University of Colorado

Annual Financial Report

June 30, 2020 and 2019

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Abbreviations and Acronyms

18th Avenue	18th Avenue, LLC
457	PERA Deferred Compensation Plan
AAP	Automatic Adjustment Provision
AED	Amortization Equalization Disbursement
AHEC	Auraria Higher Education Center
AI	Annual Increase
AIR	Annual Increase Reserve
Altitude West, LLC	Altitude West
AMP	Alternate Medicare Payment
CAFR	Comprehensive Annual Financial Report
CARES	Coronavirus Aid, Relief, and Economic Security
Children’s Colorado	Children’s Hospital Colorado
CIRES	Cooperative Institute for Research in Environmental Sciences
CMS	Centers for Medicare and Medicaid Services
COF	College Opportunity Fund
C.R.S.	Colorado Revised Statutes
CU Anschutz	University of Colorado Anschutz Medical Campus
CU Boulder	University of Colorado Boulder
CU Denver	University of Colorado Denver
CU Denver | Anschutz	University of Colorado Denver | Anschutz Medical Campus
CU Foundation	University of Colorado Foundation
CU Medicine	University of Colorado Medicine
CUBEC	University of Colorado Boulder Enterprise Corporation
CUPCO	University of Colorado Property Corporation, Inc.
CVA	Campus Village Apartments, LLC
DPCU	Discretely Presented Component Units
ERIP	Early Retirement Incentive Program
FEMA	Federal Emergency Management Agency
FUND	CU Healthcare Innovation Fund, L.P.
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HCPF	Colorado Department of Health Care Policy and Financing
HCTF	Health Care Trust Fund
HDS	Housing and Dining Services
HEERF	Higher Education Emergency Relief Fund
JILA	Joint Institute for Laboratory Physics
LASP	Laboratory for Atmospheric and Space Physics
MD&A	Management’s Discussion and Analysis
NACUBO	National Association of College and University Business Officers
NASA	National Aeronautics and Space Administration
NAV	Net Asset Value
NIH	National Institute of Health
NIST	National Institute of Standards and Technology
OPEB	Other Postemployment Benefits
ORP	Optional Retirement Plan
PDPA	Public Deposit Protection Act
PERA	Colorado Public Employees’ Retirement Association
RASEI	Renewable and Sustainable Energy Institute
Regents	Board of Regents
RSI	Required Supplementary Information

Abbreviations and Acronyms

S&P	Standard and Poor's
SAED	Supplemental Amortization Equalization Disbursement
SB	Senate Bill
SDTF	State Division Trust Fund
SEC	Securities and Exchange Commission
SOM	School of Medicine
State	State of Colorado
Statement No. 68	Accounting & Financial Reporting for Pensions (as amended)
Statement No. 75	Accounting & Financial Reporting for Postemployment Benefits Other than Pensions
Statement No. 83	Certain Asset Retirement Obligations
Statement No. 88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
TABOR	Taxpayer's Bill of Rights
Trust	University of Colorado Health and Welfare Trust
UCCS	University of Colorado Colorado Springs
UCHealth	University of Colorado Hospital
ULEHI	University License Equity Holding, Inc.
University	University of Colorado
UPL	Upper Payment Limit

The University of Colorado, Board of Regents, September 2020

Standing left to right:
Linda Shoemaker, 2nd Congressional District, 2015-21; Lesley Smith, At Large, 2019-25; Chance Hill, 5th Congressional District, 2019-25; John Carson, 6th Congressional District, 2015-21; and Glen Gallegos, Chair, 3rd Congressional District, 2019-25.

Seated left to right:
Heidi Ganahl, At Large, 2017-23; Sue Sharkey, 4th Congressional District, 2017-23; Jack Kroll, 1st Congressional District, 2017-23; and Irene Griego, Vice Chair, 7th Congressional District, 2015-21.

FROM THE PRESIDENT

What an unprecedented year this has been, and I'm proud to say that through it all the University of Colorado has stood strong and persevered. In this annual financial report, you'll see that the University has taken substantial steps to ensure its financial health and safety, just as we grapple with the concerns about the physical health and safety of the University community.

As I continue to travel beautiful Colorado – enacting strict social distancing methods – I have been impressed by, and grateful for, the positive impact the University has had on the state. The University truly fulfills its mission in teaching, research, service and health care, and is an economic powerhouse that has a substantial impact throughout Colorado. In fact, the University generated an annual economic impact of $14.2 billion for the state of Colorado for 2019.

The University remains the third-largest employer in the state, with 37,000 faculty, staff and student workers. I am infinitely grateful to our employees, whose commitment to our mission has not wavered even though many have been asked to take furlough days and temporary pay cuts amid the pandemic.

We are paying close attention to our revenue streams and seeking ways to improve on our efficiencies. Operating revenues increased approximately 3.5 percent to some $4.2 billion in Fiscal Year 2020, with only a 1.8 percent rise in operating expenses.

The University registered yet another impressive level of research funding in Fiscal Year 2020, with faculty securing $1.41 billion in federal, state and local awards, a remarkable feat in an economic downturn. CU's investments were $3.1 billion at the end of Fiscal Year 2020, vs. $2.8 billion in 2019, for an increase of some $257 million.

I hope you will read this Management's Discussion and Analysis to glean the full picture of the financial health of the University. And I hope you and your families remain healthy and safe.

All the best,

Mark Kennedy
President

BKD
CPAs & Advisors

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Independent Auditor's Report

The Members of the Legislative Audit Committee
University of Colorado Board of Regents Audit Committee

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of Colorado (the University), a higher education institution of the State of Colorado, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Colorado Medicine (CU Medicine), Altitude West, LLC, and the University License Equity Holding Inc., all blended component units of the University, which represents approximately 11%, 29% and 28%, respectively, of the assets, net position and revenues of the University. In addition, we did not audit the financial statements of the University of Colorado Foundation (CU Foundation), which represents 99%, 100% and 100%, respectively, of the assets, net position, and revenues of the discretely presented component units of the University. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for CU Medicine, Altitude West, LLC and the University License Equity Holding Inc. and the CU Foundation, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University of Colorado, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of the business-type activities of only the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2020 and the changes in its financial position, or where applicable its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2019 financial statements were audited by other auditors and their report thereon dated November 20, 2019 expressed unmodified opinions on the business-type activities and the discretely presented component units.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Denver, Colorado
November 30, 2020

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University of Colorado
Management's Discussion and Analysis
June 30, 2020 and 2019 (Unaudited)

Management is pleased to present this financial discussion and analysis of the University of Colorado (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open, accountable, and transparent manner. It provides an analysis of the University's net position and results of operations for the years ended June 30, 2020 and 2019 (Fiscal Year 2020 and 2019, respectively), with comparative information for the year ended June 30, 2018 (Fiscal Year 2018). University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2020 and 2019). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, and lenders, and a picture of net position.

Statements of Revenues, Expenses, and Changes in Net Position present the total revenues and expenses of the University for operating, nonoperating, and other undertakings during the fiscal years ended June 30, 2020 and 2019. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows present cash receipts and payments of the University during the fiscal years ended June 30, 2020 and 2019. Their purpose is to present the sources of cash coming into the University, how that cash was expended, and the change in the cash balance during the year.

Notes to Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements.

Required Supplementary Information (RSI) presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes schedules of the University's proportionate share of the Colorado Public Employees' Retirement Association (PERA) pension liability and other postemployment benefits (OPEB) liability, contributions to the PERA pension and OPEB plans, the changes in the Alternate Medicare Payment (AMP) liability and the OPEB liability and related ratios, and this management's discussion and analysis.

Nonfinancial indicators are also available to assess the overall state of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this analysis but may be obtained from the University's Budget and Finance Office (see www.cu.edu/budgetpolicy/accountability-data-center).

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2020 include:

- University assets total $7,769,116,000, deferred outflows of resources (reflecting losses on bond refundings, certain changes in the pension and OPEB payments, and other items) total $181,008,000, liabilities total $4,567,328,000 and deferred inflows of resources total $718,478,000 (related to the pension and OPEB payments, and other items) resulting in net position of $2,664,318,000. Of this amount, $2,188,403,000 is net investment in capital assets, $48,653,000 is restricted for nonexpendable purposes, meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $625,750,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining unrestricted balance is a negative $198,488,000.

- The decrease in the University's net pension liability of $205,025,000 for Fiscal Year 2020 is a result of the changes in underlying actuarial assumptions made by PERA related to the discount rate, along with legislative changes enacted in July 2018. See Note 10 for more information.

- In total, operating revenues increased approximately 3.5 percent in Fiscal Year 2020 while operating expenses increased approximate 1.8 percent. For comparative purposes, operating revenues increased 6.9 percent in Fiscal Year 2019 while operating expenses decreased 7.3 percent. The changes in operating expenses are primarily due to changes in PERA funding and assumptions which decreased the net pension liability by 16.5 percent for Fiscal Year 2020 and 43.6 percent for Fiscal Year 2019.

STATEMENT OF NET POSITION

Figure 1 illustrates the University's summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The mix of assets, liabilities, and net position has remained consistent with the exception of the PERA pension and OPEB liabilities, deferred outflows and inflows of resources and the related liability experienced changes from the prior year. The deferred outflows of resources of $181,008,000 in Fiscal Year 2020, $309,204,000 in Fiscal Year 2019, $538,756,000 in Fiscal Year 2018 represent the deferred loss on bond refundings, and items related to the pension and OPEB liabilities. The pension and OPEB liabilities and the related deferred balances fluctuated due to changes in funding, actuarial assumptions, and experience. Analysis of the University's capital assets and related debt is included in the section Capital Asset and Debt Management, whereas this section provides analysis of the University's noncapital assets and other liabilities.

Figure 1. Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

(in thousands)		2020	2019	2018
Assets				
Current assets	$	2,675,365	926,738	929,099
Noncurrent, noncapital assets		1,210,179	2,658,857	2,474,177
Net capital assets		3,883,572	3,723,629	3,603,091
Total Assets		**7,769,116**	**7,309,224**	**7,006,367**
Deferred Outflows				
Loss on bond refundings		44,993	49,806	58,727
Other postemployment benefits-related		47,615	48,961	21,079
Alternate Medicare plan-related		15,662	13,154	9,977
PERA pension-related		71,947	196,246	448,973
Other		791	1,037	-
Total Deferred Outflows		**181,008**	**309,204**	**538,756**
Total Assets and Deferred Outflows		**7,950,124**	**7,618,428**	**7,545,123**
Liabilities				
Current liabilities		684,492	759,596	627,182
Noncurrent liabilities		3,882,836	4,013,445	5,045,249
Total Liabilities		**4,567,328**	**4,773,041**	**5,672,431**
Deferred Inflows				
Other postemployment benefits-related		271,011	101,300	117,695
Alternate medicare plan-related		7,779	5,176	5,863
PERA pension-related		438,004	657,754	95,564
Other		1,684	1,748	1,729
Total Deferred Inflows		**718,478**	**765,978**	**220,851**
Total Liabilities and Deferred Inflows		**5,285,806**	**5,539,019**	**5,893,282**
Net Position				
Net investment in capital assets		2,188,403	2,087,469	1,912,493
Restricted for nonexpendable purposes		48,653	48,633	48,618
Restricted for expendable purposes		625,750	604,806	686,109
Unrestricted		(198,488)	(661,499)	(995,379)
Total Net Position		**2,664,318**	**2,079,409**	**1,651,841**
Total Liabilities, Deferred Inflows and Net Position	**$**	**7,950,124**	**7,618,428**	**7,545,123**

ASSETS

From Fiscal Year 2019 to 2020, the increases in current assets and noncurrent assets were primarily due to increases in accounts and loans receivable and increases in investments from $127,738,000 of *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) funding received from the Governor's Office on May 21, 2020, and an increase in capital assets due to ongoing construction. Increases from Fiscal Year 2018 to 2019 in both current assets and noncurrent assets were caused by increases in investments and growth in federal government, patient billing, and other accounts receivable at year-end.

The University's investments were $3,118,998,000 and $2,862,269,000 at June 30, 2020 and 2019, respectively, representing an increase of $256,729,000. The University's investments were $2,779,799,000 at June 30, 2018, representing an increase of $82,470,000 at June 30, 2019. The increases in investments for both years was primarily due to fair value increases and the issuance of new bonds offset by bond proceeds being liquidated and used for projects in addition to the CARES Act funding previously discussed.

Net accounts and loans receivable increased $5,376,000 and $60,167,000 in Fiscal Years 2020 and 2019, respectively. In Fiscal Year 2020, the increase was primarily due to growth in federal government and other accounts receivable, including invoiced items owed to the University of Colorado Colorado Springs (UCCS) from City of Champions project, a cooperative agreement between UCCS and the Colorado Springs Urban Renewal Authority. In Fiscal Year 2019, the increase was primarily due to growth in federal government and other accounts receivable, as well as the University of Colorado Medicine's (CU Medicine) growth in patient billing. Federal government receivables increased in both years due to normal fluctuations in the timing and receipt of payments. Patient receivables increased in Fiscal Year 2019 due to ongoing growth in revenue. In Fiscal Year 2020, patient receivables at CU Medicine decreased as a result of the COVID-19 outbreak and subsequent government mandate to suspend elective procedures during the last quarter of the fiscal year.

LIABILITIES

The University's non-debt-related liabilities were $2,725,917,000, $3,003,079,000, and $3,853,083,000, at June 30, 2020, 2019, and 2018, respectively. These liabilities are comprised of amounts categorized in Figure 2.

Figure 2. Composition of Non-debt-related Liabilities *(in thousands)*

		2020	2019	2018
Accounts payable	$	112,648	121,192	137,964
Accrued expenses		82,388	128,833	119,711
Compensated absences		292,458	257,876	249,736
Unearned revenue		274,218	181,236	187,551
Other postemployment benefits		751,503	893,196	795,147
Alternate Medicare payment		90,199	83,212	73,211
Net pension liability		1,039,533	1,244,558	2,206,541
Risk financing		30,568	32,850	29,225
Construction contract retainage		11,202	13,652	9,609
Funds held for others		18,571	20,980	17,729
Federal Perkins loan		15,883	19,519	19,641
Early retirement incentive program		2,393	2,544	4,077
Asset retirement obligation		1,312	1,296	-
Miscellaneous liabilities		3,041	2,135	2,941
Total Non-debt-related Liabilities	**$**	**2,725,917**	**3,003,079**	**3,853,083**

The four largest categories of non-debt-related liabilities are the net pension liability, OPEB liabilities, compensated absences, and unearned revenue.

As discussed in Note 10, the University participates in the statewide PERA cost-sharing defined benefit pension plan. Statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68) requires the University to record its "proportionate share" of PERA's net pension liability. The University has no legal requirement to pay this liability in the event of PERA's insolvency nor does it have the ability to determine the employer or employee annual contributions. The liability cannot be prepaid. Per PERA's Fiscal Year 2019 Comprehensive Annual Financial Report (CAFR), PERA's net pension liability for the state division in which the University participates was $9,703,804,000. The University's Fiscal Year 2020 proportionate share of the liability based on calendar 2019 contributions was $1,039,533,000. While the change in the net pension liability impacted total liabilities, unrestricted net position, and pension expense, the associated cash flow out of the University remained fixed by the contribution levels set in State statute (see Figure 6). For PERA's 2018 CAFR, the net pension liability was $11,378,673,000 and the University's Fiscal Year 2019 proportionate share of the liability was $1,244,558,000. The majority of the $205,025,000 decrease in Fiscal Year 2020 can be attributed to changes in actuarial assumptions and ongoing adjustments from the enactment of Senate Bill 18-200 in Fiscal Year 2019, the provisions of which are outlined in Note 10. The majority of the $962,000,000 decrease in Fiscal Year 2019 can be attributed to changes in assumptions and contributions, which allowed for a 7.25 percent estimated rate of return in Fiscal Year 2019, yet required using a blended discount rate 4.72 percent in Fiscal Year 2018.

The University is required to account for and report on OPEB (Note 9). Such benefits include health insurance benefits for University retirees and their dependents. The University has chosen to fund this liability on a pay-as-you-go basis; therefore, there are no assets held in trust to pay future benefits which have been earned by employees. GASB Statement No. 75, *Accounting & Financial Reporting for Postemployment Benefits Other than Pensions* (Statement No. 75), was effective for Fiscal Year 2018 and required the full recognition of the liability to employees for OPEB. In addition, University employees in PERA can elect to participate in the PERACare program for other postretirement benefits so the University is required to record its proportionate share of PERA's net OPEB liability. As noted in Figure 2, the liability required to be reported in the financial statements totaled $751,503,000 and $893,196,000 in Fiscal Years 2020 and 2019, respectively, $712,892,000 and $843,959,000, respectively, from the University's OPEB plan and $38,611,000 and $49,237,000, respectively, from PERA's OPEB plan. The decrease in the University OPEB liability is primarily due to actuarial assumption changes regarding the interest rate, mortality tables, and health care trend costs.

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

Unearned revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors for which the University has not met all of its requirements for revenue recognition (Note 7). These amounts will be recognized as revenue in future periods after all conditions have been satisfied. The unearned revenue balance fluctuates from year to year depending on factors such as the timing of the first day of classes and the rate of spending on grants and contracts for which payment has been received in advance. In Fiscal Year 2020, the increase in the unearned revenue balance is primarily related to CARES Act funding that was received in Fiscal Year 2020 but will be spent and earned in Fiscal Year 2021. In Fiscal Years 2019 and 2018, University of Colorado Boulder's (CU Boulder) Laboratory for Atmospheric and Space Physics (LASP) received an advanced-pay sponsored project of which $11,000,000 and $23,000,000, respectively, was unearned at year-end.

NET POSITION

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

A portion of net position is restricted for either expendable or nonexpendable purposes. This portion is then more specifically delineated by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net position. The majority of the endowment assets benefiting the University are held by the University of Colorado Foundation (CU Foundation), which is a discretely presented component unit (Note 17) and not included in the above amounts. An expendable restriction allows the University to spend the full amount, but only for the purposes identified by the entity providing the money. Unrestricted net position, as defined by generally accepted accounting principles (GAAP), is available for spending for any lawful purpose under the full discretion of management. However, the University has placed internal limitations on future use by designating unrestricted net position for certain purposes in keeping with management's plans to manage resources (Note 12).

In Fiscal Years 2020 and 2019, total restricted for nonexpendable net position increased by $20,000 and $14,000, respectively, due to ongoing additions to existing permanent endowments.

