

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements and Uniform Guidance Single Audit Reports

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



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UNIVERSITY OF DENVER (COLORADO SEMINARY)

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position, June 30, 2021 and 2020	3
Statement of Activities, Year ended June 30, 2021	4
Statement of Activities, Year ended June 30, 2020	5
Statements of Cash Flows, Years ended June 30, 2021 and 2020	6
Notes to Financial Statements	7
Supplementary Information – Financial Responsibility Composite Score	39
Single Audit Reports and Schedules	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	43
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50
Corrective Action Plan	52
Summary of Prior Audit Findings	53



INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Denver
Denver, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of University of Denver (Colorado Seminary) (the University), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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.

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 University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The adoption had no significant impact to the assets and liabilities reported on the Statement of Financial Position. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado

November 19, 2021, except for Financial Responsibility Composite Score (Note 17 and Supplementary Information) and Schedule of Expenditures of Federal Awards as to which the date is May 6, 2022

UNIVERSITY OF DENVER
Statement of Financial Position
At June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 127,461,729	76,711,102
Short term investments	86,532,340	80,819,681
Accounts receivable, net	32,437,072	34,280,695
Pledges receivable, net	86,461,678	40,835,127
Inventories, prepaid expenses, and other assets	10,245,715	10,057,378
Long term investments	1,061,232,572	793,156,563
Loans to students, net	7,237,479	9,216,447
Deposits with bond trustees	4,815,609	41,812,984
Property, plant, and equipment, net of accumulated depreciation	771,577,310	764,190,156
Total assets	<u>\$ 2,188,001,504</u>	<u>1,851,080,133</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 90,832,386	94,793,135
Deferred revenues	31,305,266	33,593,398
Other liabilities	4,018,341	1,169,082
Annuity obligations	8,798,350	8,282,318
Long-term debt	227,614,127	235,424,897
U.S. government grants refundable	8,346,901	10,596,780
Total liabilities	<u>370,915,371</u>	<u>383,859,610</u>
Net assets:		
Without donor restrictions:		
Undesignated	9,187,693	9,646,694
Board-designated endowments	319,579,102	245,218,576
Designated student loans	1,720,127	1,696,742
Other designated	81,909,583	32,674,827
Net investment in plant	537,027,832	560,607,444
Donor advised funds	2,151,387	3,343,894
Total without donor restrictions	<u>951,575,724</u>	<u>853,188,177</u>
With donor restrictions		
Gifts and distributed endowment income	64,514,434	46,141,886
Student loans	2,111,078	2,097,178
Annuity life income	14,585,962	12,713,376
Endowment subject to future appropriations	352,800,058	173,262,079
Perpetual endowment	431,498,877	379,817,827
Total with donor restrictions	<u>865,510,409</u>	<u>614,032,346</u>
Total net assets	<u>1,817,086,133</u>	<u>1,467,220,523</u>
Total liabilities and net assets	<u>\$ 2,188,001,504</u>	<u>1,851,080,133</u>

UNIVERSITY OF DENVER

Statement of Activities Year ended June 30, 2021

	2021		
	Without donor restrictions	With donor restrictions	Total
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 367,052,070	—	367,052,070
Private gifts	1,891,785	25,642,403	27,534,188
Grants and contracts	50,571,037	—	50,571,037
Endowment investment return appropriated for operations	10,417,806	26,505,246	36,923,053
Other investment income	989,356	200,156	1,189,512
Net realized and unrealized gains (losses) on other investment	(392,893)	4,434,358	4,041,465
Sales and services of educational activities	10,514,942	—	10,514,942
Sales and services of auxiliary enterprise	31,763,189	—	31,763,189
Other sources of operating revenue	12,624,091	—	12,624,091
Net assets released from restrictions	35,282,210	(35,282,210)	—
Total operating revenue	<u>520,713,593</u>	<u>21,499,953</u>	<u>542,213,547</u>
Operating expenses:			
Salaries and wages	257,091,922	—	257,091,922
Fringe benefits	56,073,557	—	56,073,557
Services and supplies	118,636,380	—	118,636,380
Utilities and maintenance	12,537,061	—	12,537,061
Depreciation	18,429,664	—	18,429,664
Interest on indebtedness	8,092,896	—	8,092,896
Other operating expenses	26,186,729	—	26,186,729
Total operating expenses	<u>497,048,209</u>	<u>—</u>	<u>497,048,209</u>
Increase (decrease) in net assets from operating activity	<u>23,665,384</u>	<u>21,499,953</u>	<u>45,165,338</u>
Non-operating activity			
Private gifts for endowment	—	51,805,581	51,805,581
Endowment investment return after amounts appropriated for operations	74,425,259	176,188,715	250,613,973
Donor advised fund grants	(1,165,000)	—	(1,165,000)
Change in value of split-interest agreements	—	3,445,718	3,445,718
Net assets released from restrictions	1,953,579	(1,953,579)	—
Reclassification of restricted net assets	(491,675)	491,675	—
Increase (decrease) in net assets from non-operating activity	<u>74,722,163</u>	<u>229,978,110</u>	<u>304,700,272</u>
Change in net assets	98,387,547	251,478,063	349,865,610
Net assets at beginning of year	853,188,177	614,032,346	1,467,220,523
Net assets at end of year	<u>\$ 951,575,724</u>	<u>865,510,409</u>	<u>1,817,086,133</u>

UNIVERSITY OF DENVER

Statement of Activities Year ended June 30, 2020

	2020		
	Without donor restrictions	With donor restrictions	Total
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 350,170,289	—	350,170,289
Private gifts	2,005,509	17,347,570	19,353,079
Grants and contracts	49,281,558	—	49,281,558
Endowment investment return appropriated for operations	10,034,282	25,881,534	35,915,816
Other investment income	4,564,657	137,198	4,701,855
Net realized and unrealized gains (losses) on other investment	(264,985)	(760,332)	(1,025,317)
Sales and services of educational activities	15,456,654	—	15,456,654
Sales and services of auxiliary enterprise	28,715,609	—	28,715,609
Other sources of operating revenue	21,936,186	—	21,936,186
Net assets released from restrictions	37,679,469	(37,679,469)	—
Total operating revenue	<u>519,579,228</u>	<u>4,926,501</u>	<u>524,505,729</u>
Operating expenses:			
Salaries and wages	261,303,837	—	261,303,837
Fringe benefits	61,307,685	—	61,307,685
Services and supplies	125,124,079	—	125,124,079
Utilities and maintenance	13,143,416	—	13,143,416
Depreciation	16,467,771	—	16,467,771
Interest on indebtedness	6,640,535	—	6,640,535
Other operating expenses	33,574,514	—	33,574,514
Total operating expenses	<u>517,561,837</u>	<u>—</u>	<u>517,561,837</u>
Increase (decrease) in net assets from operating activity	<u>2,017,391</u>	<u>4,926,501</u>	<u>6,943,892</u>
Non-operating activity			
Private gifts for endowment	—	8,152,375	8,152,375
Endowment investment return after amounts appropriated for operations	(5,840,708)	(16,871,880)	(22,712,588)
Donor advised fund grants	(5,525,000)	—	(5,525,000)
Change in value of split-interest agreements	—	(614,435)	(614,435)
Other non-operating changes	—	(6,926,632)	(6,926,632)
Net assets released from restrictions	1,256,872	(1,256,872)	—
Reclassification of restricted net assets	(652,252)	652,252	—
Increase (decrease) in net assets from non-operating activity	<u>(10,761,088)</u>	<u>(16,865,192)</u>	<u>(27,626,280)</u>
Change in net assets	(8,743,697)	(11,938,691)	(20,682,388)
Net assets at beginning of year	<u>861,931,874</u>	<u>625,971,037</u>	<u>1,487,902,911</u>
Net assets at end of year	<u>\$ 853,188,177</u>	<u>614,032,346</u>	<u>1,467,220,523</u>

UNIVERSITY OF DENVER
Statements of Cash Flows
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 349,865,610	(20,682,388)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	18,429,664	16,467,771
Disposal of property, plant, and equipment	29,869	74,304
Amortization of premium and cost of issuance	(770,770)	(774,289)
(Increase) decrease in accounts receivable	1,843,622	(3,205,465)
(Increase) decrease in pledges receivable	(45,626,551)	3,031,784
(Increase) in inventories, prepaid expenses, and other assets	(188,337)	(1,309,372)
Increase in accounts payable and accrued liabilities	1,830,925	2,927,164
(Decrease) Increase in deferred revenues	(2,288,132)	5,318,272
Increase in other liabilities	2,849,259	505,205
Actuarial adjustment for annuity obligation	830,598	(463,551)
Contributions restricted for long term investment	(14,348,882)	(8,152,375)
Net realized and unrealized gains on investments	(289,551,752)	(10,252,529)
Net cash provided (used) by operating activities	<u>22,905,123</u>	<u>(16,515,469)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	537,893,364	452,793,945
Purchases of investments	(522,444,844)	(422,407,095)
Purchases of property, plant, and equipment	(31,638,362)	(104,305,196)
Repayment of Perkins and University loans to students	1,978,968	2,235,100
(Increase) decrease in deposits with bond trustees	36,997,375	90,637,441
Net cash provided (used) in investing activities	<u>22,786,501</u>	<u>18,954,195</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long term investment	14,348,882	8,152,375
Payments of bonds payable	(7,040,000)	(7,825,000)
Decrease in refundable government loan funds, net	(2,249,879)	(4,044,135)
Net cash provided (used) in financing activities	<u>5,059,003</u>	<u>(3,716,760)</u>
Net increase (decrease) in cash and cash equivalents	<u>50,750,627</u>	<u>(1,278,034)</u>
Cash and cash equivalents at beginning of year	<u>76,711,102</u>	<u>77,989,136</u>
Cash and cash equivalents at end of year	<u>\$ 127,461,729</u>	<u>76,711,102</u>

See accompanying notes to the financial statements

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity

The University of Denver is an accredited, independent, coeducational institution located in Denver, Colorado. The University was founded as Colorado Seminary in 1864. In 1880, following the reorganization of the Colorado Seminary, the University was established as the degree-granting body. In 2020, the University and the Colorado Seminary merged forming the surviving entity, the University of Denver. An amended charter and articles of incorporation are in place with the State of Colorado. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 13,900 students of which approximately 5,700 are undergraduates. The University is primarily supported by tuition and fees, private gifts, and grants and contracts.

(b) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Certain portions of net assets without donor restrictions are designated for specific purposes by the University. Uses of certain net assets without donor restrictions are committed as matching funds under student loan programs of the federal government.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the University and/or the passage of time, or for which the original contribution is to be maintained in perpetuity with resulting investment earnings available for use for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of operations – The statements of activities separately report changes in net assets from operating and non-operating activity. Operating activity consists primarily of revenues and expenses related to ongoing educational and research programs, including contributions for current use and endowment return appropriated by the University to support these programs. Non-operating activity consists primarily of contributions for long term purposes, net appreciation, or depreciation for long term investments in excess of amounts appropriated for operations, net assets released from donor restrictions for property placed in service, and other activities not in direct support of annual operations.

