2014	-	$ 523,409,000	$ 523,409,000	0.00%	$ 1,336,248,000	39.17%
JULY 1, 2012	-	$ 406,782,000	$ 406,782,000	0.00%	$ 1,141,100,000	35.65%
JULY 1, 2010	-	$ 343,144,000	$ 343,144,000	0.00%	$ 1,023,525,000	33.53%
JULY 1, 2008	-	$ 196,715,000	$ 196,715,000	0.00%	$ 898,899,000	21.88%

FUNDING STATUS OF ALTERNATE MEDICARE PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2014	-	$ 34,100,000	$ 34,100,000	0.00%	$ -	0.00%
JULY 1, 2012	-	$ 28,100,000	$ 28,100,000	0.00%	$ -	0.00%
JULY 1, 2010	-	$ 22,100,000	$ 22,100,000	0.00%	$ -	0.00%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA PENSION LIABILITY*

MEASUREMENT DATE	PROPORTION OF COLLECTIVE NET PENSION LIABILITY (A)	PROPORTIONATE SHARE OF COLLECTIVE NET PENSION LIABILITY (B)	COVERED PAYROLL (C)	PROPORTIONATE SHARE (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY
DECEMBER 31, 2014	11.27%	$ 1,060,337,000	$ 292,225,000	362.85%	59.84%
DECEMBER 31, 2013	11.40%	$ 1,015,248,000	$ 284,977,000	356.26%	61.08%

*Only two years of information is available

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA PENSION

FISCAL YEAR-END	STATUTORILY REQUIRED CONTRIBUTION (A)	CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTION (B)	CONTRIBUTION DEFICIENCY (EXCESS) (A-B)	COVERED PAYROLL (C)	CONTRIBUTIONS RECOGNIZED AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2015	$ 51,994,000	$ 51,994,000	$ -	$ 295,357,000	17.60%
JUNE 30, 2014	$ 47,751,000	$ 47,751,000	$ -	$ 288,904,000	16.53%
JUNE 30, 2013	$ 43,219,000	$ 43,219,000	$ -	$ 279,476,000	15.46%
JUNE 30, 2012	$ 33,381,000	$ 33,381,000	$ -	$ 279,810,000	11.93%
JUNE 30, 2011	$ 30,084,000	$ 30,084,000	$ -	$ 278,497,000	10.80%
JUNE 30, 2010	$ 37,398,000	$ 37,398,000	$ -	$ 279,135,000	13.40%
JUNE 30, 2009	$ 34,694,000	$ 34,694,000	$ -	$ 277,523,000	12.50%
JUNE 30, 2008	$ 29,570,000	$ 29,570,000	$ -	$ 254,932,000	11.60%
JUNE 30, 2007	$ 25,502,000	$ 25,502,000	$ -	$ 233,928,000	10.90%
JUNE 30, 2006	$ 23,174,000	$ 23,174,000	$ -	$ 219,601,000	10.55%

NOTE: For information about factors that significantly affect trends in the amounts reported, see PERA's Comprehensive Annual Financial Report (CAFR), pages 102 – 104.

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Todd Saliman, Vice President and Chief Financial Officer
Tanya Mares Kelly-Bowry, Vice President Government Relations
Michael Lightner, Vice President for Academic Affairs
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Officers and Staff as of September 2015

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