The University's unrestricted net position is negative due to the PERA Pension and OPEB liabilities. This means the University's total liabilities and deferred inflows of resources are greater than its assets and deferred outflows of resources. The reduction in the negative unrestricted net position is due in part to the decreases in the PERA pension and OPEB liabilities discussed earlier.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Figure 3. Summary of Revenues, Expenses, and Changes in Net Position *(in thousands)*

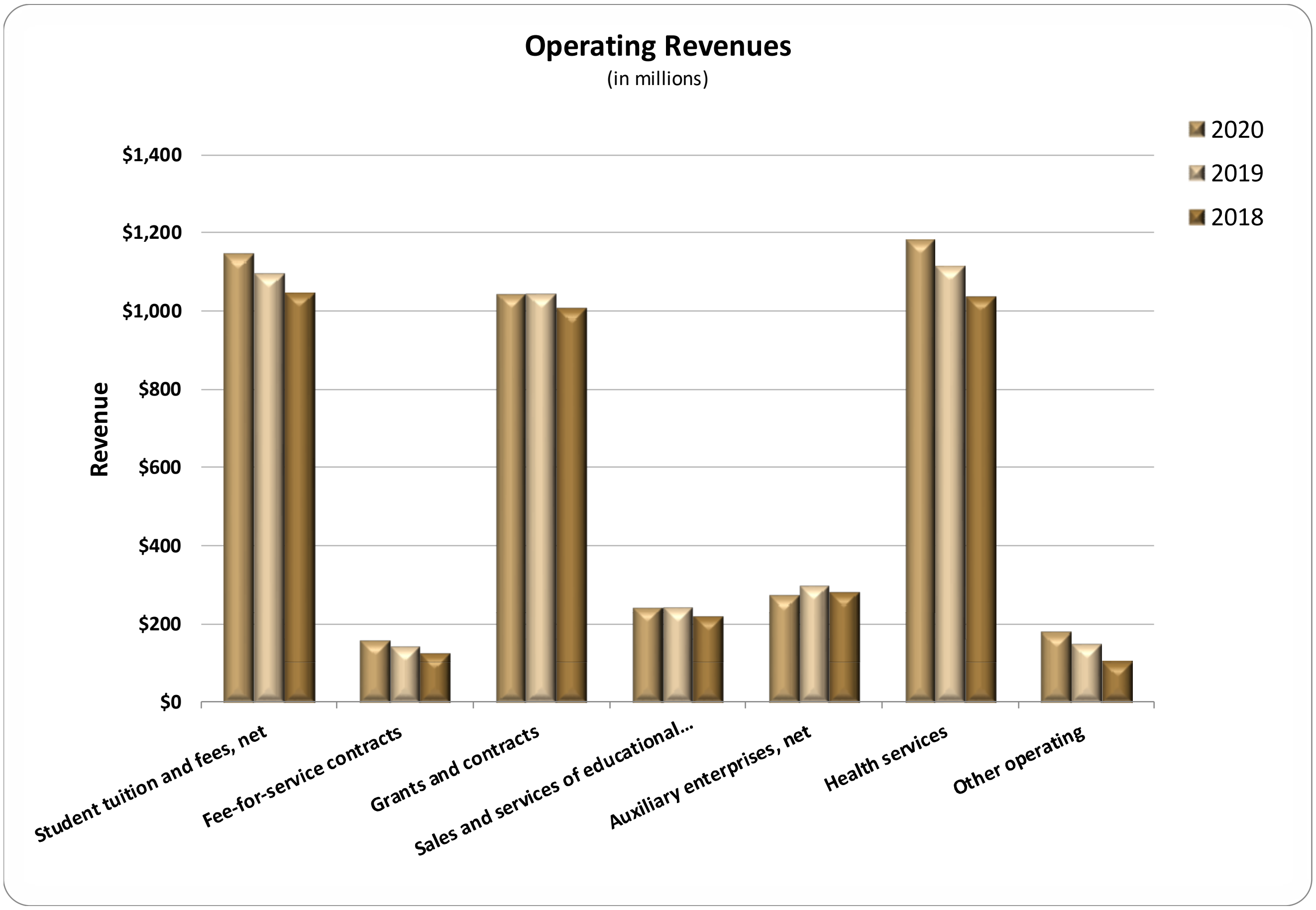
		2020	2019	2018
Operating revenues	$	4,239,623	4,097,809	3,833,883
Operating expenses		4,203,349	4,127,398	4,450,302
Operating Gain (Loss)		**36,274**	**(29,589)**	**(616,419)**
Nonoperating revenues, net of nonoperating expenses		475,124	411,085	391,002
Income (Loss) Before Other Revenues		**511,398**	**381,496**	**(225,417)**
Other revenues		73,511	46,072	28,159
Change in Net Position		**584,909**	**427,568**	**(197,258)**
Net Position, beginning of year		2,079,409	1,651,841	1,849,099
Net Position, End of Year	**$**	**2,664,318**	**2,079,409**	**1,651,841**

REVENUES

Figure 4 provides an illustration of operating and nonoperating revenues by major sources excluding capital-related revenues. These sources include both State-appropriated and non-appropriated funds (Note 13). Appropriated funds are those controlled by legislation through the general or special appropriation process and are designated for specific purposes. For the last three fiscal years, appropriated funds primarily included student tuition and fees, State of Colorado (State) stipends, fee-for-service contract revenues, and tobacco litigation settlement monies. Student tuition and fees are included only as an informational item in the State's budget as the revenue is not received from the State, but rather from outside entities. The College Opportunity Fund (COF) provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all the local governments and the State, including the University. In Fiscal Year 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the Colorado Revised Statutes that an institution of higher education may be designated as an "enterprise" for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenue in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any provisions of TABOR. In July 2005, the University's Board of Regents (the Regents) designated the University as a TABOR enterprise pursuant to the statute. During the fiscal years ended June 30, 2020, 2019, and 2018, the University believes it has met all requirements of TABOR enterprise status (Note 13). The amount of State grants received by the University was 1.34 percent, 1.06 percent, and 0.59 percent of total annual revenues during the fiscal years ended June 30, 2020, 2019, and 2018, respectively. The ability of the Regents to increase tuition rates is limited by the State, although the University's operations no longer impact the State's TABOR spending limits due to the University's enterprise status.

Figure 4. Operating and Nonoperating Revenues (Excluding Capital)

(in thousands)		2020	2019	2018
Operating Revenues				
Student tuition and fees, net	$	1,146,847	1,096,060	1,049,558
Fee-for-service contracts		160,466	143,443	126,706
Grants and contracts		1,045,269	1,046,672	1,007,398
Sales and services of educational departments		245,067	244,912	222,618
Auxiliary enterprises, net		276,945	299,259	284,034
Health services		1,185,649	1,118,365	1,037,529
Other operating		179,380	149,098	106,040
Total Operating Revenues		**4,239,623**	**4,097,809**	**3,833,883**
Nonoperating Revenues				
Federal Pell Grant	$	57,627	58,681	57,021
State appropriations		17,915	15,950	15,651
State support for PERA pension		8,258	8,585	-
CARES Act funding		29,419	-	-
Gifts		211,207	206,733	198,386
Investment income, net		174,833	163,344	160,106
Other nonoperating, net		38,024	32,324	31,601
Total Nonoperating Revenues		**537,283**	**485,617**	**462,765**
Total Noncapital Revenues	**$**	**4,776,906**	**4,583,426**	**4,296,648**



The University experienced increases in most operating revenue sources in Fiscal Years 2020 and 2019. The increases in tuition and fee revenue for Fiscal Years 2020 and 2019 reflect a combination of changing enrollment and rate increases for nonresidents. In Fiscal Years 2020 and 2019, enrollment increased by 0.57 percent and 2.5 percent, respectively. In Fiscal Year 2020, there were no increases in tuition rates for resident undergraduates. In Fiscal Year 2019, the increases were 4.7 percent at CU Boulder, 2.8 percent at UCCS, 1.9 percent at CU Denver, and 2.8 percent at CU Anschutz. In accordance with the resident tuition guarantee at CU Boulder, each incoming freshman undergraduate resident student with in-state classification will have no increase in tuition for their next three years.

In Fiscal Years 2020, 2019, and 2018, the University applied $83,808,000, $75,140,000, and $67,612,000, respectively, of COF stipends against student tuition bills (these amounts are included in tuition revenues), with a per credit hour stipend rate of $94, $85, and $77, respectively. Fee-for-service revenue from the State increased $17,023,000 between Fiscal Years 2020 and 2019, and $16,737,000 between Fiscal Years 2019 and 2018, due to the State budget.

Consistent with the University's goal to increase its focus and national role as a comprehensive research institution, one of the three largest sources of revenue for the University continues to be grants and contracts revenue, which includes funding from federal, state, and local governments, and private sources. Grants and contracts revenue from the federal government represents 77 percent, 75 percent, and 73 percent of total grants and contract revenue for Fiscal Years 2020, 2019, and 2018, respectively. Each grant or contract is restricted in use to the purpose given and limited to the cost principles specified by each sponsor. The decrease in Fiscal Year 2020 was due to reductions in private grants and contracts. The increase in Fiscal Year 2019 was due to the addition of several sponsored project awards from federal sponsors such as the National Aeronautics and Space Administration (NASA), National Institute of Standards and Technology (NIST) and National Institutes of Health (NIH). These grants also provide necessary funding for the administrative functions and facilities that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2020, 2019, and 2018, the University received $217,289,000, $213,299,000, and $206,315,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges portions of this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues, thus creating a reliance on continued federal research funding.

The decrease in auxiliary enterprise revenues in Fiscal Year 2020 is due to refunds made at each campus for Housing and Dining services due to COVID-19. The increase in auxiliary enterprise revenues in Fiscal Year 2019 was due to an increase in student body at UCCS affecting Housing and Dining and Hospitality Services. At CU Boulder, the increases were due to Housing and Dining Services (HDS) room and board and meal revenue, bookstore revenue, and athletics revenue.

The majority of health services revenue includes medical practice plan revenues earned through CU Medicine (Notes 1 and 16), which has experienced growth in operating revenue of 6.0 percent and 7.8 percent in Fiscal Years 2020 and 2019, respectively. In Fiscal Year 2020, net patient services revenue decreased 2.4 percent as a result of the COVID-19 outbreak and the subsequent government mandate to suspend elective services during the last quarter of the fiscal year. Contract income, primarily from CU Medicine's affiliate hospitals, increased 27.9 percent, offsetting the decrease in patient services revenue and driving the overall increase in operating revenue. In Fiscal Year 2019, patient services revenue contributed the majority of the operating revenue increase, which was driven by an 8.3 percent growth in clinical volumes and continued efforts to maintain reimbursement rates for commercial insurance. The increase was also driven by participation in the Upper Payment Limit (UPL) program which allows for appropriations for specialty education services provided by CU Anschutz to be used for Medicaid reimbursement.

As a result of the COVID-19 pandemic, the University received funding under the CARES Act and other federal sources in Fiscal Year 2020. The amount recorded as revenue reflects the portion of the funds received which had been expended through June 30, 2020. The University has expended $6,577,000 under the Coronavirus Relief Fund, $17,812,000 under the Higher Education Emergency Relief Fund (HEERF) and $5,030,000 under the Provider Relief Fund.

Gifts increased $4,474,000 in Fiscal Year 2020, mainly due to increased capital gifts to CU Anschutz for the Health Sciences Building. Gifts increased $8,347,000 in Fiscal Year 2019 mainly due to academic support gifts from Children's Hospital Colorado (Children's Colorado) and the University of Colorado Hospital (UCHealth), as well as increased gifts to CU Boulder for the Leeds School of Business expansion, the College of Engineering, and the Biofrontiers Institute.

Investment income net of investment expense was $174,833,000 in Fiscal Year 2020, $163,344,000 in Fiscal Year 2019, and $160,106,000 in Fiscal Year 2018. Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. In Fiscal Year 2020, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) increased by $52,712,000. In Fiscal Year 2019, the University's unrealized gains on investments increased by $53,780,000.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5.

Figure 5. Capital Revenues *(in thousands)*

		2020	2019	2018
Capital student fee, net	$	16,147	16,086	17,250
Capital appropriations		31,130	15,818	3,643
Capital grants and gifts		26,214	14,154	17,038
Loss on disposal of capital assets		(1,839)	(3,377)	(2,692)
Total Capital Revenues	**$**	**71,652**	**42,681**	**35,239**

The capital student fee is used to fund construction or renovation projects on student facility buildings at CU Boulder, to fund the Student Wellness Center at CU Denver, and to fund the Recreation and Wellness Center, the Family Development Center, and the University Center at UCCS.

The University received capital appropriations from the State of $31,130,000 in Fiscal Year 2020, compared to $15,818,000 in Fiscal Year 2019 and $3,643,000 in Fiscal Year 2018. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget. The increase in Fiscal Year 2020 is primarily due to capital expansion funding appropriated to CU Anschutz for its Health Sciences Building.

Capital grants and gifts increased $12,060,000 in Fiscal Year 2020 primarily due to the new Health Sciences Building and renovations of the Fitzsimons Building at CU Anschutz with a decrease in capital projects and gifts-in-kind at CU Boulder. Capital grants and gifts decreased $2,844,000 in Fiscal Year 2019 primarily due to the completion of renovation project at CU Denver's Business School event center in the prior year.

EXPENSES

The programmatic uses of resources are displayed in Figure 7 and include PERA pension expense. Figure 6 demonstrates the impact of Senate Bill 18-200 to the University's Fiscal Years 2020 and 2019 financial statements. Pension expense decreased by $152,027,000 and $571,259,000 in Fiscal Year 2020 and Fiscal Year 2019, respectively. Pension expense increased in Fiscal Year 2018 by $81,090,000. These changes (and corresponding change in net pension liability) should be compared to the required cash contributions for each of the Fiscal Years 2020, 2019, and 2018, of $65,557,000, $63,850,000, and $61,138,000, respectively.

Figure 6. PERA Pension Expense Compared to Required Contributions *(in thousands)*

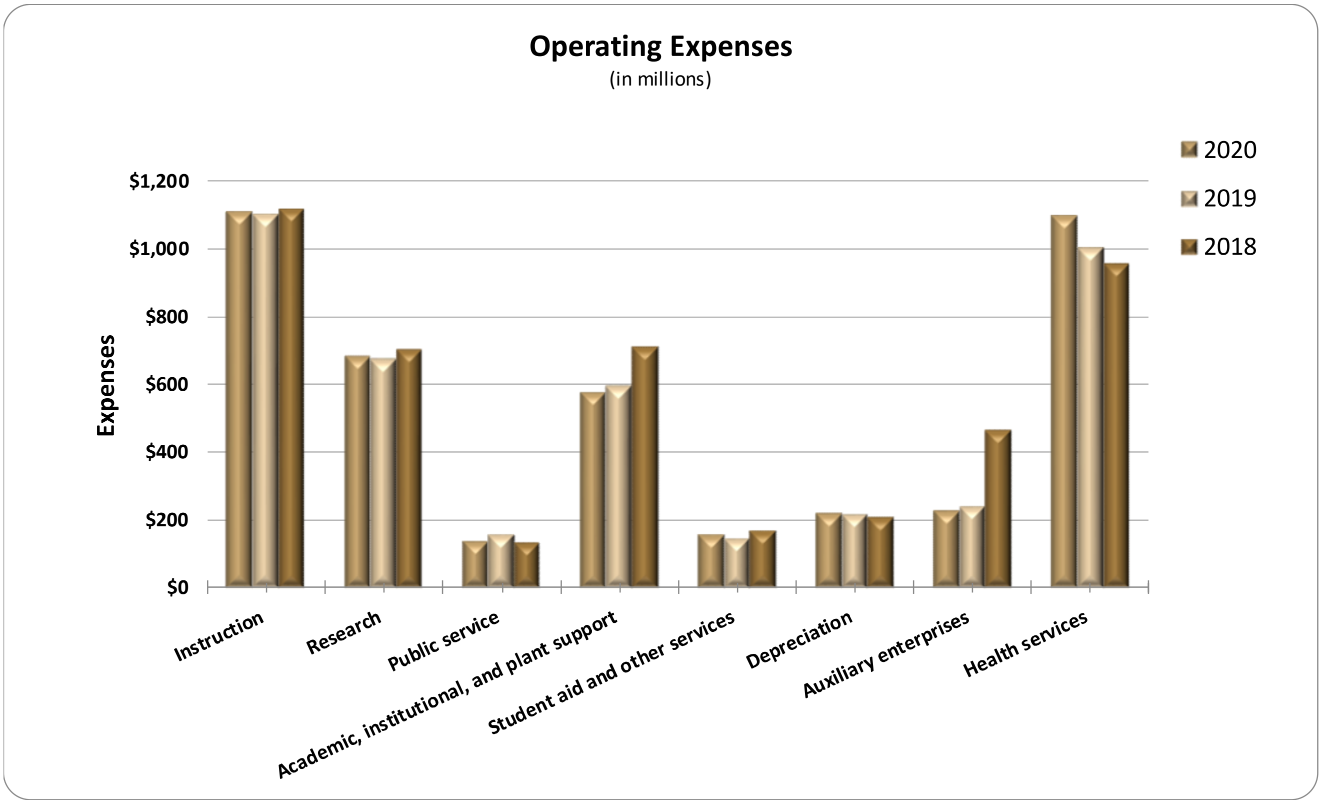
		2020	2019	2018
Pension expense	$	(226,659)	(74,632)	496,627
Expense increase (decrease) from prior year		(152,027)	(571,259)	81,090
Required contributions		65,557	63,850	61,138

Including the impact of PERA's actuarial valuation changes, as reflected in the audited financial statements and in Figure 7 below, results in total operating expenses increasing 1.8 percent for the fiscal year ended June 30, 2020 and decreasing 7.3 percent for the fiscal year ended June 30, 2019, and increasing 19.4 percent for the fiscal year ended June 30, 2018, primarily due to PERA's actuarial valuation changes. Excluding the impact of these changes, operating expenses would have increased 5.4 percent, 7.9 percent, 7.7 percent for the same time period.

The increases, excluding the impact of PERA changes, are in line with an increased student population, increases in research and development activity, and salary increases, and demonstrate that the University's focus is basically unchanged over the past three fiscal years. The increase in instruction is partly due to general increases in the cost of education. The increase in research expenditures is mainly due to sponsored research expenditures, focused in LASP, Cooperative Institute for Research in Environmental Sciences (CIRES), Joint Institute for Laboratory Astrophysics (JILA), and Renewable and Sustainable Energy Institute (RASEI) at CU Boulder and the NIH at the CU Anschutz, as well as private projects for clinical trials. The decrease in public service expense is mainly due to the ending of projects sponsored by the Colorado Governor's Office and a reclassification of the Marcus Institute project for brain health from public service to research. The decrease in academic, institutional, and plant support is due to the decrease in PERA pension expense. Excluding the impact of PERA, these expenses increased in Fiscal Year 2020, consistent with the increases in instruction.

Figure 7. Expense Program Categories *(in thousands)*

		2020	2019	2018
Instruction	$	1,106,172	1,098,320	1,117,230
Research		682,789	672,006	700,330
Public service		138,901	157,077	131,790
Academic, institutional, and plant support		575,395	596,601	710,342
Student aid and other services		155,361	146,162	167,016
Total Education and General		**2,658,618**	**2,670,166**	**2,826,708**
Depreciation		221,096	215,348	206,950
Auxiliary enterprises		228,565	240,062	463,862
Health services		1,095,070	1,001,822	952,782
Total Operating Expenses	**$**	**4,203,349**	**4,127,398**	**4,450,302**



The amounts shown for student aid do not reflect the actual resources dedicated to student aid. The majority of the University's student aid resources are netted against tuition, fee, and auxiliary revenue as a scholarship allowance (Note 14). The University's scholarship allowance was $261,869,000, $239,358,000, and $222,097,000 in Fiscal Years 2020, 2019, and 2018, respectively.

The decrease in auxiliary enterprise expense in Fiscal Year 2020 was mainly due to the athletics legal settlement paid out in Fiscal Year 2019 at CU Boulder, as well as reduced benefits rates for coaches, athletic directors, and police officers at CU Boulder during Fiscal Year 2020. The decrease in auxiliary enterprise expense from Fiscal Year 2018 to Fiscal Year 2019 was due to a change in the methodology of allocating PERA pension expense among functional categories. This change in methodology reallocated a portion of pension expense from auxiliary enterprises to the other functional expense categories included in the Statement of Revenues, Expenses, and Changes in Net Position.

Increases in expenses related to health services, which are primarily related to CU Medicine, are consistent with the associated increases in health services revenue discussed earlier in this section.

The University, like many public higher education entities, reports its operating expenses by functional classification on the Statement of Revenues, Expenses, and Changes in Net Position. As defined by the National Association of College and University Business Officers (NACUBO), a functional expense classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classifications tell *why* an expense was incurred rather than *what* was purchased. Reporting expenses by functional classification helps donors, granting agencies, creditors, and other readers of the financial statements to understand the various mission-related activities of the institution and their relative importance.