During fiscal year 2020, the University of Denver transferred \$6,926,632 to the newly formed Barton Institute for Community Action. A predecessor organization of the Barton Institute for Community Action was formed by a gift to the University during 2016. This transfer of funds is reported on the fiscal year 2020 Statement of Activities as other non-operating changes with donor restrictions.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(c) *Change in Accounting Principle*

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This standard requires lessees to recognize assets and liabilities for the rights and obligations created by leases as assets and liabilities on the statements of financial position. The liability is equal to the present value of the lease payments. The asset is based on the liability, subject to adjustment, such as for initial direct costs and uneven rent payments. For the purposes of the statements of activities and cash flows, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases result in straight-line expense (similar to operating leases prior to adoption this standard) while finance leases result in a front-loaded expense pattern (similar to capital leases prior to adoption of this standard). The accounting by lessors remains largely unchanged.

The University adopted ASU 2016-02 in fiscal year 2021 with no significant impact to the assets and liabilities reported on the Statement of Financial Position.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The standard removes the requirements to disclose transfers between Level 1 and Level 2 of the fair value hierarchy and the changes in unrealized gains and losses for recurring Level 3 fair value measurements, among other disclosures. The standard modifies other disclosure requirements regarding transfers into and out of Level 3 of the fair value hierarchy and investments in entities that calculate net asset value. The standard adds requirements for disclosures for information surrounding the unobservable inputs used to develop Level 3 fair value measurements. This standard is effective for fiscal years beginning after December 15, 2019.

The University adopted ASU 2018-13 in fiscal year 2021 with no significant impact to financial statement note disclosures.

(d) *Cash and Cash Equivalents*

The University controls cash for all activities through one operating account. Certificates of deposits, short term securities, and deposits with trustees are stated at fair value.

The University considers all liquid investments with original maturities of three months or less, except those relating to endowments, deposits with trustees, or annuities; to be cash equivalents.

(e) *Accounts Receivable*

Accounts receivable consist primarily of amounts due from students for tuition, room, board, and fees, and amounts due to the University under federal, state, and private sponsored program grants and contracts. An allowance for uncollectability is provided based on specific review of outstanding balances.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

The following table shows the University's accounts receivable balances and allowances for uncollectible accounts as of June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 24,973,619	\$ 26,771,504
Allowance for uncollectible accounts	<u>(2,529,190)</u>	<u>(2,123,191)</u>
Student accounts receivable, net	22,444,429	24,648,313
 Sponsored programs accounts receivable	 7,001,047	 6,290,064
Allowance for uncollectible accounts	<u>(241,847)</u>	<u>(217,384)</u>
Sponsored programs accounts receivable, net	6,759,200	6,072,680
 Other accounts receivable	 3,233,443	 3,559,702
Total accounts receivable, net	\$ <u>32,437,072</u>	\$ <u>34,280,695</u>

Student accounts that are 120 days delinquent are reviewed to determine if they should be assigned to an outside collection agency. If a student has assets or income, has not made a payment and has not entered into a repayment agreement with the University, accounts may be assigned to preselected collection agencies.

In June of each year, student tuition accounts with delinquent balances over 365 days and no payment activity for the prior 12 months which are deemed uncollectible are written off to bad debt reserve. Holds are placed on written off student accounts which prevent future registration and the release of official transcripts and diplomas.

(f) Investments

Investments received by gift, including investments in real estate, are recorded at estimated fair value at the date of the gift and are subsequently adjusted for changes in fair value thereafter. Purchased investments are carried at fair value. Realized and unrealized gains and losses are reported in the appropriate net asset classification. The University also holds shares or units in alternative investment funds involving hedge, private equity, and real estate strategies. For financial statement presentation purposes, an investment may be considered alternative if the investment does not meet the following four criteria: (1) it is registered with the Securities Exchange Commission (SEC), (2) it makes semiannual filings with the SEC, (3) it calculates a net asset value daily, and (4) purchase and redemption of shares may be done daily. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values.

The University evaluates the fair value of its investments in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurements and Disclosures*, updated by Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. This standard establishes a framework for measuring fair value, clarifies the definition of fair value for financial reporting, and expands disclosures about fair value measurements. See further discussion at note 4.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

In conjunction with the provisions of FASB ASC Topic 820-10, the University evaluates the fair value of its investments in accordance with the provisions of ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends FASB ASC Topic 820-10 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to other provisions of FASB ASC Topic 820-10.

(g) *Pledges Receivable and Contribution Revenue*

Unconditional promises to give are recorded when pledges are made by the respective donors at the estimated present value of future cash flows discounted at the prevailing interest rate as of the period in which the agreement is received. An allowance for uncollectibility is provided based on review of individually significant pledges and an estimated rate of uncollectability. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions, other than grants and contracts with governments and similar agencies, whose restrictions are met in the same reporting period are initially reported as revenue with donor restrictions, which increases net assets with donor restrictions, then reclassified (or released from restrictions), simultaneously increasing net assets without donor restrictions and decreasing net assets with donor restrictions. Grants and contracts with governments and similar agencies, whose conditions and restrictions have been met in the same reporting period, are initially reported as revenue without donor restrictions which increases net assets without donor restrictions. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

Net assets released from restrictions are reported in the statements of activities when the University has met the donor restrictions. Assets released from restrictions in the current year are for scholarships, plant acquisitions, and departmental operations.

(h) *Inventories*

Inventories, which consist mainly of athletic and golf course merchandise and operating supplies, are valued at the lower of cost or fair value using the first-in, first-out (FIFO) method.

(i) *Deposits with Bond Trustees*

Deposits with bond trustees represents unspent funds from the Series 2017A and Series 2017B proceeds held in cash and U.S. government securities.

(j) *Property, Plant, and Equipment*

Property, plant, and equipment exceeding a capitalization threshold of \$5,000 are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation on property, plant, and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and historically 10 to 80 years for buildings and improvements, although the facilities funded with series 2017 A&B bonds will be depreciated at a reduced useful life of 50 years.

Property, plant, and equipment includes the accumulated construction costs of buildings currently being constructed that are not placed in service as of the reporting date, as shown

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

in Note 7. These costs include any interest incurred that is capitalized as a cost of construction. To the extent that buildings are constructed with contributions from donors restricted to the cost of construction, interest capitalization is not included in the cost of construction.

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated works of art are considered collections under the University's policy. Collections held for public exhibition and education in furtherance of public service rather than financial gain are not recorded in the statements of financial position.

(k) Revenue Recognition

Tuition and Fee Revenue, Scholarships, and Deferred Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees ratably over the academic term in which the related courses and programs are delivered. Registered students are generally billed on the first day of the month preceding the month in which classes begin and payment is due during the third week of that month. During terms for which classes begin late in the month, registered students are billed on the first of the month in which classes begin and payment is due during the third week of that month.

Institutional scholarships and non-institutional scholarships represent the difference between the stated charge for tuition and fees and the amount that is billed to the student. Institutional scholarships are the unfunded discount from the University's stated tuition and fee charges which is applied to the accounts of qualifying students. Non-institutional scholarships are those scholarships which are funded by gifts, endowment distribution, and research funds.

The following table shows the University's tuition and fee revenue and scholarship support for the years ended June 30, 2021 and 2020:

	2021	2020
Undergraduate tuition	\$ 290,293,216	\$ 290,046,424
Graduate tuition	265,631,690	240,185,280
Other tuition	11,067,546	11,697,645
Student fees	4,660,600	3,697,066
Tuition and fees	<u>571,653,052</u>	<u>545,626,415</u>
Less: institutional scholarships	(180,830,787)	(172,210,967)
Less: noninstitutional scholarships	(23,770,195)	(23,245,159)
Net tuition and fees	<u>\$ 367,052,070</u>	<u>\$ 350,170,289</u>

Summer session tuition and fee revenue that is not earned as of year-end is deferred and reported as Deferred Revenues on the Statement of Financial Position. Deferred tuition and fee revenue is recognized as revenue in the following fiscal year.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2021 and 2020:

Balance at June 30, 2020	\$ 33,593,398
Tuition and fee revenue recognized	(33,593,398)
Revenue deferred for future performance obligations	<u>31,305,266</u>
Balance at June 30, 2021	<u><u>\$ 31,305,266</u></u>

Balance at June 30, 2019	\$ 28,275,126
Tuition and fee revenue recognized	(28,275,126)
Revenue deferred for future performance obligations	<u>33,593,398</u>
Balance at June 30, 2020	<u><u>\$ 33,593,398</u></u>

Grants and Contracts Revenue

The University receives grants and contracts from governmental and private sources. The University considers the majority of its grants and contracts funding to be nonreciprocal transactions in which resources are provided for the benefit of the University, the funding organization's mission, or the public at large. The University considers its grants and contracts to be conditional contributions. The University recognizes revenues associated with these sponsored programs as the related costs are incurred in accordance with the terms of the grant agreements. Grant-type conditional contributions, whose conditions and restrictions have been met in the same reporting period they are initially reported, are reported as grants and contract revenue without donor restrictions.

The following table shows the University's grants and contracts revenue from governmental and non-governmental sources for the fiscal years ended June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Governmental sources of grants and contracts		
Federal sponsored programs	\$ 23,806,608	\$ 24,160,983
Other governmental sponsored programs	4,261,854	3,665,717
Federal and state student financial assistance	5,895,684	4,850,659
Higher Education Emergency Relief Fund	<u>7,105,908</u>	<u>4,626,269</u>
Total governmental sources of grants and contracts	41,070,054	37,303,628
Non-governmental sponsored programs	9,500,983	11,977,960
Total grants and contracts	<u><u>\$ 50,571,037</u></u>	<u><u>\$ 49,281,588</u></u>

Facilities and administrative costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal facilities and administrative costs rate with the Office of Naval Research. Facilities

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

and administrative costs recovered included in federal sponsored programs in the chart above were approximately \$5,581,000 and \$5,507,000 during fiscal years ended Jun 30, 2021 and 2020, respectively. Facilities and administrative costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors. Facilities and administrative costs recovered from other governmental sponsored programs and non-governmental sponsored programs were approximately \$2,993,000 and \$3,661,000 during fiscal years ended June 30, 2021 and 2020, respectively.

During 2021, the University received \$7,105,908 in funding from the Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). As required by law, an amount equal to fifty percent of the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act award, or \$2,313,135, was made directly available for students under the Emergency Financial Aid Grants to Students. The remaining amount, or \$4,792,773, was used to offset the reimbursement of room and board and fee refunds to students in the Spring quarter of the 2020 fiscal year. All funding received from the CRRSAA was fully utilized by the University by June 30, 2021.