A different method of reporting operating expenses is by natural classification. Per NACUBO, a natural expense classification is a method of grouping expenses according to the type of costs that are incurred. The classifications tell *what* was purchased rather than *why* an expense was incurred.

Figure 8 below provides detail on the University's expenses by natural classification to provide users additional insight into how the University expends its resources. As is common in higher education, the largest portion of expenses relate to salaries and benefits. The information below also highlights the impact of PERA pension changes on total operating expenses.

Figure 8. Natural Classification of Operating Expenses *(in thousands)*

		2020	2019	2018
Salaries	$	2,425,445	2,295,863	2,152,472
Benefits (non-pension)		757,581	683,660	551,513
Pension expense*		(226,659)	(74,632)	496,627
Depreciation/amortization		221,376	215,624	206,950
IT licenses/software/equipment		111,959	96,129	109,643
Plant operation/repairs		37,292	31,998	32,265
Scholarships/fellowships		62,057	38,265	44,523
Research		129,028	139,699	156,769
Supplies		545,329	530,584	508,437
Travel		39,302	54,746	52,805
Utilities		60,560	60,527	59,153
Other		40,080	54,935	79,145
Total Operating Expenses	**$**	**4,203,349**	**4,127,398**	**4,450,302**

* This does not include AMP

CAPITAL ASSETS AND DEBT MANAGEMENT

The University had $6,638,664,000, $6,296,102,000, and $5,982,074,000 of plant, property, and equipment at June 30, 2020, 2019, and 2018, respectively, offset by accumulated depreciation of $2,755,092,000, $2,572,473,000, and $2,378,983,000, respectively. The major categories of plant, property, and equipment at June 30, 2020, 2019, and 2018 are displayed in Figure 9. Related depreciation charges of $221,096,000, $215,348,000, and $206,950,000 were recognized in the Fiscal Years 2020, 2019, and 2018, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5. Figure 10 details the University's current construction commitments.

Figure 9. Capital Asset Categories (before depreciation) *(in thousands)*

	2020	2019	2018
Land	$ 102,448	102,609	85,925
Construction in progress	567,044	425,336	348,937
Buildings and improvements	4,771,321	4,612,943	4,447,206
Equipment	637,513	613,172	574,775
Software and other intangibles	98,451	98,710	97,608
Library and other collections	461,887	443,332	427,623
Total Capital Assets (gross)	**$ 6,638,664**	**6,296,102**	**5,982,074**

Figure 10. Current Construction Projects as of June 30, 2020

Campus/Project Description	Financing Sources	Value*
CU Boulder:		
HVAC upgrades and controls, Electrical Engineering Center	State Senate Bill 19-267 COP Funding	$ 6,312
Aerospace Engineering Sciences Building	Campus cash resources and commercial paper	6,000
19th Street bridge and trail	Campus cash & Federal Emergency Management Agency (FEMA)	5,998
Koelbel Business and Engineering School expansion	Campus cash resources	45,000
Ramaley Biology addition	Campus cash resources	21,801
Music-IMIG addition	Campus cash resources and commercial paper	57,000
Fleming Tower renovation and system upgrades	Campus cash resources and commercial paper	13,719
CU Denver | Anschutz:		
Central Utility Plant boiler and chiller	Debt	34,244
City Heights Residence Hall	Debt	75,243
Lynx Crossing transfer and renovation	Debt	8,627
Research 2 Basement build-out	Campus cash resources and debt	11,115
Anschutz Health Sciences Building shell space	Campus cash resources and debt	27,906
Anschutz Health Sciences Building	State, campus cash resources, gift, and debt	242,041
UCCS:		
Hybl Sports Medicine and Performance Center	Bond proceeds	6,802

** Value represents budgeted costs for project in thousands*

During Fiscal Year 2020, the University issued $544,285,000 face value in revenue bonds with proceeds used to refund portions of prior obligations, and to pay certain costs related to the issuance of the Series 2019A, 2019A-2, 2019B, and 2019C Taxable and Tax-exempt Bonds.

During Fiscal Year 2019, the University issued $112,375,000 face value in revenue bonds, of which $48,015,000 were direct placement bonds, with proceeds used to refund portions of prior obligations, and to pay certain costs related to the issuance of the Series 2008 Bonds.

During Fiscal Year 2018, the University issued $471,390,000 face value in revenue bonds with proceeds used to refund portions of prior obligations, to pay certain costs related to the issuance, and to establish escrow accounts for the cross-over funding of Series 2009B, 2010A, and 2010C.

At June 30, 2020, 2019, and 2018, the University had debt (or similar long-term obligations) of $1,791,411,000, $1,634,462,000, $1,778,648,000, respectively, in the categories illustrated in Figure 11. More detailed information about the University's debt is included in Note 8.

Figure 11. Debt Categories *(in thousands)*

		2020	2019	2018
Revenue bonds	$	1,769,286	1,610,739	1,755,804
Capital leases		11,980	13,207	11,824
Notes payable		10,145	10,516	11,020
Total Long-term Debt	**$**	**1,791,411**	**1,634,462**	**1,778,648**

The Regents have adopted a debt management policy that includes limitations on the use of external debt. The University Treasurer will report to the Regents, prior to the issuance of new debt, the effect that the new debt will have on the University's debt capacity ratio to ensure the 7 percent debt ratio limit currently established by the Regents is not exceeded. The ratio is calculated as maximum annual debt service as a percentage of the University's unrestricted current fund expenditures plus mandatory transfers. State statute sets the maximum for this ratio at 10 percent in Colorado Revised Statutes (C.R.S.) 23-20-129.5. A component of this policy is debt capacity, which is the calculated ratio of the University's debt service requirement as compared to certain unrestricted revenues. The University maintained its debt capacity limits, in all three fiscal years ended June 30, 2020, 2019, and 2018.

In addition, during Fiscal Year 2018 the Regents authorized a commercial paper program for approved capital construction projects with a maximum outstanding amount of $200,000,000. This short-term financing has a fixed maturity of less than 270 days from issuance. During Fiscal Year 2018, the University issued $40,000,000 of commercial paper with an initial interest rate of 1.30 percent. In Fiscal Years 2019 and 2020, the University issued the second through thirty-third tranches and retired the first through thirty-second tranches of commercial paper. The Commercial Paper program has been used to fund various remodeling projects at CU Boulder and CU Anschutz, including the AMC Health Sciences Building, the Imig Music Center, Fleming Tower, Aerospace Engineering, and Williams Village East Residence Hall. The average interest rate of borrowing from inception of the program through June 30, 2020 was 1.44 percent. In Fiscal Year 2020, $155,723,000 of commercial paper was retired with permanent financing. The outstanding balance as of June 30, 2020 and 2019 was $50,000,000 and $135,500,000, respectively. In July 2020, the outstanding balance of $50,000,000 was retired with variable rate demand bonds Series 2020B-1.

The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of Aa1 and AA+ and commercial paper ratings of P-1 and F1+ (Moody's and Fitch, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Economic factors, particularly those related to COVID-19 have resulted in budget challenges at the University in both Fiscal Year 2020 and in Fiscal Year 2021. As a result of the pandemic, available state tax revenues have decreased in Fiscal Year 2021, which resulted in an across the board one-time 58 percent state funding cut in Fiscal Year 2021 over the prior year, for all public institutions of higher education

(IHEs) in Colorado, which resulted in an approximate cut to the University of $141,000,000. At the same time, the University has new expenditures tied to the transition to remote working and teaching, as well as the costs tied to public health expenses to ensure the safety of its students, staff, faculty and communities. Additionally, the pandemic is influencing student enrollment behavior where decreases in new freshman student enrollments (down by approximately 12 percent) and international student enrollments are being experienced across the system as compared to the prior year.

Overall, total budgeted revenues for the University have decreased for Fiscal Year 2021 compared to the prior year. Education and General Fund budgeted revenue decreased $194,000,000 or 12 percent compared to the June 2019 approved budget for Fiscal Year 2020. Auxiliary and self-funded activities budgeted revenue decreased $143,900,000 or 7 percent and restricted fund budgeted revenue decreased $68,500,000 or six percent. The University's overall revenue budget for Fiscal Year 2021 decreased 5.3 percent over the prior year and tuition rates were largely held flat.

On May 18, 2020, as part of the state's response to the budget impacts of COVID-19, Governor Jared Polis issued Executive Order D2020 070 (the Executive Order). The Executive Order allocated a portion of the state's CARES Act Coronavirus Relief Fund to public IHEs. Specifically, $450,000,000 was allocated to the public IHEs, of which the University received $127,738,000. These funds must be spent on allowable expenditures by December 30, 2020 and are not revenue replacement. As of June 30, 2020, the University has spent $6,577,000 under this Executive Order. The University also received $36,800,000 from the federal CARES Act HEERF and $600,000 from HB 20-1411 from the CARES Act.

To offset anticipated revenue declines from Fiscal Year 2020, the University has instituted a hiring chill, temporary and on-going furloughs, workforce reductions, operating budget reductions and other budget balancing actions. The University has also used CARES Act funding on allowable expenditures tied to the response to the pandemic. The University will continue to monitor the financial and operational impacts of the COVID-19 pandemic as the fiscal year progresses and make adjustments as necessary to maintain a balanced budget.

University of Colorado

Business-Type Activities

Statements of Net Position

June 30, 2020 and 2019 *(In Thousands)*

		2020	2019
Assets			
Current Assets			
Cash and cash equivalents (Note 2)	$	221,669	179,658
Investments (Note 3)		1,989,147	260,825
Accounts and loans receivable, net (Note 4)		434,319	450,766
Inventories		20,788	22,950
Other assets		9,442	12,539
Total Current Assets		**2,675,365**	**926,738**
Noncurrent Assets			
Investments (Note 3)		1,129,851	2,601,444
Accounts and loans receivable, net (Note 4)		74,775	52,952
Other assets		5,553	4,461
Capital assets, net (Note 5)		3,883,572	3,723,629
Total Noncurrent Assets		**5,093,751**	**6,382,486**
Total Assets	**$**	**7,769,116**	**7,309,224**
Deferred Outflows			
Loss on bond refundings	$	44,993	49,806
Other postemployment benefits-related (Note 9)		47,615	48,961
Alternate medicare payment-related (Note 10)		15,662	13,154
PERA pension-related (Note 10)		71,947	196,246
Other		791	1,037
Total Deferred Outflows		**181,008**	**309,204**
Total Assets and Deferred Outflows	**$**	**7,950,124**	**7,618,428**
Liabilities			
Current Liabilities			
Accounts payable	$	112,648	121,192
Accrued expenses (Note 6)		82,388	128,833
Compensated absences (Note 6)		17,869	16,865
Unearned revenue (Note 7)		268,502	172,741
Commercial paper (Note 8)		50,000	135,500
Bonds, capital leases, and notes payable (Note 8)		92,400	112,430
Other postemployment benefits (Note 9)		16,447	16,062
Other liabilities (Note 11)		44,238	55,973
Total Current Liabilities	**$**	**684,492**	**759,596**
Noncurrent Liabilities			
Compensated absences (Note 6)	$	274,589	241,011
Unearned revenue (Note 7)		5,716	8,495
Bonds, capital leases, and notes payable (Note 8)		1,699,011	1,522,032
Other postemployment benefits (Note 9)		735,056	877,134
Alternate medicare payment (Note 10)		90,199	83,212
Net pension liability (Note 10)		1,039,533	1,244,558
Other liabilities (Note 11)		38,732	37,003
Total Noncurrent Liabilities		**3,882,836**	**4,013,445**
Total Liabilities	**$**	**4,567,328**	**4,773,041**

University of Colorado
Business-Type Activities
Statements of Net Position
June 30, 2020 and 2019 *(In Thousands)*

		2020	*2019*
Deferred Inflows			
Other postemployment benefits related (Note 9)	$	271,011	101,300
Alternate medicare payment-related (Note 10)		7,779	5,176
PERA pension-related (Note 10)		438,004	657,754
Other		1,684	1,748
Total Deferred Inflows		**718,478**	**765,978**
Total Liabilities and Deferred Inflows	**$**	**5,285,806**	**5,539,019**
Net Position			
Net investment in capital assets	$	2,188,403	2,087,469
Restricted for nonexpendable purposes (endowments)			
Research		21,708	21,708
Academic support		14,130	14,130
Scholarships and fellowships		11,224	11,205
Capital and other		1,591	1,590
Total restricted for nonexpendable purposes (Note 12)		48,653	48,633
Restricted for expendable purposes			
Instruction		168,865	151,238
Research		47,209	46,748
Academic support		40,252	39,846
Student loans and services		19,120	18,749
Scholarships and fellowships		46,142	46,019
Auxiliary enterprises		209,704	193,439
Capital		31,836	49,389
Other		62,622	59,378
Total restricted for expendable purposes		625,750	604,806
Unrestricted (Note 12)		(198,488)	(661,499)
Total Net Position	**$**	**2,664,318**	**2,079,409**

University of Colorado
Discretely Presented Component Units
Statements of Net Position
June 30, 2020 and 2019 *(In Thousands)*

		2020			2019
		CU Foundation	CUBEC	TOTAL	CU Foundation
Assets					
Current assets					
Cash and cash equivalents	$	44,845	-	44,845	9,272
Contributions receivable, net		26,725	-	26,725	42,511
Other current assets		406	-	406	590
Total current assets		71,976	-	71,976	52,373
Noncurrent assets					
Investments (Note 3)		2,091,071	10,000	2,101,071	2,021,979
Contributions receivable, net		96,975	-	96,975	121,856
Capital assets, net		1,332	-	1,332	1,333
Assets held under split-interest agreements (Note 3)		37,653	-	37,653	40,660
Beneficial interest in charitable trusts held by others		13,388	-	13,388	9,096
Total noncurrent assets		2,240,419	10,000	2,250,419	2,194,924
Total Assets	**$**	**2,312,395**	**10,000**	**2,322,395**	**2,247,297**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$	432	-	432	307
Payable to the University (Note 4)		14,214	-	14,214	9,854
Liabilities under split-interest agreements		2,484	-	2,484	2,671
Custodial funds		18,466	-	18,466	17,751
Total current liabilities		35,596	-	35,596	30,583
Noncurrent liabilities					
Payable to the University (Notes 4, 17)		-	10,000	10,000	-
Funds held in trust for others		2,391	-	2,391	2,370
Liabilities under split-interest agreements		19,240	-	19,240	20,489
Custodial funds		445,383	-	445,383	438,074
Total noncurrent liabilities		467,014	10,000	477,014	460,933
Total Liabilities	**$**	**502,610**	**10,000**	**512,610**	**491,516**
Net Position					
Net investment in capital assets	$	1,332	-	1,332	1,333
Restricted for nonexpendable purposes		906,889	-	906,889	855,043
Restricted for expendable purposes		838,997	-	838,997	839,670
Unrestricted		62,567	-	62,567	59,735
Total Net Position	**$**	**1,809,785**	**-**	**1,809,785**	**1,755,781**

University of Colorado

Business-Type Activities

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019 *(in thousands)*

		2020	*2019*
Operating Revenues			
Student tuition (net of scholarship allowances of $230,013 in 2020 and $211,345 in 2019; net of bad debt of $2,921 in 2020 and $2,535 in 2019; pledged revenues of $1,050,646 in 2020 and $1,010,106 in 2019) (Notes 8, 13 and 14)	$	1,050,646	1,010,106
Student fees (net of scholarship allowances of $21,926 in 2020 and $18,609 in 2019; net of bad debt of $131 in 2020 and $196 in 2019; pledged revenues of $3,093 in 2020 and $1,106 in 2019) (Notes 8, 13 and 14)		96,201	85,954
Fee-for-service contracts (Note 13)		160,466	143,443
Federal grants and contracts (pledged revenues of $192,795 in 2020 and $186,654 in 2019) (Note 8)		800,141	781,145
State and local grants and contracts (pledged revenues of $17,791 in 2020 and $15,304 in 2019) (Note 8)		79,082	70,852
Nongovernmental grants and contracts (net of bad debt of $258 in 2020 and $367 in 2019)		166,046	194,675
Sales and services of educational departments (net of bad debt of $176 in 2020 and $0 in 2019)		245,067	244,912
Auxiliary enterprises (net of scholarship allowances of $5,669 in 2020 and $5,574 in 2019; net of bad debt of $1,649 in 2020 and $994 in 2019; pledged revenues of $24,213 in 2020 and $56,701 in 2019) (Notes 8 and 14)		276,945	299,259
Health services (net of contractual adjustments of $1,385,758 in 2020 and $1,459,098 in 2019; net of bad debt of $37,849 in 2020 and $30,245 in 2019; pledged revenues of $36,596 in 2020 and $11,184 in 2019) (Notes 8 and 15)		1,185,649	1,118,365
Other operating revenues (net of bad debt of $1,809 in 2020 and $1,868 in 2019; pledged revenues of $3,588 in 2020 and $7,455 in 2019) (Note 8)		179,380	149,098
Total Operating Revenues	**$**	**4,239,623**	**4,097,809**
Operating Expenses			
Education and general			
Instruction	$	1,106,172	1,098,320
Research		682,789	672,006
Public service		138,901	157,077
Academic support		202,196	206,049
Student services		127,549	123,377
Institutional support		249,213	250,564
Operation and maintenance of plant		123,986	139,988
Student aid		27,812	22,785
Total education and general expenses		**2,658,618**	**2,670,166**
Depreciation (Note 5)		221,096	215,348
Auxiliary enterprises		228,565	240,062
Health services (Note 15)		1,095,070	1,001,822
Total Operating Expenses		**4,203,349**	**4,127,398**
Operating Income (Loss)	**$**	**36,274**	**(29,589)**

University of Colorado

Business-Type Activities

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019 *(in thousands)*

		2020	*2019*
Nonoperating Revenues (Expenses)			
Federal Pell Grant	$	57,627	58,681
State appropriations (Note 13)		17,915	15,950
State support for PERA pension (Note 10 and 13)		8,258	8,585
CARES Act funding		29,419	-
Gifts		211,207	206,733
Investment income (net of investment expenses of $9,377 in 2020 and $12,254 in 2019)		174,833	163,344
Loss on disposal of capital assets (Note 5)		(1,839)	(3,377)
Interest expense on capital asset-related debt (including amortization of deferred loss of $9,119 in 2020 and $8,921 in 2019) (Note 5)		(57,331)	(70,469)
Bond issuance costs		(2,989)	(686)
Other nonoperating revenues (pledged revenues of $380 in 2020 and $2,263 in 2019) (Note 8)		38,024	32,324
Total Nonoperating Revenues (Expenses)		**475,124**	**411,085**
Income Before Other Revenues	**$**	**511,398**	**381,496**
Other Revenues			
Capital student fee (net of scholarship allowance of $4,261 in 2020 and $3,830 in 2019; pledged revenue of $16,147 in 2020 and $16,085 in 2019) (Note 8 and Note 14)	$	16,147	16,086
Capital appropriations (Note 13)		31,130	15,818
Capital grants and gifts		26,214	14,154
Additions to permanent endowments		20	14
Total Other Revenues		**73,511**	**46,072**
Change in net position		**584,909**	**427,568**
Net Position, beginning of year		2,079,409	1,651,841
Net Position, End of Year	**$**	**2,664,318**	**2,079,409**

University of Colorado

Discretely Presented Component Units

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019 *(in thousands)*

		2020	***2019***
		CU Foundation	**CU Foundation**
Operating revenues			
Contributions	$	195,308	198,939
Other revenue		5,064	5,300
Total operating revenues		200,372	204,239
Operating expenses			
Institutional support			
Gifts and income distributed to University (Note 17)		184,408	160,759
Administrative		5,158	5,158
Advancement support to the University		24,409	24,842
Depreciation and amortization		95	123
Total operating expenses		214,070	190,882
Operating Income (Loss)		(13,698)	13,357
Nonoperating revenues (expenses)			
Investment income		67,702	97,347
Increase in Net Position		**54,004**	**110,704**
Net Position, beginning of year		1,755,781	1,645,077
Net Position, End of Year	**$**	**1,809,785**	**1,755,781**

University of Colorado

Business-Type Activities

Statements of Cash Flows

Years Ended June 30, 2020 and 2019 *(in thousands)*

		2020	*2019*
Cash Flows from Operating Activities			
Tuition and fees	$	1,298,298	1,239,361
Grants and contracts		1,194,818	1,000,419
Sales and services of educational departments		245,067	244,912
Auxiliary enterprise charges		261,300	305,540
Health services		1,181,246	1,104,093
Other receipts		188,605	167,843
Payments to employees and benefits		(3,540,459)	(3,237,327)
Payments to suppliers		(680,590)	(727,766)
Payments for scholarships and fellowships		(27,812)	(22,785)
Total Cash Flows Provided by Operating Activities		**120,473**	**74,290**
Cash Flows from Noncapital Financing Activities			
Federal Pell Grant		57,627	58,681
State appropriations		17,915	15,950
CARES Act funding		29,419	-
Gifts and grants for other than capital purposes		211,207	206,733
Endowment additions		20	15
Direct lending receipts		383,040	394,751
Direct lending disbursements		(383,047)	(397,034)
Other student loan receipts		4,186	4,601
Other student loan disbursements		(1,838)	(1,615)
Other loan receipts		1,186	-
Other loan disbursements		(11,563)	(934)
Other agency transactions		(2,402)	5,534
Total Cash Flows Provided by Noncapital Financing Activities		**305,750**	**286,682**
Cash Flows from Capital and Related Financing Activities			
State capital appropriations		31,130	15,818
Capital student fees		16,147	16,086
Proceeds from capital debt and commercial paper		465,295	551,301
Bond issuance costs paid		(2,989)	(686)
Principal paid on capital debt, leases, notes and commercial paper		(357,990)	(589,457)
Interest paid on capital debt, leases and notes		(89,727)	(77,661)
Proceeds from sale of capital assets		41,225	9,477
Purchases and construction of capital assets		(409,292)	(320,177)
Total Cash Flows Used in Capital and Related Financing Activities		**(306,201)**	**(395,299)**
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments		8,917,414	12,164,882
Purchase of investments		(9,121,430)	(12,193,573)
Investment earnings, net		126,005	109,014
Total Cash Flows Provided by (Used in) Investing Activities		**(78,011)**	**80,323**
Net Increase in Cash and Cash Equivalents		**42,011**	**45,996**
Cash and cash equivalents, beginning of year		179,658	133,662
Cash and Cash Equivalents, End of Year	**$**	**221,669**	**179,658**

University of Colorado
Business-Type Activities
Statements of Cash Flows
Years Ended June 30, 2020 and 2019 *(in thousands)*

		2020	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	$	36,274	(29,589)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense		221,096	215,348
Items classified as nonoperating revenues		38,024	32,324
State support for PERA pension		8,258	8,585
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Receivables		(1,296)	(61,650)
Inventories		2,162	(1,223)
Other assets		2,004	7,537
PERA pension-related deferred outflows		124,299	252,727
AMP-related deferred outflows		(2,508)	(3,177)
OPEB-related deferred outflows		1,346	(27,882)
Other deferred outflows		246	(1,037)
Accounts payable		1,593	(22,127)
Accrued expenses		(46,274)	9,694
Compensated absences		34,582	8,140
Unearned revenue		92,982	(6,315)
Other postemployment benefits		(141,693)	98,049
Alternate medicare plan		(205,025)	10,001
Net pension liability		6,987	(961,983)
Other liabilities		(5,148)	1,760
PERA pension-related deferred inflows		(219,750)	562,190
AMP-related deferred inflows		2,603	(687)
OPEB-related deferred inflows		169,711	(16,395)
Net Cash Provided by Operating Activities	**$**	**120,473**	**74,290**

Noncash, Investing, Capital and Financing Transactions			
Donations of capital assets	$	441	1,913
Lease-financed acquisitions		1,184	5,010
Purchases of capital assets in accounts payable		13,185	21,640
Change in unrealized gains on investments		52,712	53,780
Proceeds from refundng bonds deposited with escrow agent		452,149	-
Amortization of premiums and discounts		37,041	15,541
Amortization of deferred loss		(4,813)	(8,921)

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

Governance

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

University of Colorado Boulder (CU Boulder)

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

University of Colorado Denver | Anschutz Medical Campus (CU Denver | Anschutz)

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

University of Colorado Colorado Springs (UCCS)

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

To accomplish its mission, the University has over 8,500 instructional faculty serving over 67,000 students through 487 degree programs in 26 schools and colleges.

Basis Of Presentation And Financial Reporting Entity

Blended Component Units

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

University of Colorado Medicine (CU Medicine)

University Physicians, Inc. d/b/a CU Medicine, is a Colorado non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, organized to perform the billing, collection, and disbursement functions for professional services rendered for CU Anschutz as authorized in Section 23-20-114 of the C.R.S. CU Medicine is the School of Medicine's (SOM) faculty practice plan with approximately 3,800 member providers. CU Medicine does not employ physicians or practice medicine directly; it provides the business and administrative support for the clinical faculty employed by the SOM. The members' primary sites of practice are at UCHealth and Children's Hospital Colorado (Children's Colorado), but members also provide limited clinical services at multiple hospital and clinic sites throughout the region, including other UCHealth locations, the National Jewish Medical and Research Center, the Veterans Administration Medical Center, and Denver Health and Hospital Authority. The majority of patients cared for reside within the Denver metropolitan area.

The University appoints a majority of CU Medicine's governing body, and is able to impose its will. Additionally, CU Medicine exclusively benefits the University by providing the services described above.

CU Medicine began participating in a federally funded program available to physicians employed by state-owned medical schools in Fiscal Year 2018. In July 2017, the Centers for Medicare and Medicaid Services (CMS) approved a proposed state Medicaid plan amendment filed by the Colorado Department of Health Care Policy & Financing (HCPF) on behalf of CU Medicine and the SOM. Under the terms of the approved program, CU Medicine received $77,998,000 and $68,296,000 in supplemental payments during Fiscal Years 2020 and 2019, respectively. The supplemental funding is used to maintain and increase patient access to CU Medicine's services and for other programs defined in collaboration with HCPF, and is included in health services revenue in the University's financial statements.

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

University of Colorado Property Corporation, Inc. (CUPCO)

Incorporated in 2015 with operations starting in Fiscal Year 2017, CUPCO receives, holds, invests, and administers real and personal property for the benefit of the University. CUPCO carries out its real estate investing activities through direct ownership, management, and operation of certain real estate assets. CUPCO is a non-profit entity under Section 501(c)(3) of the Internal Revenue Code. The University appoints CUPCO's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University.

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

18th Avenue, LLC (18th Avenue)

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

18th Avenue provides services exclusively to the University, owns real property, including the office building and related improvements, located at 1800 Grant Street (which houses the CU System offices), along with the existing loan encumbering the property. 18^{th} Avenue does not issue standalone financial statements.

University License Equity Holding, Inc. (ULEHI)

Originally established in 1992, with a significant reorganization in 2001, ULEHI assists faculty entrepreneurs at the University in building successful companies from research discoveries made at the University. ULEHI holds and manages various interests in entrepreneurial ventures relating to intellectual properties transferred to it by the University pursuant to a Transfer Agreement dated April 30, 2002. ULEHI is a non-profit entity under Section 501(c)(3) of the Internal Revenue Code. The University appoints a voting majority of ULEHI's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University.

Detailed financial information may be obtained directly from ULEHI at 12635 East Montview Boulevard, Aurora, Colorado 80045.

Altitude West, LLC (Altitude West)

Altitude West was formed November 9, 2018, by the Regents with the authorization of the Division of Insurance of the Department of Regulatory Agencies of the State. It was formed to operate as a captive insurance company for the benefit of the University. Altitude West provides workers' compensation insurance for the University's self-insured retention layer of $1,500,000 per claim. The University is the sole member of Altitude West and appoints its board members. The University is financially accountable for Altitude West. Additionally, Altitude West provides benefits solely to the University.

Detailed financial information may be obtained directly from Altitude West at 1800 Grant Street, Suite 700, Denver, Colorado 80203.

Discretely Presented Component Units

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

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

University of Colorado Foundation (CU Foundation)

Established in 1967, the CU Foundation solicits, receives, holds, invests, and transfers funds for the benefit of the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents, the president of the University, and another University designee serve as ex-officio non-voting members.

The board of directors elects its own members, other than those serving as ex-officio non-voting members. The CU Foundation, as a not-for-profit entity, follows Financial Accounting Standards Board guidance in the preparation of its financial statements, which are then modified to match the University's financial reporting format.

Under an agreement between the CU Foundation and the University, the CU Foundation provides certain development and investment services to the University in exchange for a fee.

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

University of Colorado Boulder Enterprise Corporation (CUBEC)

Established in January 2019, CUBEC is organized and operated exclusively for the benefit of the University of Colorado, with a focus on the Boulder campus. CUBEC supports and strengthens the instructional, research and service programs of the University, including entrepreneurial programs; supports and promotes the development and utilization of the intellectual capital of the University faculty and students; develops new financial resources, funding sources, and funding strategies to support and enhance the University's facilities and programs; provides new opportunities for individuals and organizations that want to collaborate with the University through partnerships, joint ventures, and other such strategies that are otherwise unavailable to the University.

Under an agreement between the CUBEC and the University, CUBEC provides certain services to the University in exchange for consideration appropriate for the service(s) provided.

CUBEC, as a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code, follows Financial Accounting Standards Board guidance in the preparation of its financial statements, which are then modified to match the University's financial reporting format.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable nor has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 18.

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

Relationship to State of Colorado

Article VIII, Section 5 of the Colorado Constitution declares the University to be a state institution. The Regents of the University are elected by popular vote of the citizens of the State. Therefore, the Board of the University is entirely different from the governing board of the State. The Regents are charged constitutionally with the general supervision of the University and the exclusive control and direction of all funds of and appropriations to the University unless otherwise provided by law. Management of the University is completely separate and distinct from management of the State. The services provided by the University benefit the citizens of the State, rather than serving the State government. The services include provisions of undergraduate and graduate education to the citizens of the State, and conducting extensive amounts of federally and other funded research. Additionally, the University offers more than 200 public outreach programs serving Coloradans and their communities. All outstanding debt of the University is expected to be repaid entirely with resources generated by the University. No State funds are used to repay any debt issued by the University. The State's CAFR can be obtained from the State of Colorado, Department of Personnel and Administration, Denver, Colorado.

Tax-exempt Status

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(1) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2020 and 2019.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

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

Accounting Policies

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

Investments are reported in the financial statements at fair value, which is determined primarily based on quoted market prices or net asset value as of June 30, 2020 and 2019. Contract value is used for the guaranteed investment agreement and amortized costs (which approximate fair value) are used for money market investments. These money market accounts are held with Securities and Exchange Commission (SEC) registered investment companies under Rule 2a7 of the Investment Company Act of 1940.

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

Beginning in Fiscal Year 2020, the University changed its method for reporting the balance of current versus noncurrent investments. Prior to Fiscal Year 2020, the University reported the current and noncurrent classification of investments based on a broad-based categorization. For Fiscal Year 2020, the University refined its examination of investments based on a more detailed analysis of individual maturity dates. The University believes this presents a more accurate representation of the investment balance between current and noncurrent. The total investment balance was not impacted by this change in methodology.

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

Investments of the CU Foundation include those held as agency funds for the University. The CU Foundation records investment purchases and contributions at the fair values of the investment received at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values. The fair values of alternative investments not publicly traded on national security exchanges represent the CU Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the CU Foundation. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are stated at cost and present value, respectively.

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

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

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

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

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

Other Assets consists of prepaid expenses, and travel advances.

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

Intangibles and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of $75,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Software, both externally purchased and internally developed, with a value of $5,000 or more is capitalized.

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

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

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

Table 1.1. Asset Useful Lives

Asset Class	Years
Land Improvements	10 – 40
Buildings	12 – 50 *
Improvements other than buildings	10 – 40
Equipment	2 – 20
Library and other collections	6 – 15
Software	3 – 10
Intangibles	Varies
Infrastructure	10 – 40

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

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

Table 1.2. Compensated Absence Accrual Rates for Vacation

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

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

** Vacation accrual in excess of 44 days is deducted to meet the 44 day limit. For Fiscal Year 2020-21, at the discretion of the president for system administration employees, or the chancellor for employees of the relevant campus, which discretion may be delegated, employees who have been unable to take vacation due to the COVID-19 public health emergency may accrue and carry more than forty-four (44) days of vacation leave as of July 1, 2020 through July 1, 2021. This will be repealed without further action as of July 1, 2021.

The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

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

Bonds, Leases, and Notes Payable are debt incurred usually for the acquisition of buildings, equipment, or capital construction and are addressed in Note 8.

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

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

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

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

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

Other Postemployment Benefits (OPEB) consist of postretirement healthcare and life insurance benefits for retired employees. Substantially all University employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University participates in both a single-employer plan as well as a cost-sharing plan. The University's contributions to the single-employer plan are made on a pay-as-you-go basis and are set by statute for the cost-sharing plan. The University's liability is measured as the portion of the present value of projected benefit payments to be provided to active and inactive employees that is attributable to those employees' past period of service, less the amount of the plan's fiduciary net position, if any, based on actuarial valuations. See Note 9 for more information on both plans. The University uses historical annual payments for OPEB to estimate the current portion of the balance.

Alternate Medicare Payment is described in Note 10.

Other Liabilities are addressed in Note 11 and consist of risk financing, construction contract retainage, funds held for others, the federal share of Perkins Loans, the asset retirement obligation, the early retirement incentive plan, and miscellaneous.

Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statement of net position includes both the loans receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Deferred Outflows of Resources and Deferred Inflows of Resources. Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period.

For the University, losses related to debt defeasance are included in deferred outflows of resources. The deferred amount will be amortized over the remaining life of the debt refunded. Changes in net pension liability not included in pension expense, and changes in OPEB liability not included in OPEB expense, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date are reported as deferred outflows of resources. Asset retirement obligations and split-interest agreements are recorded as other deferred outflows of resources.

Net Pension Liability is the liability of the University, the employer, to employees for the PERA defined-benefit pension plan, which is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. See Note 10 for more information.

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

> *Net investment in capital assets* represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
>
> *Restricted for nonexpendable purposes* consists of endowments and similar instruments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
>
> *Restricted for expendable purposes* represents net resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
>
> *Unrestricted net position* represents net resources derived from student tuition and fees, fee-for-service contracts, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Regents to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

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

> *Operating revenues* are derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that are exchange transactions. Examples include student tuition and fees, fee-for-service contracts, sales and services of auxiliary enterprises, healthcare and patient services, grants, and contracts. Tuition and fee revenue for sessions that are conducted over two fiscal years are allocated on a pro-rata basis. Operating revenues of the CU Foundation also include contributions, which are derived from their fundraising mission.

Other operating revenues include rental income, charges for services, transcript and diploma fees, other miscellaneous fees, and miscellaneous revenues from CU Medicine.

Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University.

Nonoperating revenues and expenses include all revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (*e.g.,* gifts, including those from the CU Foundation), from activities defined as such by the GASB cash flow standards (*e.g.,* investment income), and also the Federal Pell Grant and insurance recoveries.

Scholarship Allowances are the difference between the stated charge for the goods and services provided by the University and the amount that is paid by the students or by other third parties making payments on the students' behalf. Tuition and fee revenue and certain other auxiliary enterprise revenues are reported net of scholarship allowance in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying financial statements. To the extent that such grant revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. The student aid line under operating expenses represents the amount of financial aid disbursed to students net of the aid applied to the student's account to pay for tuition and fees. See Note 14 for more information.

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

Health services revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Net patient services revenue includes care provided to patients who meet certain criteria under CU Medicine's medically indigent care policy as reimbursed with funds provided by the State processed by UCH, and co-payments made by care recipients. In accordance with CU Medicine's mission and philosophy, CU Medicine members annually provide substantial levels of charity care to patients who meet certain defined criteria. Charity care relates to services rendered for which no payment is expected. See Note 15 for more information.

Donor Restricted Endowment disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the CU Foundation is based on a spending rate set by the CU Foundation board on an annual basis. For the years ended June 30, 2020 and 2019, the authorized spending rate was equal to 4 percent of the endowment's trailing 36-month average fair market value as of December 31 for the year preceding the distribution.

Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the University's financial statements as investment or gift revenue for University or CU Foundation-owned endowments, respectively. As of June 30, 2020 and 2019, there was $18,057,000 and $17,325,000, respectively, in net appreciation of investments available for authorization for expenditure as reported in restricted expendable net position.

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

Use of Estimates is made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

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

Adoption of New Accounting Standards

Effective July 1, 2018, the University adopted the provisions of GASB Statement No. 83 *Certain Asset Retirement Obligations* (Statement No. 83). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Changes adopted to conform to the provisions of Statement No. 83 were applied retroactively by restating financial statements, to the extent practicable, for all prior periods presented.

Effective July 1, 2018, the University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (Statement No. 88). Statement No. 88 defines debt for purposes of disclosure in note to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The adoption of GASB Statement No. 88 resulted in minor additional financial statement note disclosures.

Revisions

Certain immaterial revisions have been made to the 2019 financial statements. $16,062,000 of the other postemployment benefits obligation is presented as a current liability. In 2019, this amount was included with long-term liabilities. $201,423,000 of the compensated absences additions and reductions was reduced. In 2019, this amount was included in additions and reductions to the compensated absences liability, however, the year-end balance was reported correctly. These revisions do not have a significant impact on the financial statements.

Note 2: Cash and Cash Equivalents

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

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

		2020	2019
Cash on hand (petty cash and change funds)	$	320	369
Deposits with U.S. financial institutions		221,314	179,270
Deposits with foreign financial institutions		35	19
Total Cash and Cash Equivalents – University	**$**	**221,669**	**179,658**

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

Note 3: Investments

The University's investments generally include direct obligations of the U.S. government and its agencies, money market funds, municipal and corporate bonds, asset-backed securities, mutual funds, collective investment trust funds, repurchase agreements, corporate equities and alternative non-equity securities. CU Foundation investments are similar to the University's but also include alternative non-equity securities in hedge funds and commodities. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages a portion of these endowments for the University in accordance with its investment policy.

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

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

For financial statement purposes, investment income (loss) is reported on a total return basis and is allocated among operational units based on average daily balances, using amortized costs. Average daily balances, based on amortized costs, approximated $2,039,449,000 and $1,911,085,000 for the years ended June 30, 2020 and 2019, respectively. The total return on this pool (excluding blended component units) was 6.22 percent and 5.40 percent for the years ended June 30, 2020 and 2019, respectively.

Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- **Market approach** – This technique uses prices generated for identical or similar assets or liabilities. The most common example is an investment in public security traded in an active exchange such as the New York Stock Exchange.
- **Cost approach** – The cost approach determines the amount required to replace the current asset and may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach** – This technique converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs should be maximized in fair value measures, and unobservable inputs should be minimized.

GAAP establishes a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. Example: ownership in shares of a mutual fund company that is publicly traded.
- **Level 2** – Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other-than-quoted prices that are not observable. Example: ownership of a corporate bond that trades on an exchange that is not active.
- **Level 3 –** Unobservable inputs. Example: ownership in a private hedge fund that does not trade on a public exchange.