During 2020, the University received \$4,626,269 in funding from the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. As required by law, fifty percent of the funding, or \$2,313,135, was made directly available for students under the Emergency Financial Aid Grants to Students, and the second fifty percent, or \$2,313,134, was used to offset the reimbursement of room and board and fee refunds to students in the Spring quarter of the 2020 fiscal year. All funding received from the CARES Act was fully utilized by the University by June 30, 2020.

The University has been allocated \$12,232,909 in funding from the American Rescue Plan Act (ARPA). Of this amount, \$6,129,883 must be made directly available for students as emergency aid grants. The remaining amount, or \$6,103,026, will be used to offset costs incurred by the University to manage the ongoing impact of the coronavirus on campus. As of June 30, 2021, no amount of funds allocated to the University from ARPA have been received and no revenue has been recognized related to the allocation.

Contracts and grant revenue from the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) are shown in the table above as Higher Education Emergency Relief Fund (HEERF).

Sales and Services of Auxiliary Enterprise

Sales and services of auxiliary enterprise revenue consists primarily of revenue received from students for housing and meal plan charges, health and counseling center fees, conferencing events, and performing arts center events. Revenues for housing and meal plan charges are recognized ratably over the academic term in which the housing and board plans are provided. Students are billed on the first day of the month following registration and payment is due during the third week of that month.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

The following table shows the University's sales and services of auxiliary enterprise revenue disaggregated by source:

	2021	2020
Housing	\$ 16,761,447	\$ 12,519,498
Meal plans	9,341,725	8,297,955
Health and counseling services	5,379,666	4,251,590
Conferencing events	2,070	2,254,667
Performing arts events	21,292	1,177,899
Other sales and services of auxiliary enterprises	256,989	214,000
Total sales and services of auxiliary enterprises	<u>\$ 31,763,189</u>	<u>\$ 28,715,609</u>

During fiscal year 2021, auxiliary facilities including housing and dining operated throughout the year contributing to an increase in auxiliary revenues over the previous year. However, de-densification measures necessitated by the continuing pandemic did not allow for a return to full operations and effected fiscal year 2021 auxiliary revenues. The operations of Conferencing and Event Services and the Newman Performing Arts Center were essentially paused for the entire fiscal year ended June 30, 2021.

During the Spring quarter of fiscal year 2020 in response to the COVID-19 pandemic, the University temporarily suspended substantially all housing and dining operations and refunded related fees. Student fees refunded during 2020 totaled \$13,256,736.

(l) Compensated Absences

Eligible University employees earn paid vacation each month based upon their years of service with the University. Vacation time accrues and vests proportionately between July 1 and June 30 of the current year and employees can carry a maximum of 22 days to the next fiscal year. An accrual has been made for earned vacation time in the amount of \$5,524,000 and \$5,806,000 as of June 30, 2021 and 2020, respectively, and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

The University has a sick leave plan covering substantially all employees. The University provides employees approximately eight hours of paid sick leave per month depending on employment status. The University employees accumulated unused sick leave is carried over to the next year and is cumulative. Unused sick pay is forfeited by employees when they cease to be employed by the University. Therefore, no amount is accrued for sick leave.

(m) Annuity Obligations

Annuity obligations represent the actuarially determined present value of future payments due to beneficiaries under split-interest agreements, primarily charitable remainder trusts, based on the beneficiaries' life expectancies from actuarial tables published by the Internal Revenue Service, using the prevailing interest rate as of the date of each agreement. The University's agreements are tied to interest rates that range from 4.9% to 9.9%. Annuity obligations are adjusted annually for these factors.

(n) Taxes

The University is recognized as an organization generally exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) and a public charity, and not as a private foundation, under

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Section 509(a)(1). However, income generated from activities unrelated to the University's exempt purpose is subject to tax under Section 511 of the Code. The University had no material amounts of unrelated business income for the years ended June 30, 2021 and 2020.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes*. FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2021 and 2020.

(o) Net Asset Reclassifications

In 2011, the University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated \$66 million of the University's strategic reserves to match commitments to new and existing scholarship endowments. For the years ended June 30, 2021 and 2020, the University matched commitments to the matching program in the amount of approximately \$492,000 and \$652,000, respectively. Remaining funds available for use of the various gift matching programs totaled approximately \$3,209,000 of which \$1,395,000 is committed to the receipt of future pledge payments as of June 30, 2021, and approximately \$3,674,000 of which \$3,097,000 was committed to the receipt of future pledge payments as of June 30, 2020.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

(q) Endowment Funds

The University presents its endowment funds in accordance with the provisions of FASB ASC Topic 958-205, *Presentation of Financial Statements*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) and expands disclosures about endowment funds. See further discussion at note 5.

(r) Subsequent Events

FASB ASC Topic 855-10, *Subsequent Events*, establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2021 and through November 19, 2021.

(s) Reclassifications

Certain 2020 amounts have been reclassified to conform to the current year presentation.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(2) Financial Assets for General Expenditure

The University's financial assets and liquidity resources available within one year of the date of the statement of financial position for general expenditure were as follows at June 30:

	<u>2021</u>		<u>2020</u>
Financial Assets:			
Cash and cash equivalents - operating	\$ 114,752,941	\$	66,876,701
Short-term investments - operating	86,187,340		80,344,681
Long-term investment - operating	236,612		175,647
Working capital	<u>201,176,893</u>		<u>147,397,029</u>
Accounts receivable, net	32,437,072		34,280,695
Pledges receivable-operating due within one year	8,244,335		5,320,916
Board-designated endowments	319,579,102		245,218,576
Financial assets available at year end	<u>561,437,402</u>		<u>432,217,216</u>
Liquidity resources			
Endowment distribution in the follow year	36,528,000		33,009,000
	<u>\$ 597,965,402</u>	\$	<u>465,226,216</u>

In addition to the financial assets on the table above, the University has available a line of credit of \$50 million with a financial institution. See Note 13 for further discussion.

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and appropriations from the endowment. The University actively manages its resources, utilizing a combination of short term and long-term investment strategies to align its cash inflows with anticipated cash outflows.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(3) Short- and Long-Term Investments

Investments at June 30 consist of the following:

				2021		
				Cost	Unrealized gain (loss)	Market value
Short-term investments:						
U.S. government securities	\$	72,724,225		47,738		72,771,963
Mutual funds		9,703,451		3,474,174		13,177,625
Real estate		475,000		(130,000)		345,000
Other		237,752		—		237,752
		<u>83,140,428</u>		<u>3,391,912</u>		<u>86,532,340</u>
Long-term investment:						
Trustee cash and cash equivalents for endowments and annuities		7,463,622		—		7,463,622
U.S. Government Securities		70,235,277		(953,437)		69,281,840
Alternative Investments		186,054,567		160,723,224		346,777,791
Global Equities		166,865,387		150,594,501		317,459,888
Mutual Funds		26,267,624		4,561,561		30,829,185
Real Estate		22,248,936		43,781,065		66,030,001
Private Equities		142,138,504		68,893,914		211,032,418
Beneficial Trust Interest		8,370,680		3,770,535		12,141,215
Other		216,612		—		216,612
		<u>629,861,209</u>		<u>431,371,363</u>		<u>1,061,232,572</u>
Total all funds	\$	<u>713,001,637</u>		<u>434,763,275</u>		<u>1,147,764,912</u>
				2020		
				Cost	Unrealized gain (loss)	Market value
Short-term investments:						
U.S. government securities	\$	72,504,671		29,724		72,534,395
Mutual funds		8,081,229		(508,695)		7,572,534
Real estate		475,000		—		475,000
Other		237,752		—		237,752
		<u>81,298,652</u>		<u>(478,971)</u>		<u>80,819,681</u>
Long-term investment:						
Trustee cash and cash equivalents for endowments and annuities		5,408,558		—		5,408,558
U.S. Government Securities		54,268,394		4,028,195		58,296,589
Alternative Investments		167,361,014		68,496,037		235,857,051
Global Equities		255,412,773		51,155,035		306,567,808
Mutual Funds		23,168,633		1,005,612		24,174,245
Real Estate		22,266,874		25,387,860		47,654,734
Private Equities		94,437,057		10,633,246		105,070,303
Beneficial Trust Interest		8,301,484		1,650,144		9,951,628
Other		175,647		—		175,647
		<u>630,800,434</u>		<u>162,356,129</u>		<u>793,156,563</u>
Total all funds	\$	<u>712,099,086</u>		<u>161,877,158</u>		<u>873,976,244</u>

All endowments established by various donors over the years are accounted for separately in the accounting records of the University to ensure that the purposes for which the endowments were initially created are carried out in perpetuity. For investment purposes, to maximize total investment

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

return and administrative efficiency, the University commingles certain assets in an investment pool.

Individual endowments own shares in the pool, the value per share being determined by the pool's aggregate fair value, and the number of shares outstanding at the time contributions are made. The pool is valued on a quarterly basis for this purpose. At June 30, 2021, the pool had 137,829,677 shares outstanding, with a fair value of approximately \$982,678,406. The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. The distribution for spending in 2021 was \$0.25 per share, which represented spending of realized and unrealized gains. At June 30, 2020, the pool had 136,066,935 shares outstanding, with a fair value of approximately \$733,408,091. The distribution for spending in 2020 was \$0.24 per share, which represented spending of realized and unrealized gains.

The investment pool consisted of 1,357 and 1,338 individual endowments at June 30, 2021 and 2020, respectively.

The University has the following split-interest agreements, which are included in long term investments and are classified as net assets with donor restrictions at June 30, 2021 and 2020:

2021		
	Number of agreements	Market Value
Perpetual trusts held by third party	2	\$ 9,636,420
Charitable Remainder Trusts:		
University named trustee	17	16,870,036
Third-party named trustee	4	2,504,794
Charitable Annuity Agreements	47	4,196,350
	<u>70</u>	<u>\$ 33,207,600</u>

2020		
	Number of agreements	Market Value
Perpetual trusts held by third party	2	\$ 7,557,475
Charitable Remainder Trusts:		
University named trustee	18	14,343,113
Third-party named trustee	5	2,394,152
Charitable Annuity Agreements	49	4,515,781
	<u>74</u>	<u>\$ 28,810,521</u>

The University is the beneficiary of certain perpetual trusts held by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenue at the date the trusts are established. Distributions from the trusts are recorded as investment income, and the carrying value of the assets is adjusted for changes in the estimates of future receipts as gains and losses on the endowment investments.

The Charitable Remainder Trusts and Charitable Annuity Agreements are split-interest agreements that are held and administered either by the University or by others. In the period when the agreement is established, the University recognizes an asset at fair value, a liability to the beneficiary for the estimated future benefits to be distributed, and contribution revenue for the

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

difference. The annuity obligation is primarily based on the person's age at time of the gift, their life expectancy, and the prevailing interest rate as of the date of the agreement. Annual adjustments are made to the liability for the estimated future benefits to be distributed due to changes in the actuarial assumptions and the discount rate, where applicable, over the term of the agreement.

Contribution revenue recognized for new split-interest agreements in 2021 and 2020 was approximately \$9,000 and \$123,000, respectively.

(4) FASB ASC Topic 820-10, *Fair Value Measurements and Disclosures*

FASB ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820-10 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

(a) *Investments*

Investments whose values are based on quoted market prices in active markets, and are, therefore, classified within Level 1, include actively listed global equities, certain U.S. government and sovereign obligations, and certain money market securities.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, certain government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal, and provincial obligations, most physical commodities, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or nontransferability, which are generally based on available market information.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, investments in other funds, and less liquid mortgage securities (backed by either commercial or residential real estate).

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(b) Fair Value Hierarchy Table

The following tables summarize the University's short- and long-term investments in the fair value hierarchy as of June 30, 2021 and 2020, as well as liquidity of the investments. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the short-term investments and long-term investments amounts presented in the statement of position.

Deposits with bond trustees represents unspent funds from the Series 2017A and Series 2017B proceeds held in cash and U.S. government securities as discussed in Note 1(i). Fair value of U.S. government securities held as Deposits with bond trustees is the unadjusted quoted market price of the securities. Deposits with bond trustees are categorized as Level 1 investments, however they are not included in the fair value hierarchy table.

Private equity investments in the fair value tables below as of June 30, 2021 and 2020 are liquidated in accordance with the respective fund legal documents. The timing of the liquidation of these funds as of June 30, 2021 and 2020 is unknown.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Investment/liquidity	June 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	\$ 141,823,803	—	—	—	141,823,803
Monthly	—	230,000	—	—	230,000
Total	141,823,803	230,000	—	—	142,053,803
Alternative investments:					
Quarterly	—	—	—	259,933,017	259,933,017
Illiquid	—	—	—	86,844,774	86,844,774
Total	—	—	—	346,777,791	346,777,791
Mutual funds:					
Daily	44,006,810	—	—	—	44,006,810
Total	44,006,810	—	—	—	44,006,810
Global equities:					
Daily	3,819,522	—	—	—	3,819,522
Monthly	—	—	—	313,025,350	313,025,350
Quarterly	615,016	—	—	—	615,016
Total	4,434,538	—	—	313,025,350	317,459,888
Trustee cash and cash equivalents:					
Daily	7,463,622	—	—	—	7,463,622
Total	7,463,622	—	—	—	7,463,622
Real estate:					
Semiannually	—	66,030,000	—	—	66,030,000
Locked-up 1	—	345,001	—	—	345,001
Total	—	66,375,001	—	—	66,375,001
Private equities:					
Illiquid	—	—	—	211,032,418	211,032,418
Total	—	—	—	211,032,418	211,032,418
Beneficial trust interest:					
Locked-up 1	—	12,141,215	—	—	12,141,215
Total	—	12,141,215	—	—	12,141,215
Other:					
Daily	316,612	—	—	—	316,612
Illiquid	137,752	—	—	—	137,752
Total	454,364	—	—	—	454,364
Grand total	\$ 198,183,137	78,746,216	—	870,835,559	1,147,764,912

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Investment/liquidity	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	\$ 130,600,984	—	—	—	130,600,984
Monthly	—	230,000	—	—	230,000
Total	130,600,984	230,000	—	—	130,830,984
Alternative investments:					
Quarterly	—	—	—	168,882,951	168,882,951
Illiquid	—	—	—	66,974,100	66,974,100
Total	—	—	—	235,857,051	235,857,051
Mutual funds:					
Daily	31,746,779	—	—	—	31,746,779
Total	31,746,779	—	—	—	31,746,779
Global equities:					
Daily	6,683,640	—	—	—	6,683,640
Monthly	—	—	—	298,899,202	298,899,202
Quarterly	449,145	—	—	—	449,145
Illiquid	—	—	—	535,821	535,821
Total	7,132,785	—	—	299,435,023	306,567,808
Trustee cash and cash equivalents:					
Daily	5,408,558	—	—	—	5,408,558
Total	5,408,558	—	—	—	5,408,558
Real estate:					
Semiannually	—	47,654,733	—	—	47,654,733
Locked-up 1	—	475,001	—	—	475,001
Total	—	48,129,734	—	—	48,129,734
Private equities:					
Illiquid	—	—	—	105,070,303	105,070,303
Total	—	—	—	105,070,303	105,070,303
Beneficial trust interest:					
Locked-up 1	—	9,951,628	—	—	9,951,628
Total	—	9,951,628	—	—	9,951,628
Other:					
Daily	275,647	—	—	—	275,647
Illiquid	137,752	—	—	—	137,752
Total	413,399	—	—	—	413,399
Grand total	\$ 175,302,505	58,311,362	—	640,362,377	873,976,244

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(5) Endowments

As discussed in note 1(q), FASB ASC Topic 958-205 provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Act and expands disclosures about endowment funds. The Act was effective September 1, 2008 and provides for statutory guidance for the management, investment, and expenditure of endowment funds held by not-for-profit organizations. Amongst other provisions, the Act eliminates the “historical dollar value” rule for endowment funds in favor of guidelines regarding what constitutes prudent spending.

The University’s endowments consist of 1,357 and 1,338 individual funds as of June 30, 2021 and 2020, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) *Interpretation of Relevant Law*

The board of trustees of the University has interpreted the version of the Act enacted by the State of Colorado as not requiring an institution subject to the Act to implement a reclassification within its financial statements to reflect the effect of price inflation on the historic dollar value of endowment funds, bringing the current purchasing power of such funds to their original purchasing power and denominating the result as perpetual endowment.

The remaining portion of the donor-restricted fund that is not classified as perpetual endowment net assets is classified as endowment subject to future appropriations until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds:

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

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Net assets comprising true endowments funds and funds designated by the board of trustees to function as endowments were as follows at June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021:			
Donor-restricted			
Perpetual endowment	\$ —	431,498,877	431,498,877
Subject to future appropriations	—	352,800,058	352,800,058
Board-designated endowment funds	<u>319,579,102</u>	<u>—</u>	<u>319,579,102</u>
	<u>\$ 319,579,102</u>	<u>784,298,935</u>	<u>1,103,878,037</u>

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020:			
Donor-restricted			
Perpetual endowment	\$ —	379,817,827	379,817,827
Subject to future appropriations	—	173,262,079	173,262,079
Board-designated endowment funds	<u>245,218,576</u>	<u>—</u>	<u>245,218,576</u>
	<u>\$ 245,218,576</u>	<u>553,079,906</u>	<u>798,298,482</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

The changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 245,218,576	553,079,906	798,298,482
Investment return:			
Investment income	306,040	1,720,699	2,026,739
Net realized and unrealized gains	<u>84,542,644</u>	<u>200,967,643</u>	<u>285,510,287</u>
Total investment return	84,848,684	202,688,342	287,537,026
Private gifts	100,293	51,835,135	51,935,428
Appropriation of endowment assets for expenditures	(10,417,806)	(26,505,246)	(36,923,052)
Present value adjustment	—	(5,433)	(5,433)
Reinvested income	321,030	2,136,499	2,457,529
Transfer to board-designated endowments	—	578,057	578,057
Reclassification of restricted net assets	<u>(491,675)</u>	<u>491,675</u>	<u>—</u>
Changes	<u>74,360,526</u>	<u>231,219,029</u>	<u>305,579,555</u>
Endowment net assets, June 30, 2021	<u>\$ 319,579,102</u>	<u>784,298,935</u>	<u>1,103,878,037</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 250,458,767	564,058,913	814,517,680
Investment return:			
Investment income	307,473	1,617,909	1,925,382
Net realized and unrealized gains	<u>3,891,658</u>	<u>7,395,647</u>	<u>11,287,305</u>
Total investment return	4,199,131	9,013,556	13,212,687
Private gifts	6,418	9,415,137	9,421,555
Appropriation of endowment assets for expenditures	(10,034,282)	(25,881,534)	(35,915,816)
Appropriation for Barton Institute	—	(6,179,560)	(6,179,560)
Present value adjustment	—	7,557	7,557
Reinvested income	420,792	1,387,864	1,808,656
Transfer to board-designated endowments	820,000	605,723	1,425,723
Reclassification of restricted net assets	<u>(652,250)</u>	<u>652,250</u>	<u>—</u>
Changes	<u>(5,240,191)</u>	<u>(10,979,007)</u>	<u>(16,219,198)</u>
Endowment net assets, June 30, 2020	<u>\$ 245,218,576</u>	<u>553,079,906</u>	<u>798,298,482</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level of the book value (underwater). There are no underwater endowment funds at June 30, 2021. The University had 18 funds considered underwater with a deficiency of approximately \$18,000 at June 30, 2020. The deficiency is recorded as net unrealized losses on endowment in the increase in net assets with donor restrictions within the statement of activities.

(c) Return Objectives and Risk Parameters

The primary objective of the investment for the endowment, quasi-endowment, and similar funds is the concept of preservation of purchasing power of the funds with an emphasis on long term growth of the funds and with a risk profile that would be deemed to be prudent by institutional fiduciaries generally. Consistent with this objective, a reasonable return is expected.

(d) Strategies Employed for Achieving Objectives

The University has entered into an agreement with Investure, LLC for investment advisory and management services. The scope of the agreement pertains to management of a portion of the University's Consolidated Endowment Fund. The University has authorized Investure, LLC to act as the University's attorney-in-fact to enter into, make, execute and perform agreements or other undertakings on behalf of the University in connection with each investment. The University, through Investure, LLC's management, targets a diversified asset allocation. Investure, LLC's long term investment allocation guidelines include the following targets and maximum allocations by investment: global equity target of 30% and maximum allocation of 60%, alternative equity target of 30% and maximum allocation of 40%, private equity target of 30% and maximum allocation of 40%, fixed income target of 10% with no maximum allocation.

In addition to investments managed by Investure, the University holds an alternative investment and real estate investments in the Consolidated Endowment Fund which are not managed by Investure. The overall asset allocation of the Consolidated Endowment Fund is considered when investment allocation guidelines and targets are assessed. In addition to the investments held in the Consolidated Endowment Fund, the University holds investments in separate endowment funds. The investment objectives of the individual separate endowment funds may differ from the objectives of the Consolidated Endowment Fund and have asset allocation guidelines and targets specific to those funds.

(e) Spending Policy

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2021, and 2020, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(6) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 54,750,654	\$ 12,496,917
One to five years	24,178,054	19,103,247
Greater than five years	<u>34,188,744</u>	<u>36,627,608</u>
	113,117,452	68,227,772
Less allowance for uncollectible pledges	(7,702,603)	(6,822,779)
Less present value discount (4.75% - 8.0%)	<u>(18,953,171)</u>	<u>(20,569,866)</u>
Net pledges receivable	<u>\$ 86,461,678</u>	<u>\$ 40,835,127</u>

Included in pledges receivable is the present value of approximately \$46,538,000 and \$9,573,000 as of June 30, 2021 and 2020, respectively, in pledges from current and former members of the board of trustees. For the years ended June 30, 2021 and 2020, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm's length.