The University owns an interest in one collective investment trust fund at June 30, 2020 and two funds at June 30, 2019. These trust funds own investment assets, but the University owns an interest in the private trust itself rather than an interest in each underlying asset. Therefore, the unit of account is the University's ownership interest in the trust, rather than a percentage in individual assets held by the trust. The assets could be sold at an amount different than the Net Asset Value (NAV) per share (or its equivalent) due to the liquidation policies in each of the respective trusts' agreements with the investors. Redemption frequencies for these funds range from one to seven days and there were no unfunded commitments as of June 30, 2020 and 2019.

The fair value measurements as of June 30, 2020 and 2019 for the University are included in Table 3.1.

Table 3.1. Investments - University (*in thousands*)

Investment Type	Level 1	Level 2	Level 3	2020 Total
U.S. government securities	$ 67,095	223,960	-	291,055
Corporate bonds	10	474,032	-	474,042
Corporate equities	5,241	-	-	5,241
Mortgages	1,419	130,537	-	131,956
Municipal bonds	110	44,904	-	45,014
Mutual funds	1,026,548	17	-	1,026,565
Certificates of deposit	527	-	-	527
Held at CU Foundation	-	-	459,572	459,572
Asset-backed securities	698	163,906	1,571	166,175
Alternative non-equity securities:				
Real estate	723	-	-	723
	1,102,371	1,037,356	461,143	2,600,870
Measured at NAV:				
Equity trust				157,064
Measured at amortized cost:				
Money market funds				271,803
Measured at cost:				
Private equity securities				2,675
Measured at contract value:				
Guaranteed investment agreement				73,195
Investments not requiring fair value:				
Repurchase agreements				13,391
Total Investments – University				**$ 3,118,998**

Table 3.1. (continued) Investments - University (*in thousands*)

Investment Type	Level 1	Level 2	Level 3	2019 Total
U.S. government securities	$ 91,059	225,531	-	316,590
Corporate bonds	4,058	336,897	9	340,964
Corporate equities	5,774	-	-	5,774
Mortgages	10,557	147,017	-	157,574
Municipal bonds	741	14,608	-	15,349
Mutual funds	874,663	-	-	874,663
Certificates of deposit	869	-	-	869
Held at CU Foundation	-	-	447,830	447,830
Asset-backed securities	972	179,605	2,472	183,049
Alternative non-equity securities:				
Real estate	222	6	-	228
	988,915	903,664	450,311	2,342,890
Measured at NAV:				
Equity trusts				234,348
Measured at amortized cost:				
Money market funds				225,799
Measured at cost:				
Private equity securities				2,761
Investments not requiring fair value:				
Repurchase agreements				56,471
Total Investments – University				**$ 2,862,269**

Details of investments by type for the CU Foundation are included in Table 3.2.

Table 3.2. Investments - CU Foundation (*in thousands*)

Investment Type	2020	2019
Cash equivalents	$ 80,321	22,438
Equity securities:		
Domestic equities	426,405	453,162
International equities	532,770	547,898
Fixed-income securities	204,566	235,285
Alternative non-equity securities:		
Real estate	60,790	69,264
Private equity	323,445	319,688
Absolute return funds	248,647	227,839
Venture capital	197,432	130,513
Commodities	15,798	15,067
Other	897	825
Total Investments – CU Foundation	**$ 2,091,071**	**2,021,979**

Custodial Credit Risk

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

Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. At June 30, 2020 and 2019, the $1,809,000 and $2,761,000, respectively, of private equity securities held by ULEHI are exposed to custodial credit risk. None of the University's other investments are subject to custodial risk.

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University's investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased. University policy allows no more than 20 percent of investments to be rated below Baa (Moody's) or BBB (Standard & Poor's (S&P) and Fitch) at the time of purchase. There are several other investment policies tailored to non-pooled investments. Those policies do not restrict investments to a particular credit quality standard. Credit quality ratings are not required for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The CU Foundation does not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2020 and 2019 is shown in Table 3.3. The University, which includes CU Medicine, obtains ratings from both Moody's and S&P, and primarily reflects the Moody's ratings in Table 3.3 unless S&P is lower. Table 3.3 is a subset of Table 3.1 and does not include $1,551,793,000 of non-debt securities and $308,222,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2020, and does not include $1,480,042,000 of non-debt securities and $231,482,000 of debt investments that are backed by the full faith and credit of the U.S. government as of June 30, 2019.

Table 3.3. Debt Investments and Credit Quality Risk - University (*in thousands*)

Investment Type		2020				2019		
		Unrated	Rated			Unrated	Rated	
		Fair Value	Fair Value	% of Rated Value by Credit Rating		Fair Value	Fair Value	% of Rated Value by Credit Rating
U.S. government securities	$	49,517	65,271	100% Aaa/Aa/A	$	78,898	163,784	100% Aaa/Aa/A
Bond mutual funds		47,757	16,926	98% Aaa/Aa/A		54,848	-	-
				2% Baa/Ba/B				
Certificates of deposit		527	-	-		869	-	-
Corporate bonds		1,568	472,474	55% Aaa/Aa/A		771	340,193	35% Aaa/Aa/A
				45% Baa/Ba/B				65% Baa/Ba/B
Money market mutual funds		-	307,168	100% Aaa		-	256,513	100% Aaa
Municipal bonds		5,654	39,360	24% Aaa		627	14,722	39% Aaa
				74% Aa/A				61% Aa/A
				2% Baa/Ba/B				
Repurchase agreements		13,391	-	-		56,471	-	-
Guaranteed investment agreement		73,195	-	0% Aa3		-	-	-
Asset-backed securities		27,024	139,151	82% Aaa		7,132	175,917	93% Aaa
				14% Aa/A				4% Aa/A
				3% Baa/Ba/B				2% Baa/Ba/B
				1% Caa/Ca/D				1% Caa/Ca
Total Debt Investments	**$**	**218,633**	**1,040,350**		**$**	**199,616**	**951,129**	

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The University manages interest rate risk using weighted average maturity. Weighted average maturity is a measure of the time to maturity in years that has been weighted to reflect the dollar size of the individual investment within an investment type. The University's investment policy mitigates interest rate risk through the use of maturity limits for each of the investment segment pools.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2020 and 2019 is shown in Table 3.4. Table 3.4 is a subset of Table 3.1 and does not include $1,858,960,000 and $1,736,555,000 of non-debt securities as of June 30, 2020 and 2019, respectively. The main difference in the amount of non-debt securities excluded in Table 3.3 and Table 3.4 is that money market mutual funds are included in Table 3.3 as they have credit risk but they are excluded from Table 3.4 as they do not have interest rate risk. Also, U.S. government securities are not subject to credit risks but are subject to interest rate risks and are included here but not in the credit quality risk section.

Table 3.4. Debt Investments and Interest Rate Risk *(in thousands and years)*

Investment Type	2020		2019	
University	Amount	Weighted Average Maturity	Amount	Weighted Average Maturity
U.S. government securities	$ 291,055	11.19	$ 316,590	11.55
Bond mutual funds	64,683	1.16	54,848	6.43
Certificates of deposit	527	0.18	869	0.96
Corporate bonds	474,042	7.35	340,964	7.12
Municipal bonds	45,014	10.69	15,349	4.30
Repurchase agreements	13,391	0.04	56,471	1.04
Guaranteed investment agreement	73,195	2.29	-	-
Fixed rate asset-backed securities	128,491	18.32	151,909	16.99
Variable rate asset-backed securities	37,684	13.97	31,140	15.95
Collateralized mortgage obligations	131,956	16.20	157,574	20.46
Total Debt Investments – University	**$ 1,260,038**		**$ 1,125,714**	

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

Concentration of Credit Risk

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

Split-interest Agreements

Assets held by the CU Foundation under split-interest agreements are included in investments and consisted of the following as of June 30, 2020 and 2019, as shown in Table 3.5.

Table 3.5. CU Foundation Investments Held under Split-interest Agreements *(in thousands)*

Type	2020	2019
Assets held in charitable remainder trusts	$ 33,503	36,300
Assets held in charitable lead trusts	2,421	2,632
Assets held in life interest in real estate	1,565	1,565
Assets held in pooled income funds	164	163
Total Investments Held under Split-interest Agreements	**$ 37,653**	**40,660**

Note 4: Accounts and Loans Receivable

Table 4.1 segregates receivables as of June 30, 2020 and 2019, by type.

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

		2020			
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	84,638	24,355	60,283	60,283
Federal government		88,784	-	88,784	85,650
Other governments		35,509	-	35,509	31,577
Private sponsors		23,595	-	23,595	23,595
Patient accounts		194,366	23,176	171,190	171,190
DPCU		14,214	-	14,214	14,214
Interest		219	-	219	219
Direct financing lease		15,610	-	15,610	713
PAC-12 distribution		4,025	-	4,025	4,025
Other		51,893	1,251	50,642	39,999
Total accounts receivable		512,853	48,782	464,071	431,465
Loans		37,069	2,046	35,023	2,854
Loans to DPCU		10,000	-	10,000	-
Total loans		47,069	2,046	45,023	2,854
Total Receivable – University	**$**	**559,922**	**50,828**	**509,094**	**434,319**

		2019			
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	68,045	21,675	46,370	46,370
Federal government		104,178	-	104,178	104,178
Other governments		43,407	-	43,407	43,407
Private sponsors		27,069	-	27,069	27,069
Patient accounts		185,727	18,939	166,788	166,788
DPCU		9,854	-	9,854	9,854
Interest		4,167	-	4,167	4,167
Direct financing lease		20,519	-	20,519	749
PAC-12 distribution		3,823	-	3,823	3,823
Other		41,708	1,159	40,549	40,543
Total accounts receivable		508,497	41,773	466,724	446,948
Loans		39,619	2,625	36,994	3,818
Total Receivable – University	**$**	**548,116**	**44,398**	**503,718**	**450,766**

Concentration of Credit Risk – Patient Accounts

CU Medicine grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2020 and 2019 is detailed in Table 4.2.

Table 4.2. CU Medicine Concentration of Credit Risk

Category	2020	2019
Managed care	50.8 %	48.2 %
Medicare	12.1 %	13.8 %
Medicaid	13.4 %	13.0 %
Other third-party payers	8.4 %	10.6 %
Self-pay	15.3 %	14.4 %
Total	**100.0 %**	**100.0 %**

Note 5: Capital Assets

Table 5 presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2020 and 2019.

The University had insurance recoveries of $779,000 and $777,000 in the years ended June 30, 2020 and 2019, respectively, which are included in nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category		2019	Additions	Retirements/ Adjustments	Transfers	2020
Nondepreciable capital assets						
Land	$	102,609	9,730	(9,891)	-	102,448
Construction in progress		425,336	329,228	(11,878)	(175,642)	567,044
Collections		19,628	650	-	-	20,278
Total nondepreciable capital assets		547,573	339,608	(21,769)	(175,642)	689,770
Depreciable capital assets						
Buildings		4,300,614	19,430	(35,490)	157,521	4,442,075
Improvements other than buildings		312,329	661	-	16,256	329,246
Equipment		613,172	45,691	(23,215)	1,865	637,513
Software		96,800	550	(809)	-	96,541
Other intangibles		1,910	-	-	-	1,910
Library and other collections		423,704	18,162	(257)	-	441,609
Total depreciable capital assets		5,748,529	84,494	(59,771)	175,642	5,948,894
Less accumulated depreciation						
Buildings		1,572,167	140,788	(16,062)	-	1,696,893
Improvements other than buildings		148,793	12,687	-	-	161,480
Equipment		448,456	44,909	(21,354)	-	472,011
Software		88,675	3,506	(804)	-	91,377
Other intangibles		554	76	-	-	630
Library and other collections		313,828	19,130	(257)	-	332,701
Total accumulated depreciation		2,572,473	221,096	(38,477)	-	2,755,092
Net depreciable capital assets		3,176,056	(136,602)	(21,294)	175,642	3,193,802
Total Net Capital Assets	**$**	**3,723,629**	**203,006**	**(43,063)**	-	**3,883,572**

Table 5. (continued) Capital Assets *(in thousands)*

Category		2018	Additions	Retirements/ Adjustments	Transfers	2019
Nondepreciable capital assets						
Land	$	85,925	18,982	(2,298)	-	102,609
Construction in progress		348,937	251,205	(8,553)	(166,253)	425,336
Collections		18,661	1,020	(53)	-	19,628
Total nondepreciable capital assets		453,523	271,207	(10,904)	(166,253)	547,573
Depreciable capital assets						
Buildings		4,145,649	694	527	153,744	4,300,614
Improvements other than buildings		301,557	393	(489)	10,868	312,329
Equipment		574,775	55,477	(18,721)	1,641	613,172
Software		95,698	1,623	(521)	-	96,800
Other intangibles		1,910	-	-	-	1,910
Library and other collections		408,962	19,346	(4,604)	-	423,704
Total depreciable capital assets		5,528,551	77,533	(23,808)	166,253	5,748,529
Less accumulated depreciation						
Buildings		1,434,629	137,538	-	-	1,572,167
Improvements other than buildings		136,984	11,809	-	-	148,793
Equipment		421,724	43,542	(16,810)	-	448,456
Software		85,125	4,042	(492)	-	88,675
Other intangibles		478	76	-	-	554
Library and other collections		300,043	18,341	(4,556)	-	313,828
Total accumulated depreciation		2,378,983	215,348	(21,858)	-	2,572,473
Net depreciable capital assets		3,149,568	(137,815)	(1,950)	166,253	3,176,056
Total Net Capital Assets	**$**	**3,603,091**	**133,392**	**(12,854)**	**-**	**3,723,629**

Note 6: Accrued Expenses and Compensated Absences

Table 6.1 details the accrued expenses as of June 30, 2020 and 2019 by type.

Table 6.1 Accrued Expenses *(in thousands)*

Type		2020	2019
Accrued salaries and benefits	$	77,397	123,691
Accrued interest payable		3,662	3,831
Other accrued expenses		1,329	1,311
Total Accrued Expenses	**$**	**82,388**	**128,833**

Table 6.2 presents changes in compensated absences for the years ended June 30, 2020 and 2019.

Table 6.2 Compensated Absences (*in thousands)*

		2020	2019
Beginning of year	$	257,876	249,736
Additions		226,382	207,941
Reductions		(191,800)	(199,801)
End of year	**$**	**292,458**	**257,876**
Current compensated absences		17,869	16,865

Note 7: Unearned Revenue

As of June 30, 2020 and 2019, the types and amounts of unearned revenue are shown in Table 7.

Table 7. Unearned Revenue *(in thousands)*

		2020		2019	
Type		**Total**	**Current**	**Total**	**Current**
Tuition and fees	$	44,322	44,322	39,424	39,424
Auxiliary enterprises		19,418	19,395	35,063	35,039
Grants and contracts		193,864	193,864	74,331	74,331
Miscellaneous		16,614	10,921	32,418	23,947
Total Unearned Revenue	**$**	**274,218**	**268,502**	**181,236**	**172,741**

Note 8: Bonds, Capital Leases, and Notes Payable

As of June 30, 2020 and 2019, the categories of long-term obligations are summarized in Table 8.1.

Table 8.1. Bonds, Capital Leases, and Notes Payable *(in thousands)*

Type	**Interest Rates**	**Final Maturity**		**2020**	**2019**
Enterprise system revenue bonds (including premium of $117,950 in 2020 and $132,459 in 2019)	1.68% - 5.00%	6/1/49	$	1,764,145	1,556,419
Enterprise system revenue bonds from private placement	Variable	6/1/30		-	48,015
CU Medicine fixed-rate bonds - private placement	2.30%	11/1/24		5,141	6,305
Total revenue bonds				**1,769,286**	**1,610,739**
Capital leases	0.0-7.5%	Various		11,980	13,207
Notes payable	4.15%	6/1/33		10,145	10,516
Total Bonds, Capital Leases, and Notes Payable			**$**	**1,791,411**	**1,634,462**

Table 8.2 presents changes in bonds and capital leases for the years ended June 30, 2020 and 2019.

Table 8.2. Changes in Bonds, Capital Leases, and Notes Payable *(in thousands)*

Type		Balance 2019	Additions	Retirements	Balance 2020	Current Portion
University						
Revenue bonds	$	1,423,960	544,285	(322,050)	1,646,195	74,135
Plus unamortized premiums		132,459	22,532	(37,041)	117,950	14,212
Revenue bonds from private placement		54,320	-	(49,179)	5,141	1,164
Net revenue bonds		1,610,739	566,817	(408,270)	1,769,286	89,511
Capital leases		13,207	1,184	(2,411)	11,980	2,502
Notes payable		10,516	-	(371)	10,145	387
Total Bonds, Capital Leases, and Notes Payable	**$**	**1,634,462**	**568,001**	**(411,052)**	**1,791,411**	**92,400**

Type		Balance 2018	Additions	Retirements	Balance 2019	Current Portion
University						
Revenue bonds	$	1,608,750	64,360	(249,150)	1,423,960	93,495
Plus unamortized premiums		140,206	8,427	(16,174)	132,459	15,085
Less unamortized discounts		(633)	-	633	-	-
Revenue bonds from private placement		7,481	48,015	(1,176)	54,320	1,164
Net revenue bonds		1,755,804	120,802	(265,867)	1,610,739	109,744
Capital leases		11,824	5,010	(3,627)	13,207	2,314
Notes payable		11,020	-	(504)	10,516	372
Total Bonds, Capital Leases, and Notes Payable	**$**	**1,778,648**	**125,812**	**(269,998)**	**1,634,462**	**112,430**

Revenue Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2020 and 2019 is detailed in Table 8.3.