The University is the residuary beneficiary of a donor's estate and trust, of which the assets, after distribution to other beneficiaries, are estimated to be approximately \$36,091,000. This amount is included in unconditional promises expected to be collected in less than one year as of June 30, 2021.

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 9,174,417	9,174,417
Land improvements	35,523,354	35,321,432
Buildings and improvements	897,877,763	741,809,801
Equipment	65,047,564	62,717,294
Library books	9,414,020	9,397,679
Construction in progress	<u>3,410,853</u>	<u>139,197,526</u>
	1,020,447,971	997,618,149
Less accumulated depreciation	<u>(248,870,661)</u>	<u>(233,427,993)</u>
	<u>\$ 771,577,310</u>	<u>764,190,156</u>

The University had approximately \$18,430,000 and \$16,468,000 of depreciation expense for the years ended June 30, 2021 and 2020, respectively. Capitalized interest costs during 2021 of approximately \$702,000 are included in buildings and improvements at June 30, 2021. Capitalized interest costs of approximately \$2,269,000 during 2020 were included in construction in progress at June 30, 2020.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2021 and 2020, respectively, an asset retirement obligation of approximately \$8,686,000 and \$8,349,000 is included in accounts payable and accrued liabilities.

(8) Long Term Debt

Bonds payable at June 30 consist of the following:

	2021	2020
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2021	\$ 15,985,000	—
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017A	119,480,000	119,480,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017B	22,980,000	24,535,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014A	—	12,810,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014B	—	7,040,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	16,145,000	17,765,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	39,920,000	39,920,000
	<u>214,510,000</u>	<u>221,550,000</u>
Unamortized bond premium	14,155,787	14,983,954
Unamortized bond cost of issuance	<u>(1,051,660)</u>	<u>(1,109,057)</u>
Total long-term debt	227,614,127	235,424,897
Less current installments	<u>5,790,000</u>	<u>9,605,000</u>
Long-term debt, excluding current installment: \$	<u><u>221,824,127</u></u>	<u><u>225,819,897</u></u>

The University had approximately \$8,093,000 and \$6,641,000 of interest expense net of amortization of bond premium and deferred cost of issuance for the years ended June 30, 2021 and 2020, respectively. Amortization of bond premium and deferred cost of issuance was approximately \$771,000 and \$774,000 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, the University capitalized interest incurred to the cost of buildings and improvements of approximately \$702,000. During the year ended June 30, 2020, the University capitalized interest incurred to the cost of construction in progress of approximately \$2,269,000. Interest of approximately \$9,542,000 and \$9,764,000 was paid in cash during the years ended June 30, 2021 and 2020, respectively.

(a) Issuance of Series 2021 Bonds

In February 2021, the Colorado Educational and Cultural Facilities Authority (the Authority) issued \$18,500,000 of University of Denver Revenue Bonds, Series 2021. The proceeds from the sale of the 2021 bonds were used to (1) refund \$11,310,000 aggregate principal amount

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

of the Authority's Revenue Bonds Series 2014A, (2) refund \$7,040,000 aggregate principal amount of the Authority's Revenue Bonds Series 2014b, and (3) pay certain costs associated with the issuance of the 2021 Bonds.

The bond agreement provides for principal payments of \$2,515,000 in 2021, decreasing to \$1,710,000 in 2031. Interest is payable semiannually at a fixed rate of 1.420%.

(b) Issuance of Series 2017 Bonds

In June 2017, the Colorado Educational and Cultural Facilities Authority (the Authority) issued \$144,015,000 of University of Denver Revenue Bonds, Tax-Exempt Series 2017A \$119,480,000 and Taxable Series 2017B \$24,535,000. The proceeds from the sale of 2017 bonds will be used to (1) finance a portion of the construction, improvement, renovation, and equipping of certain campus improvements including a freshman residential dormitory, the campus career center, a substantial demolition, renovation and expansion of the student center to become a community commons, and other campus improvements; (2) pay certain capitalized interest on the Bonds; and (3) pay certain costs associated with the issuance of the Bonds.

The bond agreement provides for principal payments of \$1,555,000 in 2021, increasing to \$9,810,000 in 2047. Interest is payable semiannually at rates ranging from 2.244% to 5.000%.

(c) Issuance of Series 2014A Bonds

In September 2015, the Authority issued \$29,075,000 of University of Denver Revenue Bonds, Series 2014A. The proceeds from the sale of the 2014A bonds were used to (1) refund \$28,105,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005A and (2) pay certain costs associated with the issuance of the 2014A Bonds.

The bond agreement provides for principal payments of \$1,715,000 in 2016, increasing to \$6,490,000 in 2022. Interest is payable semiannually at a fixed rate of 2.620%.

(d) Issuance of Series 2014B Bonds

In March 2016, the Authority issued \$12,500,000 of University of Denver Revenue Bonds, Series 2014B. The proceeds from the sale of the 2014B bonds were used to (1) refund \$12,085,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005B and (2) pay certain costs associated with the issuance of the 2014B Bonds.

The bond agreement provides for principal payments of \$3,235,000 in 2017, increasing to \$6,820,000 in 2023. Interest is payable semiannually at a fixed rate of 2.710%.

(e) Issuance of Series 2013 Bonds

In February 2013, the Authority issued \$22,780,000 of University of Denver Revenue Bonds, Series 2013. The proceeds from the sale of the 2013 bonds were used to (1) refund \$21,240,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005B and (2) pay certain costs associated with the issuance of the 2013 Bonds.

The bond agreement provides for principal payments of \$140,000 in 2014, increasing to \$2,255,000 in 2030. Interest is payable semiannually at rates ranging from 2.00% to 4.00%.

(f) Issuance of Series 2007 Bonds

In December 2006, the Authority issued \$39,920,000 of University of Denver Refunding Revenue Bonds, Series 2007. The proceeds from the sale of the 2007 bonds were used to

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(1) (i) refund all of the Authority's Revenue Bonds (University of Denver Project) Series 2001A Bonds outstanding in the aggregate principal amount of \$27,000,000 and (ii) refund \$14,905,000 of aggregate principal amount of the Authority's Revenue Bonds (University of Denver Project) Series 2005B Bonds; (2) purchase a municipal bond insurance policy and a reserve fund surety bond for the 2007 Bonds; and (3) pay certain costs associated with the issuance of the 2007 Bonds.

The bond agreement provides for principal payments of \$1,650,000 in 2023, \$5,825,000 in 2024, \$6,135,000 in 2025, \$6,455,000 in 2026, \$6,790,000 in 2027, and ranging from \$2,365,000 in 2031 to \$2,870,000 in 2035. Interest is payable semiannually at the rate of 5.25%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

(g) Aggregate Annual Maturities of Bonds Payable

At June 30, 2021, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2022	5,790,000
2023	5,995,000
2024	11,030,000
2025	11,795,000
2026	11,180,000
Thereafter	168,720,000
	<u>\$ 214,510,000</u>

(h) Restrictive Bond Covenants

The University is required by bond covenants to maintain expendable resources (as defined by the Loan Agreements) of at least 75% of the outstanding principal of its long-term debt. The Loan Agreements require the calculation of a debt service coverage ratio (as defined by the Loan Agreements) annually. A debt service coverage ratio of less than 1.15 may limit the ability of the University to borrow additional amounts. The University is also required to comply with various other covenants while the bonds are outstanding. Management believes the University is in compliance with the bond covenants.

(i) Security for the Bonds

Under all the University's bond loan agreements, the University is obligated to pay amounts sufficient to provide payment of the principal and interest on the bonds. The obligation of the University to make such payments under the loan agreements is secured by a security interest in the gross revenues of the University, as defined.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(9) Retirement Plan

The University of Denver Retirement Plan (the Plan) covers all employees of the University except nonresident aliens and students. The Plan is a contributory tax-deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code (the Code). Participating employees may elect to defer up to 90% of their base pay, limited by the Code to \$19,500 per employee per year. The Code allows participants who have attained age 50 before the end of the Plan year to make catch-up contributions up to an additional \$6,500. Administrators, faculty members, and staff-appointed employees are eligible to participate in employer provided contribution matching after one year of service. Prior to July 1, 2020, eligible employees who contributed at least 4% of their base pay received an employer matching contribution of 8%. Effective July 1, 2020, the Plan was amended to add a provision for a fully discretionary matching contribution. Eligible employees who contributed at least 4% of their base pay received a matching contribution of 4% for the period July 1, 2020 through March 31, 2021. Eligible employees who contributed at least 4% of their base pay received a matching contribution of 8% for the period April 1, 2021 through June 30, 2021. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately \$9,425,000 and \$14,165,000 for the years ended June 30, 2021 and 2020, respectively, which were charged to operations expenses.

(10) Postretirement Benefits Other than Pensions

The University records postretirement benefits in accordance with the provisions of FASB ASC Topic 715-20, *Compensations – Retirement Benefits*. FASB ASC Topic 715-20 requires balance sheet recognition of the net asset or liability for the overfunded or underfunded status of defined-benefit pension and other postretirement benefit plans and recognition of changes in the funded status in the year in which the changes occur.

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive \$60 per month toward the cost of their postretirement medical costs. At June 30, 2021, the Healthcare Plan covered 230 retirees with an additional 2,422 active employees potentially eligible for coverage. At June 30, 2020, the Healthcare Plan covered 247 retirees with an additional 2,664 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

The changes in benefit obligations (all unfunded) were as follows:

	<u>2021</u>	<u>2020</u>
Acrued postretirement benefit obligation (APBO), beginning of year	\$ 3,153,830	3,125,970
Service cost	83,074	67,232
Interest cost	69,404	99,773
Actuarial loss (gain)	(209,090)	42,877
Benefits paid	<u>(162,000)</u>	<u>(182,022)</u>
APBO (all unfunded), end of year	<u>\$ 2,935,218</u>	<u>3,153,830</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

At June 30, net periodic postretirement benefit cost included the following components:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 83,074	67,232
Interest cost	69,404	99,773
Amortization of prior service cost	<u>11,125</u>	<u>11,125</u>
Net periodic postretirement benefit cost	<u>\$ 163,603</u>	<u>178,130</u>

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 2.49% and 2.27% for June 30, 2021 and 2020, respectively. It is the University's policy to fund the benefit cost with current cash balances. Under the Healthcare Plan, the University paid benefits of approximately \$162,000 and \$182,000 for the years ended June 30, 2021 and 2020, respectively, which were charged to operating expenses.