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Table 8.3. Revenue Bonds Detail ***(in thousands)***

Issuance Description		Original Issuance Amount	Outstanding Balance 2020	Outstanding Balance 2019
Enterprise system revenue bonds:				
Refunding Series 2007A -				
Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B. Principal payments due starting in 2025	$	184,180	27,725	27,725
Series 2009C -				
Used to refund Enterprise System Refund Series 1997, Enterprise System Revenue Refund Bonds Series 2001A for years 2012 through 2026, and Enterprise System Revenue Bonds Series 2002A for years 2014 through 2018		24,510	615	2,270
Series 2010A -				
Used to fund acquisition and capital improvements at CU Anschutz		35,510	-	25,060
Series 2010B -				
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A		56,905	-	15,020
Series 2010C -				
Used to fund capital improvements at CU Anschutz		4,375	-	2,540
Series 2011A -				
Used to fund capital improvements at CU Boulder and UCCS		203,425	5,770	29,825
Series 2011B -				
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A		52,600	21,235	30,585
Series 2012A-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B		121,850	33,560	114,515
Series 2012A-2 -				
Used to partially refund Enterprise System Revenue Bonds Series 2004, 2005A, and 2005B		53,000	2,910	43,015
Series 2012A-3 -				
Used to partially refund Enterprise System Revenue Bonds Series 2005A, 2005B, 2006A, and 2007B		47,165	7,890	33,935
Series 2012B -				
Used to fund capital improvements at CU Boulder, CU Denver and UCCS		95,705	14,000	16,020
Series 2013A -				
Used to fund capital improvements at CU Boulder, CU Anschutz and UCCS		142,460	8,510	11,075
Series 2013B -				
Used to fund capital improvements at CU Anschutz		11,245	2,020	10,295
Series 2014A -				
Used to fund capital improvements at CU Boulder		203,485	27,010	32,980
Series 2014B-1 -				
Used to partially refund Enterprise System Revenue Bonds Series 2005B, 2006B, 2007A and 2009	$	100,440	92,380	95,180

Table 8.3. (continued) Revenue Bonds Detail ***(in thousands)***

Issuance Description	Original Issuance Amount	Outstanding Balance 2020	Outstanding Balance 2019
Series 2015A -			
Used to partially refund Enterprise System Revenue Bonds Series 2006A, 2007B, and 2009	102,450	66,725	94,860
Series 2015B -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A	3,925	1,440	2,800
Series 2015C -			
Used to partially refund Enterprise System Revenue Bonds Series 2007A	71,325	52,355	65,135
Series 2016A -			
Used to fund capital improvements at the CU Denver and UCCS	31,430	10,935	30,675
Series 2016B-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2011A	156,810	153,630	154,450
Series 2017A-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2007A and 2012B	66,930	51,485	51,485
Series 2017A-2 -			
Used to partially refund Enterprise System Revenue Bonds Series 2012B, 2013A and 2014A and to establish escrow accounts for the cross-over refunding of Series 2009B, 2010A and 2010C	471,390	464,335	470,155
Series 2018A - (private placement)			
Used to partially refund Series 2008 Student Housing Revenue Refunding Bonds	48,015	-	48,015
Series 2018B -			
Used to fund capital improvements at UCCS	64,360	63,275	64,360
Series 2019A -			
Used to partially refund Enterprise System Revenue Bonds Series 2010B, Series 2011A, Series 2012 A-1, A-2, A-3, and Series 2013B on a taxable basis.	147,980	144,925	-
Series 2019A2 -			
Used to partially refund Enterprise System Revenue Bonds Series 2009C, Series 2010B, Series 2011A, Series 2012 A-1, A-3, Series 2014B-1, Series 2015A, Series 2015B, and Series 2016A on a taxable basis.	101,885	99,525	-
Series 2019B -			
Used to fund capital improvement projects at UCD (CVA improvements) and AMC (Campus Utility Project). Additionally used to refund the 2018A bank direct purchase variable rate note for CVA at UCD and to refund Commercial Paper for UCB (Fleming renovations).	79,795	79,315	-
Series 2019C -			
Used to fund the Lynx Crossing housing project (FYSH originally) at UCD as well as refunding outstanding Commercial Paper for two UCB projects: Williams Village East and Aerospace	214,625	214,625	-
Total enterprise system revenue bonds - outstanding principal	**2,897,775**	**1,646,195**	**1,471,975**
Series 2014 - CU Medicine Fixed Rate Bonds (private placement)			
Used to fund capital improvements at CU Medicine	11,695	5,141	6,305
Total Other Long Term Obligations	**11,695**	**5,141**	**6,305**
Total Outstanding Revenue Bond Principal		1,651,336	1,478,280
Plus premium		117,950	132,459
Total Revenue Bonds		**$ 1,769,286**	**$ 1,610,739**

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

The Enterprise System Revenue Bonds are secured by a pledge of all net revenues of auxiliary services, student fees, other self-funded services, research services, and certain other operating and nonoperating revenues, in addition to 100 percent of the University's tuition, 100 percent of the University's capital student fees, and 100 percent of the University's indirect cost recoveries. All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the net income of the facilities as defined in the bond resolution). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents.

The University's bonds are payable through June 1, 2049. During the years ended June 30, 2020 and 2019, the total principal and interest paid on the University's bonds net of federal subsidy on the Build America Bonds, excluding refundings, was $135,285,000 and $129,235,000, respectively, which is 10.1 percent and 9.9 percent of the total net pledged revenues of $1,345,249,000 and $1,306,858,000, respectively. Net pledged revenues are 36 percent and 37 percent of the total specific revenue streams, respectively.

On July 9, 2019, the University issued Series 2019A Taxable Enterprise Refunding Revenue Bonds for $147,980,000 to advance refund portions of the Series 2010B, Series 2011B, Series 2012 A-1, A-2, A-3, and Series 2013B Bonds. The refunding resulted in an economic gain of $13,632,000 and an accounting loss of $6,981,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $17,034,000. Interest rates range from 2.11 percent to 3.17 percent, and final maturity is June 1, 2043. The first interest payment was due December 1, 2019.

On August 21, 2019, the University issued Series 2019A-2 Taxable Enterprise Refunding Revenue Bonds for an additional $101,885,000 to advance refund portions of the Series 2009C, 2010B, 2011A, 2012A1 & A3, 2014B1, 2015A&B, and 2016A bonds. The refunding resulted in an economic gain of $7,556,000 and an accounting loss of $5,987,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $10,263,000. Interest rates range from 1.68 percent to 2.79 percent, and final maturity is June 1, 2047.

On October 15, 2019, the University issued Series 2019B Tax-exempt Enterprise Revenue and Refunding Bonds for $79,795,000 to refund Lynx Crossing Residence Hall (formerly known as Campus Village Apartments (CVA)) direct placement loan of $48,015,000 and to fund Lynx Crossing Residence Hall improvements, CU Anschutz Central Utility Plant project, and the Fleming Tower renovation at CU Boulder. Interest rates range from 3 percent to 5 percent, and final maturity is June 1, 2049. The first interest payment was due December 1, 2019.

The University also issued Series 2019C Tax-exempt Enterprise Revenue and Refunding Bonds (term rate bonds) for $214,625,000 to fund the City Heights Residence Hall at CU Denver and to refund commercial paper used to construct the Aerospace Engineering Building and Williams Village East Residence Hall at CU Boulder. These bonds were designated "Green Bonds" due to the LEEDs certifications of Gold or Platinum for the underlying projects. The interest rate for the 5-year term bond is 2 percent. The bond will mature on December 1, 2024. The first interest payment was due December 1, 2019 and interest only will be paid semi-annually through its initial term.

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

Management believes the University has met all debt service coverage ratios and has complied with all bond covenants.

In December 2002, CU Medicine entered into a loan agreement with the Fitzsimons Redevelopment Authority to issue variable-rate bonds, Series 2002, in the amount of $20,500,000. Proceeds from the sale of these bonds were used to fund the development, construction, and equipping of CU Medicine's administrative office building. In October 2014, CU Medicine refinanced its variable-rate debt with a fixed-rate bank direct purchase obligation. The direct borrowing, funded by US Bank National Association (US Bank), included a $3,500,000 reduction in principal to a net amount outstanding at the time of the refinance of $11,695,000. The obligation is amortizable over 10 years and initially carried a fixed rate of 2.3 percent. As a result of the Tax Cuts and Jobs Act, signed into law in December 2017, US Bank increased the interest rate on CU Medicine's borrowing to 2.8 percent. The US Bank financing is subject to the same financial covenants as those included in the original variable-rate obligation, the most significant of which are the maintenance of 60 days' cash on hand (defined as unrestricted cash plus readily marketable securities) and a debt service coverage ratio of 1.25. CU Medicine management believes it is in compliance with its debt service requirements and financial covenants.

Future minimum payments for revenue bonds are detailed in Table 8.4.

Table 8.4. Revenue Bonds Future Minimum Payments *(in thousands)*

		Non-Direct Borrowings			Direct Borrowings		
Years Ending		**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2021	$	74,135	61,141	135,276	1,164	129	1,293
2022		78,165	58,044	136,209	1,164	96	1,260
2023		78,745	55,043	133,788	1,164	64	1,228
2024		77,260	51,682	128,942	1,164	31	1,195
2025		293,785	46,253	340,038	485	3	488
2026 - 2030		367,095	175,197	542,292	-	-	-
2031 - 2035		328,120	106,307	434,427	-	-	-
2036 - 2040		213,165	51,578	264,743	-	-	-
2041 - 2045		109,370	17,241	126,611	-	-	-
2046 - 2050		26,355	2,299	28,654	-	-	-
Total	**$**	**1,646,195**	**624,785**	**2,270,980**	**5,141**	**323**	**5,464**

Extinguishment of Debt

Previous revenue bond issues considered to be extinguished through in-substance defeasance under GAAP are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately $914,805,000 and $490,175,000 as of June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, debt in the amount of $445,320,000 was defeased and escrow agent payments were $20,690,000. During the year ended June 30, 2019, debt in the amount of $183,950,000 was defeased and escrow agent payments were $307,900,000.

Capital Leases

The University's capital leases are primarily for equipment. The University also has a capital lease with a related party. During the year ended June 30, 2009, CU Denver entered into a $10,272,000 site lease agreement with AHEC associated with the build-out of educational space for CU Denver. As of June 30, 2020 and 2019, the University paid base annual rent to AHEC of approximately $837,000 and $835,000, respectively.

As of June 30, 2020 and 2019, the University had an outstanding liability for all its capital leases approximating $11,980,000 and $13,207,000, respectively, with underlying gross capitalized asset cost approximating $25,109,000 and $24,245,000, respectively, with accumulated amortization of $12,485,000 and $10,968,000 respectively, resulting in underlying net capitalized assets of $12,624,000 and $13,277,000, respectively.

Future minimum payments for all the University's capital lease obligations are detailed in Table 8.5.

Table 8.5. Capital Leases *(in thousands)*

Years Ending June 30		Principal	Interest	Total
2021	$	2,502	521	3,023
2022		2,173	432	2,605
2023		2,172	342	2,514
2024		1,179	251	1,430
2025		1,082	193	1,275
2026 – 2030		2,872	236	3,108
Total	**$**	**11,980**	**1,975**	**13,955**

Notes Payable

18th Avenue has a 20-year mortgage on the property at 1800 Grant Street. The original amount borrowed was $12,450,000 at an interest rate of 4.15 percent with monthly principal and interest payments of approximately $67,000. There is a balloon payment of $3,678,000 due on June 1, 2033.

Future minimum payments for the University's note payable are detailed in Table 8.6.

Table 8.6. Notes Payable Future Minimum Payments *(in thousands)*

Years Ending June 30		Principal	Interest	Total
2021	$	387	414	801
2022		404	397	801
2023		421	380	801
2024		439	362	801
2025		457	344	801
2026 – 2030		2,593	1,413	4,006
2031 – 2035		5,444	569	6,013
Total	**$**	**10,145**	**3,879**	**14,024**

Commercial Paper

On April 6, 2018, the Regents authorized a commercial paper program for approved capital construction projects with a maximum outstanding amount of $200,000,000. Each commercial paper note has a fixed maturity date of between 1 and 270 days from issuance and is either taken out at maturity by another commercial paper issuance, retired by permanent financing authorized by the Regents for that purpose, or retired by the University.

In Fiscal Year 2019, the University issued the second through eleventh tranches of commercial paper, totaling $430,500,000, and retired $335,000,000, which net to additional new borrowings of $95,500,000. The commercial paper program has been used to fund the Imig Music Building, AMC Health Sciences Building, and associated basement remodels. In Fiscal Year 2020, $155,723,000 of commercial paper was retired with permanent financing while $280,404,000 of commercial paper was retired with the issuance of additional commercial paper. During Fiscal Year 2020, the outstanding balance did not exceed the approved limit of $200,000,000. The average interest rate of borrowing from inception of the program through June 30, 2020 was 1.44 percent. Table 8.7 presents changes in commercial paper for the years ended June 30, 2020 and 2019. On July 1, 2020, the outstanding balance of $50,000,000 was retired with Variable Rate Demand Bond Series 2020-B1 (see Note 20 for more information).

Table 8.7. Commercial Paper *(in thousands)*

		2020	2019
Beginning of year	$	135,500	40,000
Additions		350,627	430,500
Retirements		(436,127)	(335,000)
End of year	$	50,000	135,500

State of Colorado Certificates of Participation

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

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds were used to fund various capital projects for the benefit of certain State-supported institutions of higher education in Colorado, including UCCS and CU Boulder. The underlying capitalized assets are contributed to the University from the State. As of June 30, 2020, the University had underlying gross capitalized assets at UCCS costing approximately $17,735,000 with accumulated amortization of $8,794,000 resulting in an underlying net capitalized asset of $8,941,000. As of June 30, 2020, the University had underlying gross capitalized assets at CU Boulder costing approximately $796,000, with accumulated amortization of $278,000 resulting in an underlying net capitalized asset of $518,000. As of June 30, 2020, the University had underlying gross capitalized assets at CU Anschutz costing approximately $188,801,000, with accumulated amortization of $60,418,000 resulting in an underlying net capitalized asset of $128,383,000.

On September 26, 2018, the State issued State of Colorado Rural Colorado Certificates of Participation, Series 2018A, with a par value of $500,000,000 and a premium of $47,369,000 and a discount of $526,000. The certificates have interest rates ranging from 1.84 percent to 5.00 percent and mature in December 2037. Annual debt service payments are made by the State and are subject to annual appropriation by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the equipment acquired with the proceeds and any unexpended lease proceeds. Of the proceeds, $120,000,000 was designated for controlled maintenance projects, $19,976,000 of which are at the University. There are projects at all the campuses and include upgrading HVAC, fire sprinklers, electrical services, roof replacement, and elevator repairs. The underlying capitalized assets are contributed to the University from the State and are reflected in the accompanying financial statements.

Note 9: Other Postemployment Benefits (OPEB)

The University participates in two types of OPEB plans – a single-employer plan administered by the University – the University OPEB Plan (University OPEB) and a cost-sharing plan administered by PERA – the PERA Health Care Trust Fund (HCTF).

University OPEB

The University OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and additions to/deductions from the OPEB liability have been determined using the economic resources measurement focus and the accrual basis of accounting.

Plan description. University OPEB provides OPEB for University employees who participate in either the University of Colorado Optional Retirement Plan (ORP) or the University of Colorado PERA Retirement Plans (PERA). University OPEB is a single-employer, defined benefit, OPEB plan administered by the University, and established by the Regents (Regent Policy 11.F Benefits) who have the authority to amend plan provisions. No assets are accumulated in a trust that meets the criteria established in GAAP, as the University funds University OPEB on a pay-as-you-go basis. No stand-alone financial report is issued, and University OPEB is not included in the report of a public employee retirement system.

Benefits. The University subsidizes a portion of healthcare and life insurance premiums for retirees on a pay-as-you-go basis. All employees in a benefit-eligible position at 50 percent or greater appointment immediately preceding retirement are eligible to participate based on age and years of service. Spouses/partners, surviving spouses/partners, and dependents are eligible for benefits. The University specifies the maximum amount that it will contribute towards retiree healthcare benefits at the beginning of each coverage period. The retiree is required to make up the difference between the total cost and the amount contributed by the University. Benefits are not dependent on salary. For non-Medicare retirees, the subsidy for medical plans ranges from $562 per month to $1,567 per month depending on the number of individuals covered. For Medicare retirees, the subsidy ranges from $406 per month to $1,030 per month depending on the number of individuals covered. For dental plans, the subsidy ranges from $0 per month to $58 per month. The amount of life insurance offered is the lesser of 25 percent of the employee's pre-retirement benefit or $3,000. It is assumed for purposes of this report that everyone is eligible for the maximum life insurance benefit of $3,000.

For ORP retirees, normal retirement benefits are available at age 55 with 20 years of service. Early retirement benefits begin at age 55 with 15 years of service. For PERA retirees, normal retirement benefits begin at 20 years of service and the individual must meet requirements as defined by PERA. The individual must retire with PERA concurrent with or prior to retirement from the University. Early retirement is available with fewer than 20 years of service. Healthcare benefits for PERA retirees cease at age 65. Following the death of an active employee, the surviving spouse receives 100 percent of the University contribution for a period of two years. After two years, the surviving spouse receives the portion of the University contribution that the employee earned immediately prior to death.

The percentage of the University contribution the retiree receives is based on the retiree's years of service at retirement divided by the required number of years of service. Enrollment in University OPEB is voluntary. University and participant payments for healthcare benefits are paid to the University of Colorado Health and Welfare Trust (see Note 18) which is responsible for administration of healthcare benefits. The University contributed $16,062,000 and $15,461,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

Employees Covered by Benefit Terms. The actuarial valuation was based on census data as of March 1, 2019. Table 9.1 presents a summary of the employees covered by the benefit terms used in the valuation.

Table 9.1. Employees Covered by University OPEB's Benefit Terms

	Healthcare		Life Insurance	
	ORP	**PERA**	**ORP**	**PERA**
Active employees	13,619	4,798	14,979	5,533
Retirees and beneficiaries	1,826	646	1,910	3,060
Total	**15,445**	**5,444**	**16,889**	**8,593**

Total OPEB Liability. The University OPEB's total OPEB liability at June 30, 2020 of $712,892,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

The University's total OPEB liability at June 30, 2019 of $843,959,000 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date. The actuarial valuation for the fiscal year ended June 30, 2019 was based on March 1, 2017 census data, in which there were 19,146 participants in the medical/dental plan, with 17,143 active employees and 2,003 retirees and beneficiaries, and 23,984 participants in the life insurance plan, with 20,315 active employees and 3,669 retirees and beneficiaries.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions and other inputs in Table 9.2, applied to all periods included in the measurement, unless otherwise specified.

Table 9.2. University OPEB's Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry age
Inflation	2.40%
Salary increases	PERA's 12/31/2019 assumption for the State Division (Non-Troopers)
Discount rate	3.50%

Healthcare Cost Trend Rates:

	Non-Medicare			Medicare		
Year	Medical	Rx	Contributions	Medical	Rx	Contributions
2019-2020	6.0%	9.0%	6.7%	4.9%	9.0%	7.6%
2020-2021	5.8%	8.5%	6.4%	4.9%	8.5%	7.3%
2021-2022	5.6%	8.0%	6.2%	4.8%	8.0%	7.0%
2022-2023	5.4%	7.5%	5.9%	4.8%	7.5%	6.7%
2023-2024	5.3%	7.0%	5.7%	4.7%	7.0%	6.3%
2023-2025	5.1%	6.5%	5.5%	4.7%	6.5%	6.0%
2025-2026	5.0%	6.0%	5.2%	4.6%	6.0%	5.6%
2026-2027	4.8%	5.5%	5.0%	4.6%	5.5%	5.2%
2027-2028	4.7%	5.0%	4.7%	4.5%	5.0%	4.9%
2028-2029+	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Dental trend rate 4.50% in all years.

Administrative expense trend rate is 3.00% in all years.

Retirees' Share of Benefit Related Costs:

Plan	Retiree Only	Retiree+Spouse/Partner
Kaiser Medical	$109.00	$296.50
Exclusive Medical	$50.50	$184.50
High Deductible Medical	$0.00	$15.00
Medicare Primary Medical	$41.31	$207.30
Essential Dental	$0.00	$16.50
Choice Dental	$17.00	$51.50
Premier Dental	$46.50	$82.50

The discount rate was based upon the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based upon the PubT.H-2010 – Healthy Retiree Table for Males or Females, as appropriate, with generational projection using Scale MP-2019.

With the exception of the mortality assumption, the demographic assumptions are based upon Colorado PERA's "Experience Study for the Four Year Period Ending December 31, 2015" for the State Division (Non-Troopers).

For the June 30, 2019 liability, measured at June 30, 2018, the entry age normal actuarial cost method was used. The discount rate used in the valuation is 3.85 percent as of the June 30, 2018 measurement and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 7.00 percent long-term average increase for medical benefits, and an 11 percent increase for prescriptions, both trending down to a 4.50 percent increase for 2027 and later years. The dental trend rate is 4.00 percent, and the administrative expenses trend rate is 3.00 percent. The

June 30, 2018 measurement date used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018.

Changes in the Total OPEB Liability. Table 9.3 details the changes in the University's total OPEB plan liability during Fiscal Years 2020 and 2019.

Table 9.3. Reconciliation of University OPEB's Total OPEB Liability *(in thousands)*

		Fiscal Year Ending June 30	
		2020	**2019**
University OPEB's total OPEB liability, beginning of year	$	843,959	746,773
Changes recognized for the fiscal year:			
Service cost		53,400	49,754
Interest on total OPEB liability		34,254	28,404
Differences between expected and actual experience		(206,938)	(1,728)
Changes of assumptions		3,678	35,919
Benefit payments		(15,461)	(15,163)
Net changes		(131,067)	97,186
University OPEB's total OPEB liability, end of year	$	**712,892**	**843,959**
Current portion University OPEB's total OPEB liability		16,447	16,062

Changes of assumptions and other inputs reflect:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2018 to PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2019.
- Healthcare trend rates were updated.
- Healthcare claims costs and retiree contributions were updated based upon recent experience.