The estimated benefits expected to be paid in following years are as follows:

2022	\$ 161,000
2023	180,000
2024	178,000
2025	177,000
2026	174,000
2027– 2031	<u>807,000</u>
Total	<u>\$ 1,677,000</u>

For the years ended June 30, 2021 and 2020, all medical premiums were greater than the amount subsidized by the University. Therefore, a healthcare trend was not used as all retirees receiving the subsidy received the full \$60.

The measurement date for the Healthcare Plan was June 30, 2021.

(11) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2021 and 2020. Prior to 2005, contributions to the Perkins programs were funded 75% by the federal government with the University providing the remaining 25%; yet for fiscal years 2021 and 2020, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed to students, as Congress did not renew the program. No new loans were allowed after June 30, 2018. Institutions have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the Federal Capital Contributions (FCC) portion as loans are repaid. The University has elected to continue to collect on Perkins loans and return the FCC portion as the loans are collected. As payments are made back to the U.S. government, the U.S. government grants refundable will be reduced.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

At June 30, 2021 and 2020, the allowance for possible loan losses of Perkins approximated \$750,000; however, due to federal regulations, no loans of Perkins have been written off since the inception of Perkins.

The University has other loan funds obtained primarily through gifts and grants from individuals, corporations, and foundations. At June 30, 2021 and 2020, the allowance for possible loan losses of these funds was \$153,000.

(12) Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the tables below. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among programs include expenses associated with the following: facilities management and planning, the depreciation and disposal expense of property, plant, and equipment, and the interest expense on long term debt. Costs of facilities management and planning and depreciation and the disposal of property, plant, and equipment are allocated to the programs based upon square footage. Interest expense on long term debt is allocated to the programs that benefit from the long-term financing of the University.

The table below shows the composition of the expenses of the University for the year ended June 30, 2021 by functional category and natural class:

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	122,728,442	11,387,343	8,137,633	48,047,352	23,432,072	34,416,184	8,942,896	257,091,922
Fringe benefits	26,326,329	1,990,617	1,592,619	10,534,302	5,261,508	8,223,642	2,144,540	56,073,557
Services, supplies, and other	38,448,921	9,972,157	16,005,631	31,453,181	14,965,849	15,221,723	18,755,647	144,823,109
Utilities and maintenance	2,316,413	443,160	59,226	1,962,257	1,875,574	670,713	5,209,718	12,537,061
Depreciation	7,163,100	350,550	801	526,504	3,129,476	2,017,643	5,241,590	18,429,664
Interest on indebtedness	493,364	—	—	353,852	637,983	27,032	6,580,665	8,092,896
Total	197,476,569	24,143,827	25,795,910	92,877,448	49,302,462	60,576,937	46,875,056	497,048,209

The table below shows the composition of the expenses of the University for the year ended June 30, 2020 by functional category and natural class:

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	122,039,703	11,246,753	7,706,201	46,894,593	25,928,304	37,003,913	10,484,370	261,303,837
Fringe benefits	28,957,253	2,062,587	1,676,181	10,801,459	6,148,847	8,996,495	2,664,863	61,307,685
Services, supplies, and other	43,290,036	8,673,060	9,237,986	35,995,005	21,555,114	23,477,191	16,470,201	158,698,593
Utilities and maintenance	2,459,877	470,618	62,896	2,088,718	1,983,781	711,701	5,365,825	13,143,416
Depreciation	7,050,799	425,925	1,743	844,882	2,071,553	2,053,499	4,019,370	16,467,771
Interest on indebtedness	496,740	—	—	356,273	526,612	27,218	5,233,692	6,640,535
Total	204,294,408	22,878,943	18,685,007	96,980,930	58,214,211	72,270,017	44,238,321	517,561,837

The University had fund-raising expenses of approximately \$15,380,000 and \$19,216,000 in 2021 and 2020, respectively, which were recognized in institutional support in the accompanying statements of activities.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(13) Line of Credit

The University of Denver has a line of credit of \$50 million with a financial institution for operational needs. The line of credit expires on March 31, 2022. There were not outstanding balances on the line of credit as of June 30, 2021 and June 30, 2020.

(14) Commitments and Contingencies

At June 30, 2021 and 2020, the University had outstanding commitments totaling approximately \$2,695,000 and \$21,687,000, respectively, for contracts related to various construction projects on campus.

During the 2021 fiscal year, the University invested approximately \$59,396,000 in 21 long term partnerships, 21 of which were formed prior to the 2021 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$288,212,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2021, the University's remaining commitments to 19 partnerships total approximately \$268,655,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

During the 2020 fiscal year, the University invested approximately \$34,823,000 in 20 long term partnerships, 20 of which were formed prior to the 2020 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$228,815,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2020, the University's remaining commitments to 18 partnerships total approximately \$192,532,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

(15) Risks and Uncertainties

The University participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenses that may be disallowed by the granting agencies cannot be determined at this time although the University does not expect these amounts, if any, to be material to the financial statements.

The University is a party to a number of matters of litigation. It is the opinion of management, based on the advice of counsel, that the University's liability insurance is sufficient to cover the potential judgments and that the outcome of the suits will not have a material adverse effect on the financial position or operations of the University.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end of 2021, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the University of Denver, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts and/or costs for increased use of technology. The University of Denver is taking appropriate actions to mitigate any negative impact; however, the full impact of COVID-19 is unknown and cannot be fully estimated as these events are still developing.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(16) Subsequent Event

During September 2021, the University received a gift of approximately \$26 million for the purchase of a mountain campus and for capital improvements to the physical site and the implementation of student programming. A campus site of 724 acres, including 25,000 square feet of existing housing in Larimer County, Colorado was purchased during that same month. On October 5, 2021, the University announced the establishment of the James C. Kennedy Mountain Campus.

Capital improvements to the mountain campus are expected to occur during fiscal years 2022 through 2024. The development of programming including the launch of pilot programming for first year students will occur during fiscal year 2022.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(17) Financial Responsibility Composite Score

The composite score is prepared pursuant to Appendix B of 34 CFR Part 668 - Subpart L, Ratio Methodology for Private Non-profit Institutions. Private non profit institutions must demonstrate financial health to participate in Title IV funding. The University prepared the required calculations based on audited financial statements for the year-ended June 30, 2021. The composite score reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The calculation of the composite score for the year-ended June 30, 2021 is as follows:

Primary Reserve Ratio:

Expendable net assets	\$ 781,324,251	
Total expenses and losses	\$ 498,213,209	1.57

Equity Ratio:

Modified Net Assets	\$ 1,770,548,133	
Modified Assets	\$ 2,141,463,504	0.83

Net Income Ratio:

Change in net assets without donor restrictions	\$ 98,387,547	
Total revenues without donor restrictions	\$ 596,600,756	0.16

	Ratios	Strength Factors	Weight	Composite Score
Primary Reserve Ratio	1.57	3.0	40%	1.20
Equity Ratio	0.83	3.0	40%	1.20
Net Income Ratio	0.16	3.0	20%	0.60
Composite score				3.0

Section 498(c)(1) of the Higher Education Act authorizes the Secretary for the U.S. Department of Education, "ED", to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 establishes a methodology based on three ratios - primary reserve, equity, and net income - that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several computational steps are required to combine an institution's ratio results into a composite score:

- 1 Determine the value of each ratio;
- 2 Calculate a strength factor for each ratio using the appropriate algorithm;
- 3 Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- 4 Add the weighted scores to arrive at the composite score

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in the Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the ED of ten percent or more if its previous year's Title IV funding, as determined by the ED.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2021 and 2020

(17) Financial Responsibility Composite Score (continued)

Composite Score Components Disclosure

The Department of Education issued regulations on February 23, 2019, which become effective for filings July 1, 2020, regarding additional disclosures deemed necessary to calculate ratios for determining sufficient financial responsibility under Title IV.

Net assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 442,355,967
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	1,717,323
b.	Term Endowments	-
c.	Life income funds (trusts)	4,122,627
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 5,839,950</u>

Property, plant, and equipment, net

3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019 financial statements)	\$ 671,025,728
b.	Reclassify capital lease assets previously included in PPE, net, prior to the implementation of ASU 2016-02 lease standard	-
c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	(27,263,386)
d.	Balance pre-implementation property, plant, and equipment, net	<u>643,762,342</u>
4	Debt-financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019	
a.	Equipment	-
b.	Land improvements	-
c.	Buildings	-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to June 30, 2019	-
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	<u>127,814,968</u>
7	Total Property, Plant, and Equipment, net - June 30, 2020	<u>\$ 771,577,310</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019 financial statements)	\$ 244,024,186
b.	Reclassify capital lease assets previously included in long-term debt, prior to the implementation of ASU 20106-02 lease standard	-
c.	Less subsequent debt repayments	(14,865,000)
d.	Less amortization of bond premium and cost of issuance costs	(1,545,059)
e.	Balance Pre-implementation Debt	<u>227,614,127</u>
9	Allowable post-implementation debt used for capital long-lived assets	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	-
d.	Balance post-implementation debt	<u>-</u>
10	Construction-in-progress financed with debt or line of credit subsequent to June 30, 2019	-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than asset value	-
12	Total debt to be excluded from expendable net assets	<u>\$ 227,614,127</u>

Unsecured related-party receivables

13	Secured related-party receivables	\$ -
14	Unsecured related-party receivables	
a.	Unconditional contributions receivable from related-parties	46,538,000
15	Total secured and unsecured related-party receivables	<u>\$ 46,538,000</u>

Other Items

16	Sale of fixed assets, gains (losses)	-
17	Intangible Assets	-

Supplementary Information - Financial Responsibility Composite Score

UNIVERSITY OF DENVER
Supplementary Information
June 30, 2021
(See Independent Auditor's Report)

Supplemental Schedule - Composite Score Components

Primary Reserve Ratio:

Expendable net assets:		
1 Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 951,575,724
2 SFP	Net assets with donor restrictions	865,510,409
3 Financial Statement Note (FSN) 17	Net assets with donor restrictions: restricted in perpetuity	(442,355,967)
4 FSN 6	Unsecured related-party receivables	(46,538,000)
5 FSN 17	Donor restricted annuities, term endowments, and life income funds	(5,839,950)
6 FSN 17	Pre-implementation Property, plant, and equipment, net	(640,581,734)
7 FSN 17	Property, plant, and equipment, net, post-implementation with outstanding debt for original purchase	-
8 FSN 17	Construction-in-progress purchased with long-term debt	-
9 FSN 17	Property, plant, and equipment, net, post-implementation without debt	(130,995,576)
10 Not applicable	Lease right-of-use asset, post-implementation	- (3)
11 Not applicable	Intangible assets	-
12 FSN 10	Post-employment and pension liabilities	2,935,218
13 FSN 17	Long-term debt for long-term purposes, pre-implementation	227,614,127
14 FSN 17	Long-term debt for long-term purposes, post-implementation	-
15 FSN 17	Debt or line of Credit for Construction in Progress	-
16 Not applicable	Pre-implementation right-of-use asset liability	- (3)
17 Not applicable	Post-implementation right-of-use asset liability	- (3)
Total expendable net assets:		<u>\$ 781,324,251</u>
Expenses and losses:		
16 Statement of Activities (SOA)	Total operating expenses without donor restrictions	\$ 497,048,209
17 SOA	Donor advised fund grants (non-operating)	1,165,000
18 Not applicable	Non-service component of post-employment and pension (non-operating) cost (if loss)	-
19 Not applicable	Change in value of interest rate swap agreements (if loss)	-
Total expenses and losses:		<u>\$ 498,213,209</u>

Equity Ratio:

Modified net assets:		
20 SFP	Net assets without donor restrictions	\$ 951,575,724
21 SFP	Net assets with donor restrictions	865,510,409
22 Not applicable	Intangible assets	-
23 Financial Statement Note (FSN) 6	Unsecured related-party receivables	(46,538,000)
Total modified net assets:		<u>\$ 1,770,548,133</u>
Modified assets:		
24 SFP	Total Assets	\$ 2,188,001,504
25 Not applicable	Intangible assets	-
26 Financial Statement Note (FSN) 6	Unsecured related-party receivables	(46,538,000)
Total modified assets:		<u>\$ 2,141,463,504</u>

Net Income Ratio:

27 SOA	Change in net assets without donor restrictions	<u>\$ 98,387,547</u>
Revenues and gains:		
28 SOA	Tuition and fees, net	\$ 367,052,070
29 SOA	Private gifts - without donor restrictions	1,891,785
30 SOA	Grants and contracts	50,571,037
31 SOA	Sales and services of educational activities	10,514,942
32 SOA	Sales and services of auxiliary enterprise	31,763,189
33 SOA	Other sources of operating revenue	12,624,091
34 SOA	Net assets released from restrictions in operations	35,282,210 (2)
35 SOA	Net assets released from restrictions in non-operating	1,953,579 (2)
36 SOA	Reclassification of restricted net assets from gift matching	(491,675) (2)
37 SOA	Endowment investment return appropriated for operations-without donor restrictions	10,417,806 (1)
38 SOA	Endowment investment return after amounts appropriated for operations-without donor restrictions	74,425,259 (1)
39 SOA	Other investment income in operating - without donor restrictions	989,356
40 SOA	Net realized and unrealized gains (losses) on other investment in operating - without donor restrictions	(392,893) (1)
41 Not applicable	Non-service component of post-employment and pension (non-operating) cost, (if loss)	-
42 Not applicable	Pension-related changes other than net periodic pension costs (if gain)	-
43 Not applicable	Change in value of annuity agreement	-
44 Not applicable	Change in value of interest rate swap agreements (if gain)	-
45 Not applicable	Sale of fixed assets (if gain)	-
Total revenues and gains:		<u>\$ 596,600,756</u>

(1) Total unrestricted investment realized and unrealized gains are positive for the fiscal year. Some components of the total unrestricted investment gains are negative. The separate components are shown in order to provide agreement to amounts shown on the Statement of Activities.

(2) The University reclassifies funds that are used to match restricted gifts from donors from net assets without donor restrictions to net assets with donor restrictions. The reclassified matching funds reduce net assets released from restrictions. The matching funds are shown in order to provide agreement to amounts shown on the Statement of Activities.

(3) The University ASU 2016-02 Leases in fiscal year 2021 with no significant impact to the assets and liabilities reported on the Statement of Financial Position. The University did not elect to grandfather pre-implementation right-to-use assets or liabilities.

Single Audit



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
University of Denver
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of Denver, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

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

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

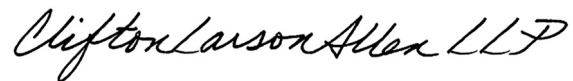
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Denver, Colorado
November 19, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
University of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the University of Denver's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University of Denver's major federal programs for the year ended June 30, 2021. The University of Denver's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University of Denver's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the University of Denver's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the University of Denver's compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Denver complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

University of Denver's response to the noncompliance finding identified in our audit is described in the accompanying University of Denver Corrective Action Plan. University of Denver's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University of Denver is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of Denver's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of Denver's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Board of Trustees
University of Denver

University of Denver's response to the internal control over compliance finding identified in our audit is described in the accompanying University of Denver Corrective Action Plan. University of Denver's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
May 6, 2022

University of Denver
Schedule of Expenditures of Federal Awards
June 30, 2021

Cluster	Federal Granting Agency	Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Contract/Grantor Number	Passed Through to Subrecipients	Expenditures
NON-CLUSTERED PROGRAMS:							
	Dept of Agriculture	Child and Adult Care Food Program	10.558	Colorado Dept of Public Health and Environment	11 FLA 14649		(17)
	<i>Total Department of Agriculture</i>					-	(17)
	Dept of the Treasury	Low-Income Taxpayer Clinic	21.008				134,705
	<i>Total Department of the Treasury</i>					-	134,705
	Dept of Education	COVID-19 - Education Stabilization Fund - Student Portion	84.425E				2,313,135
	Dept of Education	COVID-19 - Education Stabilization Fund - Institutional Portion	84.425F				4,792,773
	<i>Total Department of Education</i>					-	7,105,908
	Total Non-Clustered Programs					\$ -	\$ 7,240,596
RESEARCH AND DEVELOPMENT CLUSTER:							
	Dept of Commerce	Sea Grant Support	11.417	New Jersey Sea Grant Consortium	#1325; PROJECT ID: 826002; PO1		18,838
	<i>Total Department of Commerce</i>					-	18,838
	Dept of Defense	Military Medical Research and Development	12.420				49,475
	Dept of Defense	Basic Scientific Research	12.431				121
	Dept of Defense	Air Force Defense Research Sciences Program	12.800	University of Minnesota	547035/ PO 4324511		43,706
	Dept of Defense	Air Force Defense Research Sciences Program	12.800	University of Pennsylvania	A007584101		15,635
	<i>Total Department of Defense</i>					-	108,937
	Dept of Housing and Urban Development	Research and Evaluations, Demonstrations, and Data Analysis and Utilization	14.536	Center for Policy Research	Sub on grant H-21695CA		32,502
	<i>Total Dept of Housing and Urban Development</i>					-	32,502
	Dept of the Interior	Preservation of Japanese American Confinement Sites	15.933				27,363
	Dept of the Interior	Cooperative Research and Training Programs – Resources of the National Park System	15.945				17,990
	Dept of the Interior	Cultural Resources Management	15.946				57,768
	<i>Total Department of the Interior</i>					-	103,121
	Dept of Justice	Services for Trafficking Victims	16.320	Denver District Attorney's Office	2018-VT-BX-K076		17,379
	Dept of Justice	Services for Trafficking Victims	16.320	Asian Pacific Development Center	2018-VT-BX-K064		16,116
	Dept of Justice	Juvenile Justice and Delinquency Prevention	16.540				22,233
	Dept of Justice	Justice Research, Development and Evaluation	16.560	RAND Corporation	2018-75-CX-K0006		136,770
	Dept of Justice	Justice Research, Development and Evaluation	16.560	Research Triangle Institute	888-19-27-10	3,825	49,084
	Dept of Justice	Second Chance Act Reentry Initiative	16.812	Jefferson County	TM20-0484		253
	Dept of Justice	Smart Prosecution Initiative	16.825	Denver District Attorney's Office	2019-YX-BX-0012		24,746
	Dept of Justice	Girls in the Juvenile Justice System	16.830				37,671
	<i>Total Department of Justice</i>					3,825	304,252
	Dept of Transportation	Highway Training and Education	20.215				1,308
	Dept of Transportation	University Transportation Centers Program	20.701	North Dakota State University	FAR0028868		152,706
	<i>Total Department of Transportation</i>					-	154,014
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program	43.001			85,638	157,113
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program	43.001	Langley Space Flight Center	NNX17AH29G-05		10,503
	<i>Total National Aeronautics and Space Administration (NASA)</i>					85,638	167,616
	National Endowment for the Arts & Humanities	Promotion of the Arts Grants to Organizations and Individuals	45.024				27,026
	National Endowment for the Arts & Humanities	Promotion of the Humanities Federal/State Partnership	45.129	Idaho Humanities Council	2020018		1,720
	National Endowment for the Arts & Humanities	Promotion of the Humanities Research	45.161				43,767
	National Endowment for the Arts & Humanities	Promotion of the Humanities Professional Development	45.163				4,995

University of Denver

Schedule of Expenditures of Federal Awards

June 30, 2021

Cluster	Federal Granting Agency	Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Contract/Grantor Number	Passed Through to Subrecipients	Expenditures
	National Endowment for the Arts & Humanities	National Leadership Grants	45.312				52,522
	National Endowment for the Arts & Humanities	Laura Bush 21st Century Librarian Program	45.313	University of Tennessee	A20-0218-S001		25,888
	<i>Total National Endowment for the Arts & Humanities</i>					-	155,918
	National Science Foundation	Engineering Grants	47.041				387,978
	National Science Foundation	Engineering Grants	47.041	University of Michigan	SUBK00012024, PO: 3005921912		89,069
	National Science Foundation	Mathematical and Physical Sciences	47.049				714,682
	National Science Foundation	Mathematical and Physical Sciences	47.049	Colorado State University	G-98590-01		1,997
	National Science Foundation	Computer and Information Science and Engineering	47.070				57,663
	National Science Foundation	Computer and Information Science and Engineering	47.070	University of Colorado Denver	PO 1001474150		6,484
	National Science Foundation	Biological Sciences	47.074				553,160
	National Science Foundation	Biological Sciences	47.074	University of Colorado/Boulder	SUBAWARD 1001272789		119
	National Science Foundation	Social	47.075			113,890	562,039
	National Science Foundation	Social	47.075	Keck Institute	GR700508UD		40,736
	National Science Foundation	Education and Human Resources	47.076			87,239	325,124
	National Science Foundation	Education and Human Resources	47.076	Colorado State University	G-46373-14		54,933
	National Science Foundation	Education and Human Resources	47.076	University of North Dakota	Pri: 2000636, Sub: UNDO025365		7,918
	National Science Foundation	Education and Human Resources	47.076	University of North Dakota	UNDO023983-S1		12,710
	National Science Foundation	Office of International Science and Engineering	47.079				32,726
	<i>Total National Science Foundation</i>					201,129	2,847,338
	Dept of Energy	Office of Science Financial Assistance Program	81.049	Handix Scientific LLC	2102-1		24,581
	Dept of Energy	Renewable Energy Research and Development	81.087	Commonwealth Edison Company	CON 01219429		20,625
	<i>Total Department of Energy</i>					-	45,206
	Dept of Education	Undergraduate International Studies and Foreign Language Programs	84.016				1,800
	Dept of Education	Javits Gifted and Talented Students Education	84.206			65,000	411,719
	Dept of Education	Education Research, Development and Dissemination	84.305			1,997	390,437
	Dept of Education	Education Research, Development and Dissemination	84.305	University of North Texas	GF20010-01 / NT752-0000243323		115,598
	Dept of Education	Research in Special Education	84.324			17,981	412,561
	Dept of Education	Special Education Technical Assistance and Dissemination	84.326	University of South Florida	5830-1526-00-C, P000001491		202,341
	Dept of Education	Special Education Technical Assistance and Dissemination	84.326	University of North Carolina	5111594-H326P170001		289,641
	Dept of Education	Special Education Educational Technology Media, and Materials for Individuals with Disabilities	84.327	University of North Carolina	SUBAWARD 5112267		475,193
	<i>Total Department of Education</i>					84,978	2,299,290
	Dept of Health and Human Services	Sexual Risk Avoidance Education	93.060				244,141
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086			100,477	714,027
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Center for Relationship Education	NO. 3960238 R2R-7669		135,585
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Center for Relationship Education	SUBCONTRACT NO. 1620421		74,258
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Public Strategies, Inc.	90FM0064		90,550
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	University of Miami	OS00000470 SPC-001688		25,390
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	University of Miami	SPC-001386		10,973
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Mathematica Policy Research, Inc.	50898X07312		3,583
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Washington Park Research & Evaluation, LLC	DU Subcontract		32,860
	Dept of Health and Human Services	Graduate Psychology Education	93.191			27,522	393,469
	Dept of Health and Human Services	Mental Health Research Grants	93.242			308,489	1,360,110
	Dept of Health and Human Services	Mental Health Research Grants	93.242	Regents of University of California Irvine	2019-3739		92,627
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Mile High Council on Alcoholism and Drug Abuse	TI-19-008		82,322
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Casa Esperanza	1H79SM080754-01	256,339	55,765
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Casa Esperanza	1H79TI081614-01		76,860
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Casa Esperanza	6H79TI080787-01M004		8,561
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Casa Esperanza	1H79TI080903-01		81,472
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Promotional Projects of Regional and National Significance	93.243	Casa Esperanza	3H79TI080655-02S1		99,455
	Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279			28,732	95,799
	Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279	University of Colorado Denver	FY19.778.001, PROJ. 2-5-A7252		24,615