Sensitivity of the total OPEB liability to changes in the discount rate. Table 9.4 presents the total OPEB liability of University OPEB, as well as what University OPEB's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for the fiscal years ended June 30, 2020 and 2019.

Table 9.4. Sensitivity of University OPEB's Total OPEB Liability to Changes in the Discount Rate *(in thousands)*

Fiscal Year ending June 30	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
2020	839,627	712,892	612,579
	1% Decrease 2.85%	**Discount Rate 3.85%**	**1% Increase 4.85%**
2019	994,103	843,959	725,144

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. Table 9.5 presents the total OPEB liability of University OPEB, as well as what University OPEB's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the fiscal years ended June 30, 2020 and 2019.

Table 9.5. Sensitivity of University OPEB's Total OPEB Liability to Changes in the Trend Rate *(in thousands)*

Fiscal Year ending June 30	1% Decrease	Healthcare Cost Trend Rate	1% Increase
2020	597,522	712,892	863,922
2019	693,531	843,959	1,042,382

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The University recognized $46,995,000 and $68,741,000 in OPEB expense for the University OPEB Plan in Fiscal Year 2020 and 2019. There are no assets accumulating in trust for the University OPEB plan. Table 9.6 illustrates the deferred outflows and inflows of resources from various sources as of June 30, 2020 and 2019.

Table 9.6. University OPEB's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

		2020		2019	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	232,733	-	65,462
Changes in assumptions		29,529	27,593	31,131	33,864
Benefit payments subsequent to the measurement date		16,062	-	15,461	-
Total	**$**	**45,591**	**260,326**	**46,592**	**99,326**

The $16,062,000 reported as deferred outflows of resources as of June 30, 2020, resulting from benefits payments subsequent to the measurement date, will be recognized as a reduction to the University's OPEB liability in the year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown in Table 9.7.

Table 9.7. Future Amortization of University OPEB's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Years ending June 30:		
2021	$	(40,659)
2022		(40,659)
2023		(40,659)
2024		(40,659)
2025		(29,791)
2026-2027		(38,370)
Total	**$**	**(230,797)**

Table 9.8 lists the amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2020 and 2019.

Table 9.8. Amortization of University OPEB's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Date Established	Type of Base	Period Original	Period Remaining	Balance Original	Balance Remaining	Annual Amortization
July 1, 2017	Differences between expected and actual experience	7.4	4.4	$ (87,654)	(52,119)	(11,845)
July 1, 2017	Changes in assumptions	7.4	4.4	(46,406)	(27,593)	(6,271)
July 1, 2018	Differences between expected and actual experience	7.5	5.5	(1,728)	(1,268)	(230)
July 1, 2018	Changes in assumptions	7.5	5.5	35,919	26,341	4,789
July 1, 2019	Differences between expected and actual experience	7.5	6.5	(209,938)	(179,346)	(27,592)
July 1, 2019	Changes in assumptions	7.5	6.5	3,678	3,188	490
				Total	**$ (230,797)**	**(40,659)**

PERA Health Care Trust Fund

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

Plan description. The HCTF is established under Title 24, Article 51, Part 12 of the C.R.S., as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year of service less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were $3,164,000 and $3,136,000 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the University recorded an accounts payable to PERA of $1,000 and $78,000, respectively, which was paid during the subsequent month.

OPEB Liability. At June 30, 2020 and 2019, the University reported a liability of $38,611,000 and $49,237,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF for Fiscal Year 2020 was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The net OPEB liability for the HCTF for Fiscal Year 2019 was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to the measurement date. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2019 and 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the University's proportion was 3.44 percent, which was a decrease from 3.62 percent as of December 31, 2018. For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of $1,594,000 and $3,630,000, respectively. Table 9.9 details the sources of the University's deferred outflows of resources and deferred inflows of resources related to PERA's OPEB plan.

Table 9.9. PERA's OPEB Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

		2020		2019	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	128	6,488	179	75
Changes of assumptions or other inputs		320	-	345	-
Net difference between projected and actual earnings on OPEB plan investments		-	644	283	-
Changes in proportionate share		-	3,533	-	1,885
Difference between contributions recognized and proportionate share of contributions		-	20	-	14
Contributions subsequent to the measurement date		1,576	-	1,562	-
Total	**$**	**2,024**	**10,685**	**2,369**	**1,974**

The $1,576,000 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERA's OPEB that will be recognized in OPEB expense are summarized in Table 9.10.

Table 9.10. Future Amortization of PERA's OPEB Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Years ending June 30:		
2021	$	(2,192)
2022		(2,192)
2023		(1,990)
2024		(2,085)
2025		(1,678)
2026		(100)
Total	**$**	**(10,237)**

Actuarial assumptions. PERA's total OPEB liability in the December 31, 2018 and 2017 actuarial valuation was determined using the actuarial cost method, actuarial assumptions and other inputs detailed in Table 9.11.

Table 9.11. PERA OPEB Actuarial Assumptions	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Health care cost trend rates:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029	5.50 percent
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029	3.25 percent in 2018 gradually increasing to 5.00 percent in 2025

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

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure as detailed in Table 9.12.

Table 9.12. Monthly Costs/Premiums for PERACare Enrollees Age 65+

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage / Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	$605	$237

The 2019 Medicare Part A premium is $437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A, the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date is detailed in Table 9.13.

Table 9.13. Initial Value of Medicare Part A Benefits

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage / Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	$571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in Table 9.13.

Table 9.13. PERA's OPEB Health Care Cost Trend Rates

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 9.14.

Table 9.14. Target Allocation and Expected Rate of Return

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent, for Fiscal Year 2020 and 2019.

Table 9.15 presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

Table 9.15. Sensitivity of the University's Proportionate Share of PERA's Net OPEB Liability to Changes in the Health Care Cost Trend Rates *(in thousands)*

Fiscal Year Ended June 30, 2020		**1% Decrease in Trend Rates**	**Current Trend Rates**	**1% Increase in Trend Rates**
Initial PERACare Medicare trend rate		4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate		3.50%	4.50%	5.50%
Initial Medicare Part A trend rate		2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate		3.50%	4.50%	5.50%
Net OPEB Liability at 6/30/2020	**$**	**37,694**	**38,611**	**39,671**
Fiscal Year Ended June 30, 2019		**1% Decrease in Trend Rates**	**Current Trend Rates**	**1% Increase in Trend Rates**
PERACare Medicare trend rate		4.00%	5.00%	6.00%
Initial Medicare Part A trend rate		2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate		4.00%	5.00%	6.00%
Net OPEB Liability at 6/30/2019	**$**	**47,878**	**49,237**	**50,801**

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Table 9.16 presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate.

Table 9.16. Sensitivity of the University's Proportionate Share of PERA's Net OPEB Liability to Changes in the Discount Rate *(in thousands)*

		1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net OPEB Liability at 6/30/2020	$	43,658	38,611	34,296
Net OPEB Liability at 6/30/2019	$	55,092	49,237	44,232

Subsequent event. Subsequent to December 31, 2019, as a result of the COVID-19 pandemic, the global economic outlook has changed. The duration and full effects of the pandemic are currently unknown, as the global picture continues to evolve. Although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA's investment portfolio, as well as the short-medium impact on the Trust Fund's membership and demographics, remains uncertain.

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 10: Retirement Plans and Insurance Programs

Employees of the University eligible for retirement benefits participate in one of four retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The University and PERA also offer other voluntary retirement plans. The University offers the Alternate Medicare Payment whose benefits are not restricted to healthcare expenses. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the three additional plans, PERA plan, the University's optional retirement plan, and CU Medicine's retirement plan.

PERA Defined Benefit Pension Plan

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all of these changes were in effect as of June 30, 2020.

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

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

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments in certain years, referred to as annual increases (AI) in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, there are no AI for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase of 1.25 percent, unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2020. Eligible employees, the University, and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. From January 1, 2019 through June 30, 2019, eligible employees are required to contribute 8.00 percent of their PERA-includable salary; 8.75 percent from July 1, 2019 through June 30, 2020; and 10.00 percent from July 1, 2020 through December 31, 2020. Table 10.1 summarizes the employer contribution requirements for all employees.

Table 10.1. Employer Contribution Requirements

	1-1-19 to 06-30-19	7-1-19 to 06-31-20	1-1-20 to 06-30-20
Employer Contribution Rate*	10.15%	10.40%	10.90%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.38%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	**19.13%**	**19.38%**	**19.88%**

*Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225,000,000 each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. As a result of SB 18-200, the State of Colorado contributed to PERA $8,258,000 and $8,585,000, on behalf of the University on July 1, 2019 and 2018, respectively. The contribution is considered an employer contribution for Statement No. 68 reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225,000,000 direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200. A full copy of these bills can be found online at www.leg.colorado.gov.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Total contributions recognized by SDTF for the University were $73,815,000 and $72,435,000 for the years ended June 30, 2020 and 2019, respectively, which includes $8,258,000 and $8,585,000 support from the State of Colorado under SB 18-200 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the University recorded an accounts payable to PERA of $60,000 and $7,617,000, respectively, which was paid during the subsequent month.

Pension Liability. The net pension liability for the SDTF for Fiscal Year 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2019 and 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity to participating employers of the SDTF that are outside of the State's financial reporting entity.

The net pension liability for the SDTF for Fiscal Year 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2018 and 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity to participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2020 and 2019, the University reported a liability of $1,039,533,000 and $1,244,558,000, respectively, for its proportionate share of the net pension liability. At December 31, 2019, the University's proportion was 10.71 percent, which decreased from 10.94 percent at December 31, 2018.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $(226,659,000) and $(74,632,000), respectively, and revenue of $8,258,000 and $8,585,000, respectively, for support from the State as an employer contribution. Table 10.2 details the sources of the University's deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 and 2019.

Table 10.2. Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pension *(in thousands)*

		2020		2019	
		Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$	38,839	-	35,590	-
Changes of assumptions or other inputs		-	298,161	65,533	642,671
Net difference between projected and actual earnings on pension plan investments		-	111,997	62,864	-
Changes in proportionate share		-	27,047	-	14,039
Changes in proportionate share of contributions		-	799	-	1,044
Contributions subsequent to the measurement date		33,108	-	32,259	-
Total	**$**	**71,947**	**438,004**	**196,246**	**657,754**

The $33,108,000 reported as a deferred outflow of resources related to pensions as of June 30, 2020, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability in Fiscal Year 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions was recognized in pension expense as detailed in Table 10.3.

Table 10.3. Future Amortization of Deferred Outflows of Resources and Deferred Inflows of

Years ending June 30:		
2021	$	(326,338)
2022		(30,871)
2023		(3,669)
2024		(38,287)
Total	**$**	**(399,165)**

Actuarial assumptions. The total pension liability in the December 31, 2018 and 2017 actuarial valuation was determined using the actuarial cost method, actuarial assumptions and other inputs detailed in Table 10.4.

Table 10.4. Actuarial Assumptions	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 - 9.17 percent	3.50 - 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	4.72 percent
Postretirement benefit increases:		
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)*	1.25 percent compounded annually	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the AIR	Financed by the AIR

* For 2019, the annual increase was 0.00 percent.

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

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

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

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

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

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015 as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

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

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in Table 10.5.

Table 10.5. Target Allocation and Expected Rate of Return

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

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

Discount rate. The discount rate used to measure the total pension liability at December 31, 2019 and 2018 was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future Amortization Equalization Distribution (AED) and Supplemental Amortization Equalization Distribution (SAED), until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225,000,000, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Table 10.6 presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent for 2020 and 2019, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than those rates.

Table 10.6. Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate *(in thousands)*

		2020		
		1% Decrease 6.25%	**Current Rate 7.25%**	**1% Increase 8.25%**
Proportionate share of the net pension liability	$	1,337,327	1,039,533	787,526
		2019		
		1% Decrease 3.72%	**Current Rate 4.72%**	**1% Increase 5.72%**
Proportionate share of the net pension liability	$	1,547,200	1,244,558	988,495

Subsequent events. Subsequent to December 31, 2019, as a result of the COVID-19 pandemic, the global economic outlook has changed. The duration and full effects of the pandemic are currently unknown, as the global picture continues to evolve. Although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA's investment portfolio, as well as the short-medium impact on the Trust Fund's membership and demographics, remains uncertain.

HB 20-1379 *Subsequent Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*; passed during the 2020 legislative session and signed by Governor Polis on June 29, 2020, suspends the July 1, 2020, $225,000,000 (in actual dollars) direct distribution allocated to State, School, Judicial, and DPS Divisions, as required by SB 18-200. Governmental accounting standards require the net pension liability for financial reporting purposes be measured using the plan provisions in effect as of the pension plan's year-end. The passage of HB 20-1379 into law is considered a nonrecognized subsequent event as these statutory changes to plan provisions did not exist as of the December 31, 2019 measurement date.

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report (CAFR) which can be obtained at www.copera.org/investments/pera-financial-reports.

Alternate Medicare Payment

Plan description. The University offers an Alternate Medicare Payment Plan (AMP) to retirees of the University of Colorado Optional Retirement Plan (ORP) participating in Medicare as an alternative to healthcare coverage provided under the University OPEB Plan (University OPEB). The AMP is a single-employer, defined benefit, pension plan established by the University who also administers and has the authority to amend benefits (*e.g.,* ad hoc postemployment benefit changes). No assets are accumulated in a trust as the University funds the AMP on a pay-as-you-go basis. No stand-alone financial report is issued, and the AMP is not included in the report of a public employee retirement system.

Benefits. A participant must be in a benefits-eligible position at 50 percent or greater appointment immediately preceding retirement and have met the required number of service years. Only ORP retirees participating in Medicare are eligible to receive AMP benefits. The AMP is available to the employee and eligible spouse/same gender domestic partner. AMP benefits are not provided for dependent children. The AMP is non-contributory for the retiree and provides a monthly, non-salary dependent, cash payment to offset healthcare-related costs. As the monthly cash payments are not restricted as to use, they are considered a pension benefit rather than OPEB. Since the AMP's inception, monthly cash payments have been $154 for a retiree, $262 for a retiree plus spouse/same gender domestic partner, and $108 for a surviving spouse.

Employees Covered by Benefit Terms. The actuarial valuation was based on census data as of March 1, 2019. Table 10.7 is a summary of the employees covered by the benefit terms used in the valuation.

Table 10.7. Employees Covered by AMP's Benefit Terms

Active employees	13,619
Retirees and beneficiaries currently receiving benefit payments	1,910
Retirees and beneficiaries entitled to but not yet receiving benefit payments	1,910
Total	**17,439**

Total Pension Liability. The AMP's total pension liability at June 30, 2020 of $90,199,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

The AMP's total pension liability at June 30, 2019 of $83,212,000 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. The University contributed $1,828,000 and $1,692,000 for the years ended June 30, 2020 and 2019, respectively. Based on March 1, 2017 census data, there were 12,410 participants in the AMP plan, with 11,833 active employees and 577 retirees. In addition to the retirees in payment status, there were 204 retirees receiving benefits through the OPEB plan who are eligible for AMP benefit upon reaching Medicare eligibility.

Actuarial Assumptions and Other inputs. The AMP's total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions and other inputs in Table 10.8, applied to all periods included in the measurement, unless otherwise specified.

Table 10.8. AMP's Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry age
Inflation	2.40%
Salary increases	PERA's 12/31/2019 assumption for the State Division (Non-Troopers)
Discount rate	3.50%
Benefit cost trend rate	2.50%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based upon the PubT.H-2010 – Healthy Retiree Table for Males or Females, as appropriate, with generational projection using Scale MP-2019.

With the exception of the mortality assumption, the demographic assumptions are based upon Colorado PERA's "Experience Study for the Four Year Period Ending December 31, 2015" for the State Division (Non-Troopers).

Changes in the Total Pension Liability. Table 10.9 details the changes in the AMP's total pension liability during Fiscal Years 2020 and 2019.

Table 10.9. Reconciliation of AMP's Total Pension Liability (*in thousands*)

		Fiscal Year Ending June 30	
		2020	2019
Total pension liability, beginning of year	$	83,212	73,211
Changes recognized for the fiscal year:			
Service cost		4,360	3,985
Interest on total AMP liability		3,339	2,751
Differences between expected and actual experience		(3,865)	(109)
Changes of assumption		4,845	4,940
Estimated benefit payments		(1,692)	(1,566)
Net changes		6,987	10,001
Total pension liability, end of year	$	90,199	83,212

Changes of assumptions and other inputs reflect:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2018 to PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2019.

For the June 30, 2019 liability, measured at June 30, 2018, the entry age normal actuarial cost method is used. The discount rate used in the valuation is 3.85 percent as of the June 30, 2018 measurement date, and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The June 30, 2018 measurement date used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018.

The valuation reflects the following assumption changes from the June 30, 2017 measurement date to the June 30, 2018 measurement date:

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used is the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total AMP Liability of about 10 percent.

Sensitivity of the total pension liability to changes in the discount rate. Table 10.10 presents the total pension liability of the AMP, as well as what the AMP's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Table 10.10. Sensitivity of AMP's Total Pension Liability to Changes in the Discount Rate *(in thousands)*

Fiscal Year Ended June 30		1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
2020	$	107,998	90,199	76,242
		1% Decrease 2.85%	**Current Rate 3.85%**	**1% Increase 4.85%**
2019	$	99,215	83,212	70,621

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. The University recognized $8,910,000 and $7,829,000 of pension expense for the AMP in Fiscal Year 2020 and 2019, respectively. Table 10.11 presents the AMP's deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of June 30, 2020 and 2019.

Table 10.11. AMP Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

		2020		2019	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$	13,834	2,058	11,462	2,432
Differences between expected and actual experience		-	5,721	-	2,744
Benefit payments subsequent to the measurement date		1,828	-	1,692	-
Total	**$**	**15,662**	**7,779**	**13,154**	**5,176**

The $1,828,000 reported as deferred outflows of resources as of June 30, 2020, resulting from benefit payments subsequent to the measurement date, will be recognized as a reduction to the AMP's total pension liability in the year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as summarized in Table 10.12.

Table 10.12. Future Amortization of AMP's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Years ending June 30:		
2021	$	1,211
2022		1,211
2023		1,211
2024		1,211
2025		571
2026-2028		640
Total	**$**	**6,055**

Table 10.13 lists the amortization bases included in the AMP's deferred outflows and inflows of resources as of June 30, 2020 and 2019.

Table 10.13. Amortization of AMP Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Date Established	Type of Base	Period Original	Period Remaining		Balance Original	Balance Remaining	Annual Amortization
July 1, 2016	Differences between expected and actual experience	8.5	4.5	$	(101)	(53)	(12)
July 1, 2016	Changes in assumptions	8.5	4.5		10,999	5,823	1,294
July 1, 2017	Differences between expected and actual experience	8.5	5.5		(3,377)	(2,186)	(397)
July 1, 2017	Changes in assumptions	8.5	5.5		(3,180)	(2,058)	(374)
July 1, 2018	Differences between expected and actual experience	8.3	6.3		(109)	(83)	(13)
July 1, 2018	Changes in assumptions	8.3	6.3		4,940	3,750	595
July 1, 2019	Differences between expected and actual experience	8.3	7.3		(3,865)	(3,399)	(466)
July 1, 2019	Changes in assumptions	8.3	7.3		4,845	4,261	584
			Total changes		**$**	**6,055**	**1,211**

PERA Defined Contribution Plans

Voluntary Investment Program

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

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The employees' contributions to this 401(k) plan approximated $4,800,000 and $4,594,000 for the years ended June 30, 2020 and 2019, respectively. Employees are immediately vested in their own contributions, and investment earnings.