University of Denver
Schedule of Expenditures of Federal Awards
June 30, 2021

Cluster	Federal Granting Agency	Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Contract/Grantor Number	Passed Through to Subrecipients	Expenditures
	Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	Cleveland Clinic Educational Foundation	1408-SUB 5R01EB024573-04		61,775
	Dept of Health and Human Services	Cancer Detection and Diagnosis Research	93.394				258,220
	Dept of Health and Human Services	Every Student Succeeds Act/Preschool Development Grants	93.434	Colorado Department of Human Services	21 IHIA 163335	6,120	357,235
	Dept of Health and Human Services	Head Start	93.600				15,848
	Dept of Health and Human Services	Assistance for Torture Victims	93.604	International Rescue Committee Denver	90ZT0204		123,140
	Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	University of Maryland-Baltimore	POSRO0005576		7,597
	Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	State University of New York - Albany	4-89268 YR3		1,420,917
	Dept of Health and Human Services	Foster Care, Title IV-E	93.658			2,492,454	3,529,628
	Dept of Health and Human Services	Foster Care, Title IV-E	93.658	Colorado Department of Human Services	20 IHFA 129097		222,905
	Dept of Health and Human Services	Mental and Behavioral Health Education and Training Grants	93.732				674,307
	Dept of Health and Human Services	Centers for Medicare and Medicaid Services	93.779	University of Houston	R-19-0094		8,949
	Dept of Health and Human Services	Cardiovascular Diseases Research	93.837			9,721	414,703
	Dept of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	93.846			27,731	496,342
	Dept of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				257,015
	Dept of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University Of Wisconsin	1R21NS108684-01/844K723		21,331
	Dept of Health and Human Services	Allergy and Infectious Diseases Research	93.855				336,710
	Dept of Health and Human Services	Biomedical Research and Research Training	93.859				1,460,962
	Dept of Health and Human Services	Biomedical Research and Research Training	93.859	University of Nebraska	24-0509-0179-002		72,952
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865			88,179	524,389
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Boston University	SUB NO. 4500003524		137,936
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Univ of California	201402548-01/A15-0127-S002		10,448
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Univ of California - Davis	SUB: A20-1951-S002		26,679
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	University of Colorado/Boulder	SUB 1561315 / PO 1001569078		187,328
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	University of Colorado/Boulder	1559818 PO 1001408552		9,948
	Dept of Health and Human Services	Aging Research	93.866			217,544	1,129,017
	Dept of Health and Human Services	Aging Research	93.866	DreamFace Technologies, LLC	R01AG070153		5,606
	Dept of Health and Human Services	Special Projects of National Significance	93.928	Washington University-St. Louis	WU-21-290 / 2940666K		6,000
	Dept of Health and Human Services	Geriatrics Workforce Enhancements Program	93.969	STRIDE Community Health Center	HRSA-19-008		24,999
		<i>Total Department of Health and Human Services</i>				<u>3,563,308</u>	<u>15,505,308</u>
	Corporation for National and Community Service	National Service and Civic Engagement Research Competition	94.026			30,108	88,705
		<i>Total Corporation for National and Community Service</i>				<u>30,108</u>	<u>88,705</u>
	Department of Homeland Security	Financial Assistance for Targeted Violence and Terrorism Prevention	97.132				117,894
		<i>Department of Homeland Security</i>				<u>-</u>	<u>117,894</u>
	Total Research and Development Cluster					\$ 3,968,986	\$ 21,948,939
STUDENT FINANCIAL ASSISTANCE CLUSTER:							
	Dept of Education	Federal Supplemental Education Opportunity Grant Program	84.007				643,268
	Dept of Education	Federal Work Study Program	84.033				2,482,920
	Dept of Education	Federal Perkins Loan Program	84.038				9,636,738
	Dept of Education	Federal Pell Grant Program	84.063				4,252,455
	Dept of Education	Federal Direct Student Loan Program	84.268				174,485,981
	Dept of Education	Teacher Education Assistance for College and Higher Education (TEACH) Grants	87.379				85,148
		<i>Total Department of Education</i>				<u>-</u>	<u>191,586,510</u>
	Total Student Financial Assistance Cluster					\$ -	\$ 191,586,510
	Total Federal Awards					\$ 3,968,986	\$ 220,776,045

UNIVERSITY OF DENVER

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the University of Denver (Colorado Seminary) (the University) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program is included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2021 consists of:

Program Title	CFDA Number	Amount Outstanding
Federal Perkins Loans	84.038	\$ 7,524,294

UNIVERSITY OF DENVER
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☐ yes ☒ none reported
3. Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☒ yes ☐ none reported
2. Type of auditors' report issued on Compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of Major Federal Programs

CFDA Number(s)

84.007, 84.003, 84.038,
84.063, 84.268, 84.379

84.425E, 84.425F

Name of Federal Program or Cluster

Student Financial Assistance Cluster

COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

UNIVERSITY OF DENVER
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Awards

2021-001

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

ASSISTANCE LISTING Numbers: 84.063, 84.268

Award Period: July 1, 2020 to June 30, 2021

Type of Finding:

- Compliance (N – Special Tests), Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: Institutions are required to report enrollment information under the Pell grant and the Direct loan programs via the National Student Loan Data System (NSLDS) (OMB No. 1845-0035) (Pell, 34 CFR 690.83(b)(2); Direct Loan, 34 CFR 685.309). Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website. There are two categories of enrollment information; “Campus Level” and “Program Level,” both of which need to be reported accurately and have separate record types. At a minimum, schools are required to certify enrollment data in NSLDS every 60 days. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition: During our testing of the Direct Loan and Pell Grant programs, we selected a sample of 40 students to test for timeliness and accurate reporting of student status changes to the National Student Loan Data System (NSLDS). 37 of 40 students tested had one instance of noncompliance. All instances of noncompliance were due to the institution not certifying student enrollment every 60 days throughout the year. We found no errors in the information reported within NSLDS.

Context: Out of a sample of 40 students selected for testing for the requirement noted above, we noted 37 students were not certified within 60 days.

Effect: The NSLDS system is potentially not updated with and certified timely which could cause over subsequent awarding issues or repayment term discrepancies.

Cause: The University did not have a process in place to verify student enrollment was being certified every 60 days.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the University update their NSLDS reporting procedures to ensure information is certified at least every 60 days.



**UNIVERSITY OF DENVER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

Office of Naval Research

University of Denver respectfully submits the following corrective action plan for the year ended June 30, 2021.

Audit period: July 1, 2020 - June 30, 2021

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings to be communicated for the fiscal year 2021 audit.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2021-001: NSLDS Reporting

Recommendation: We recommend that the University update their NSLDS reporting procedures to ensure information is certified at least every 60 days.

Explanation of disagreement with audit finding: Management agrees with the audit finding and recommendation.

Action taken in response to finding: We have implemented an automated email notification plan to send emails to the Registrar, Associate Registrar, and Systems Analyst one week prior to each required NSLDS reporting deadline. The required reporting is then completed within one business day. The submission of each report is documented with email confirmations from the reporter and the supervisor. The reporter also confirms and documents at the NSLDS website that NSLDS received the report in a timely manner. Reporting dates will be reviewed prior to each term start to ensure that the scheduled timeline will report enrollment in a timely manner.

Name of the contact persons responsible for corrective action:

John Gudvangen, Director of Financial Aid
Dennis Becker, Registrar
Jamaal Ahmed, Associate Registrar

Planned completion date for corrective action plan: Effective immediately.

If the Office of Naval Research has questions regarding this schedule, please call Andrew Cullen, Associate Vice-Chancellor, Finance, at 303-871-3740.



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

Office of Naval Research

The University of Denver respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2021.

Audit period: July 1, 2020 to June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2020-001: Material Weakness in Internal Control over Financial Reporting

Condition: During fiscal year 2020, the University's internal control structure failed to prevent payment to a party posing fraudulently as a University contractor. Many of the University's vendors are paid via Automated Clearing House (ACH) payments. The University's master vendor file maintains ACH account numbers so that when payments are processed, payments are made directly to the vendors' accounts.

During the year, a fraudulent party posed as a University contractor and requested an ACH account number change within the master vendor file. When the University processed payment to the vendor, the amount was deposited in the bank account owned by the fraudulent party. The University was able to later recoup the monies in from the financial institution in which the fraudulent account was maintained.

Status: Corrected. In order to prevent payments going to fraudulent parties the University put controls in place to ensure vendors are valid before processing payments.



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

No federal award programs audit findings reported in the prior year audit.

If the Office of Naval Research has questions regarding this schedule, please call Andrew Cullen, Associate Vice-Chancellor, Finance, at 303-871-3740.