Defined Contribution Retirement Plan (PERA DC Plan)

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expands eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

All participating employees in the PERA DC Plan and the University are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee contribution rates for the period January 1, 2019 through June 30, 2019 was 8.00 percent, 8.75 percent for the period from July 1, 2019 through June 30, 2020, and 10.00 percent for the period from July 1, 2020 through December 31, 2020. The employer contribution rate for the period January 1, 2019 through June 30, 2019 was 10.15 percent, 10.40 percent for the period from July 1, 2019 through June 30, 2020, and 10.90 percent for the period from July 1, 2020 through December 31, 2020. Additionally the employers are required to contribute 5 percent of the employee's salary as defined in C.R.S. § 24-51-101(42) as AED and SAED to the SDTF. The employees' contributions to this DC plan approximated $17,000 and $5,000 for the years ended June 30, 2020 and 2019, respectively, and employer contributions were $20,000 and $6,000, respectively. Less than 10 employees of the University opted to participate in this plan during the years ended June 30, 2020 and 2019.

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

PERA Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar years 2019 and 2018, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their mandatory percent PERA contribution) to a maximum of $19,000 and $18,500, respectively. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2019 and 2018 for total contributions of $25,000 and $24,500, respectively. Participants are also eligible for the special 457 plan catch-up beginning the last three years immediately preceding the participant's normal retirement age. Contributions and earnings made by CU employees are tax deferred, although the 457 plan does permit a Roth option. At December 31, 2019 and 2018, the 457 plan had 18,919 and 18,479 participants, respectively. The University employees' contributions to the 457 plan approximated $20,140,000 and $18,570,000 for the years ended June 30, 2020 and 2019, respectively.

University Optional Retirement Plan

Under the University's optional retirement plan (ORP), a 401(a) plan, certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the years ended June 30, 2020 and 2019, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated \$166,936,000 and \$154,713,000 during the years ended June 30, 2020 and 2019, respectively. The employees' contribution under the ORP approximated \$83,214,000 and \$77,184,000 during the years ended June 30, 2020 and 2019, respectively.

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

University Voluntary Retirement Savings Plan

The University provides a voluntary retirement savings plan to most employees referred to as a 403(b) plan. Employee salary deferrals into the 403(b) plan are made before income tax is paid and allowed to grow tax-deferred until the money is taxed as income when withdrawn from the plan. The plan is administered by the University. For calendar year 2020, the plan had a contribution limit of \$19,500, and allowed catch-up contributions of \$6,500. For calendar year 2019, the contribution limit was \$19,000 and catch-up contributions of \$6,000. As of January 1, 2020 contributions could be made on a before-tax or after-tax basis. The employees' contributions to this 403(b) plan approximated \$53,875,000 and \$48,048,000 for the years ended 2020 and 2019, respectively. Of the \$53,875,000 contributed for the year ended June 30, 2020, approximately \$50,720,000 was before-tax and \$3,155,000 was after-tax. The University does not contribute to this plan.

CU Medicine Retirement Plan

CU Medicine sponsors a defined contribution retirement plan for its permanent employees that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund. The board of directors for CU Medicine has the authority to amend plan provisions. Employees are eligible for participation in the plan after completing one year of service. On behalf of eligible employees, CU Medicine contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2019 through May 31, 2020. Effective June 1, 2020, in response to estimated declining revenue associated with the coronavirus pandemic, CU Medicine reduced the contribution to 2.0 percent of eligible employee's salary. CU Medicine's contributions to the retirement plan for the years ended June 30, 2020 and 2019, approximated \$1,836,000 and \$1,769,000, respectively.

Health Insurance Programs

The University's contributions to its various health insurance programs approximated $246,657,000 and $224,345,000 during the years ended June 30, 2020 and 2019, respectively. See Note 18 for discussion of the Trust.

Note 11: Other Liabilities

Table 11.1 details other liabilities as of June 30, 2020 and 2019.

Table 11.1. Other Liabilities *(in thousands)*

		2020		2019	
Type		**Total**	**Current Portion**	**Total**	**Current Portion**
Risk financing	$	30,568	12,204	32,850	15,981
Construction contract retainage		11,202	10,366	13,652	13,652
Funds held for others		18,571	18,571	20,980	20,980
Federal Perkins loan		15,883	548	19,519	3,101
Early retirement incentive program		2,393	852	2,544	1,631
Asset retirement obligation		1,312	-	1,296	-
Miscellaneous		3,041	1,697	2,135	628
Total Other Liabilities	**$**	**82,970**	**44,238**	**92,976**	**55,973**

Risk Financing-Related Liabilities

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; medical malpractice; employee occupational injuries; graduate medical students' health; and natural disasters. The University finances these risks through various self-insurance programs, including through Altitude West for workers' compensation. The University finances the cost and risks associated with employee health benefit programs through the Trust, a related organization as discussed in Note 18 to the financial statements. Under the terms of the Trust, the University is self-insured for medical claims beginning July 1, 2010. However, the risk of loss has been transferred to the Trust. Therefore, no liability was reported as of June 30, 2020 and 2019 for unpaid claims.

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

All self-insurance programs assume losses up to certain limits and purchase a defined amount of excess insurance for losses over those limits. These limits range from $325,000 to $1,500,000 per occurrence.

Reserves for unpaid claims under these programs are actuarially reviewed and evaluated for adequacy each year. The Property, General Liability, and Workers' Compensation reserve of $17,622,000 and the Graduate Medical Student Health Benefits reserve of $2,501,000 are reported on an undiscounted basis, and the CU Denver | Anschutz Professional Liability reserve of $10,445,000 is reported at a discount basis using 3.5 percent. Over the past three years, the plans have collected $5,639,000 from the stop-loss insurance carrier for settlements in excess of the individual stop-loss coverage. In Fiscal Year 2020, the Graduate Medical Student Health Benefits reserve incurred a high-cost claimant with a result of $5,100,000 in reimbursements. There were no significant reductions or changes in insurance coverage from the prior year.

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

Changes in the balances of risk financing-related liabilities for the years ended June 30, 2020 and 2019 are presented in Table 11.2.

Table 11.2. Risk Financing-related Liabilities *(in thousands)*

		Property, General Liability, and Workers' Compensation	Professional Liability	Graduate Medical Student Health Benefits	Total
Balance as of June 30, 2018	**$**	**16,769**	**9,767**	**2,689**	**29,225**
Fiscal Year 2019:					
Claims and changes in estimates		9,512	4,377	13,855	27,744
Claim payments		(6,973)	(3,434)	(13,712)	(24,119)
Balance as of June 30, 2019	**$**	**19,308**	**10,710**	**2,832**	**32,850**
Fiscal Year 2020:					
Claims and changes in estimates		5,900	943	10,469	17,312
Claim payments		(7,586)	(1,208)	(10,800)	(19,594)
Balance as of June 30, 2020	**$**	**17,622**	**10,445**	**2,501**	**30,568**

Direct Lending

The University participates in two student lending programs operated by the federal government, Direct Student Loan and the State School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions.

For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore, these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2020 and 2019 was $383,047,000 and $397,034,000, respectively.

Federal Perkins Loans

The Federal Perkins Loan program, which provided low-interest loans to college students with exceptional financial need, expired on September 30, 2017. The United States Department of Education (ED) decided not to require an initial distribution of assets from the University's Perkins Fund for the 2018-2019 Award Year while they continued to explore options to reimburse institutions for their Federal Perkins Loan service cancellations. Beginning with the 2019-2020 Award Year and for all subsequent award years, ED will require a capital distribution from the University's Perkins Fund on an annual basis for institutions that continue participating in the Perkins Loan Program. Institutions, such as the University, must return to ED the federal share of the institution's Perkins Fund.

Early Retirement Incentive Program

The University provides an early retirement incentive program (ERIP) to tenured professors who are at least 55 years of age and whose age and years of service total at least 70. These professors must also be participants in the University's ORP. The ERIP provides eligible participants with an incentive equal to twice the professor's base salary and supplemental pay. In return, the participants will retire and relinquish tenure immediately. There were 19 and 37 participants as of June 30, 2020 and 2019, respectively. Benefits under the ERIP are payable over a five-year period. Participation in this program does not impact the Optional Retirement Plan or OPEB. The liability as of June 30, 2020 and 2019 was $2,393,000 and $2,544,000, respectively, measured at a discounted present value using a rate of 5 percent. Table 11.3 presents changes in the ERIP for the years ended June 30, 2020 and 2019.

Table 11.3. Early Retirement Incentive Program
(in thousands)

		2020	2019
Beginning of year	$	2,544	4,077
Additions		1,445	220
Reductions		(1,596)	(1,753)
End of year	**$**	**2,393**	**2,544**
Current ERIP		852	1,631

Note 12: Net Position

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

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

In Fiscal Years 2020 and 2019, the University received $20,000 and $14,000, respectively, in additional endowments that increased restricted for nonexpendable net position.

Note 13: Spending Limitations

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State, including the University. During the year ended June 30, 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the C.R.S. that an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenues in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In July 2005, the Regents designated the University as a TABOR enterprise pursuant to the statute. During the years ended June 30, 2020 and 2019, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of State grants received by the University was 1.34 percent and 1.06 percent during the years ended June 30, 2020 and 2019, respectively, as shown in Table 13.

Table 13. TABOR Enterprise State Support Calculation *(in thousands)*

		2020	2019
Local government grants	$	108	470
Tobacco litigation settlement & Marijuana appropriations		17,915	15,986
Capital appropriations		31,130	15,818
State COP annual debt service payments for CU Boulder		814	815
State COP annual debt service payments for UCCS		1,579	1,641
State COP annual debt service payments for CU Anschutz		7,781	7,925
State Support for PERA pension		8,258	8,585
Total State Support	**$**	**67,585**	**51,240**
Total TABOR enterprise revenues	$	5,127,948	4,848,564
Ratio of State support to total revenues		1.32%	1.06%

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For the years ended June 30, 2020 and 2019, the University's appropriated funds included $83,808,000 and $75,140,000, respectively, received for students that qualified for stipends from the College Opportunity Fund (COF) and $160,466,000 and $143,443,000, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds include the student-paid portion of tuition, mandatory student fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements. For the years ended June 30, 2020 and 2019, expenses were within the appropriated spending authority.

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

Note 14: Scholarship Allowances

During the years ended June 30, 2020 and 2019, scholarship allowances were provided by the following funding sources in amounts detailed in Table 14.

Table 14. Scholarship Allowances *(in thousands)*

For years ended June 30	2020			2019		
Funding Source Description	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**
University general resources	$ 110,720	2,875	113,595	102,803	2,999	105,802
University auxiliary resources	11,985	487	12,472	12,464	390	12,854
Colorado Commission on Higher Education financial aid program	37,027	467	37,494	30,324	377	30,701
Federal programs, including Federal Pell grants	72,163	1,312	73,475	64,166	1,282	65,448
Other State of Colorado programs	179	8	187	118	3	121
Private programs	296	1	297	415	4	419
Gift fund	23,830	519	24,349	23,494	519	24,013
Total Scholarship Allowances	**$ 256,200**	**5,669**	**261,869**	**233,784**	**5,574**	**239,358**

Note 15: Health Services Revenue and Expense

Health services revenue of $1,185,649,000 and $1,118,365,000 is comprised of $1,183,489,000 and $1,116,021,000 at CU Anschutz and $2,160,000 and $2,344,000 at UCCS for the years ended June 30, 2020 and 2019, respectively. Health services revenue is recorded net of contractual adjustments approximating $1,385,758,000 and $1,459,098,000 and net of bad debt expense on uncollectible patient account receivables approximating $37,260,000 and $30,048,000 from CU Medicine, $0 and $105,000 from various departments at CU Anschutz, and $764,000 and $92,000 from UCCS for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, there were bad debt recoveries of $175,000 at CU Anschutz. Charity care provided during the years ended June 30, 2020 and 2019, based on estimated service costs of providing charity care, totaled approximately $5,791,000 and $6,448,000, respectively.

Note 16: Blended Component Unit Information

The University has five blended component units: CU Medicine, CUPCO, 18th Avenue, ULEHI, and Altitude West. Table 16 presents summary financial information for the University's blended component units as of and for the years ended June 30, 2020 and 2019.

Table 16. Summary Financial Information for Blended Component Units *(in thousands)*

As of and for the year ended June 30, 2020		CU Medicine	CUPCO	18th Avenue	ULEHI	Altitude West	Total
Condensed Statements of Net Position							
Assets							
Current assets	$	397,694	59	777	1,348	13,054	412,932
Receivable from the University		-	-	-	-	-	-
Capital assets, net		34,005	681	11,071	-	-	45,757
Other assets		393,568	-	-	2,507	311	396,386
Total Assets	**$**	**825,267**	**740**	**11,848**	**3,855**	**13,365**	**855,075**
Liabilities							
Current liabilities	$	46,435	5	900	-	7,320	54,660
Payable to the University		8,124	-	-	-	-	8,124
Noncurrent liabilities		4,435	-	9,758	-	-	14,193
Total Liabilities	**$**	**58,994**	**5**	**10,658**	**-**	**7,320**	**76,977**
Net Position							
Net investment in capital assets	$	28,219	681	926	-	-	29,826
Restricted for nonexpendable purposes		-	-	-	-	-	-
Restricted for expendable purposes		-	-	-	-	311	311
Unrestricted		738,054	54	264	3,855	5,734	747,961
Total Net Position	**$**	**766,273**	**735**	**1,190**	**3,855**	**6,045**	**778,098**
Condensed Statements of Revenues, Expenses, and Changes in Net Position							
Operating revenues (expenses)							
Patient service revenues	$	740,760	-	-	-	-	740,760
Contract income		415,578	-	-	-	-	415,578
Other operating revenues		3,442	2,932	2,578	922	6,280	16,154
Operating expenses		(1,082,109)	(1,494)	(1,310)	(2,072)	(4,262)	(1,091,247)
Depreciation and amortization		(4,545)	(1,042)	(518)	-	-	(6,105)
Operating income		**73,126**	**396**	**750**	**(1,150)**	**2,018**	**75,140**
Nonoperating revenues (expenses)							
Investment income		27,806	-	-	-	481	28,287
Other nonoperating revenues		5,085	-	-	-	-	5,085
Contributions to affiliated organizations		(18,280)	-	-	-	-	(18,280)
Other nonoperating expenses		(184)	(637)	(429)	-	-	(1,250)
Total nonoperating revenues (expenses)		14,427	(637)	(429)	-	481	13,842
Change in Net Position before special item		**87,553**	**(241)**	**321**	**(1,150)**	**2,499**	**88,982**
Special item		-	11,773	-	-	-	11,773
Change in Net Position after special item		**87,553**	**11,532**	**321**	**(1,150)**	**2,499**	**100,755**
Net Position, beginning of year		678,720	(10,797)	869	5,005	3,546	**677,343**
Net Position, end of year	**$**	**766,273**	**735**	**1,190**	**3,855**	**6,045**	**778,098**
Condensed Statements of Cash Flows							
Net cash flows provided by (used for)							
Operating activities	$	75,768	(102)	1,270	(1,127)	4,130	79,939
Non-capital financing activities		(13,254)	(3,578)	(877)	-	-	(17,709)
Capital and related financing activities		(4,436)	-	-	-	-	(4,436)
Investing activities		(13,161)	-	-	232	61	(12,868)
Net Increase in Cash and Cash Equivalents		**44,917**	**(3,680)**	**393**	**(895)**	**4,191**	**44,926**
Cash and cash equivalents, beginning of year		175,610	3,740	305	2,243	2,835	184,733
Cash and Cash Equivalents, End of Year	**$**	**220,527**	**60**	**698**	**1,348**	**7,026**	**229,659**

Table 16. (continued) Summary Financial Information for Blended Component Units *(in thousands)*

As of and for the year ended June 30, 2019		CU Medicine	CUPCO	18th Avenue	ULEHI	Altitude West	Total
Condensed Statements of Net Position							
Assets							
Current assets	$	365,670	3,740	400	2,244	8,590	380,644
Receivable from the University		-	-	-	-	-	-
Capital assets, net		35,529	34,100	11,513	-	-	81,142
Other assets		347,155	-	-	2,761	308	350,224
Total Assets	**$**	**748,354**	**37,840**	**11,913**	**5,005**	**8,898**	**812,010**
Total Deferred Outflows of Resources	**$**	**-**	**352**	**-**	**-**	**-**	**352**
Liabilities							
Current liabilities	$	59,976	974	900	-	5,352	67,202
Payable to the University		4,021	48,015	-	-	-	52,036
Noncurrent liabilities		5,637	-	10,144	-	-	15,781
Total Liabilities	**$**	**69,634**	**48,989**	**11,044**	**-**	**5,352**	**135,019**
Total Deferred Inflows of Resources	**$**	**-**	**-**	**-**	**-**	**-**	**-**
Net Position							
Net investment in capital assets	$	28,507	(13,562)	997	-	-	15,942
Restricted for nonexpendable purposes		-	-	-	-	-	-
Restricted for expendable purposes		-	-	-	-	308	308
Unrestricted		650,213	2,765	(128)	5,005	3,238	661,093
Total Net Position	**$**	**678,720**	**(10,797)**	**869**	**5,005**	**3,546**	**677,343**
Condensed Statements of Revenues, Expenses, and Changes in Net Position							
Operating revenues (expenses)							
Patient service revenues	$	758,842	-	-	-	-	758,842
Contract income		324,974	-	-	-	-	324,974
Other operating revenues		3,240	6,646	2,558	4,429	5,059	21,932
Operating expenses		(984,421)	(2,908)	(1,786)	(414)	(4,221)	(993,750)
Depreciation and amortization		(4,374)	(1,395)	(518)	-	-	(6,287)
Operating income		**98,261**	**2,343**	**254**	**4,015**	**838**	**105,711**
Nonoperating revenues (expenses)							
Investment income		25,482	93	-	330	208	26,113
Other nonoperating revenues		308	-	-	-	2,500	2,808
Contributions to affiliated organizations		(13,428)	-	-	-	-	(13,428)
Other nonoperating expenses		(212)	(1,555)	(444)	-	-	(2,211)
Total nonoperating revenues (expenses)		12,150	(1,462)	(444)	330	2,708	13,282
Change in Net Position		**110,411**	**881**	**(190)**	**4,345**	**3,546**	**118,993**
Net Position, beginning of year		568,309	(11,678)	1,059	660	-	**558,350**
Net Position, end of year	**$**	**678,720**	**(10,797)**	**869**	**5,005**	**3,546**	**677,343**
Condensed Statements of Cash Flows							
Net cash flows provided by (used for)							
Operating activities	$	89,576	5,153	801	4,014	4,504	104,048
Non-capital financing activities		(13,428)	-	(801)	-	2,500	(11,729)
Capital and related financing activities		(3,194)	(9,046)	-	-	-	(12,240)
Investing activities		(27,832)	6,920	-	(1,781)	(4,169)	(26,862)
Net Increase in Cash and Cash Equivalents		**45,122**	**3,027**	**-**	**2,233**	**2,835**	**53,217**
Cash and cash equivalents, beginning of year		130,488	501	305	10	-	131,304
Cash and Cash Equivalents, End of Year	**$**	**175,610**	**3,528**	**305**	**2,243**	**2,835**	**184,521**

CU Medicine is a blended component unit of the University. The University paid CU Medicine rental amounts of $2,883,000 and $2,786,000 during the years ended June 30, 2020 and 2019, respectively. As CU Medicine is a blended component unit, these amounts are eliminated.

In February 2020, CU Medicine committed to invest $1,000,000 as a limited partner in the CU Healthcare Innovation Fund, L.P. (the Fund). The partnership is a strategic health care fund affiliated with CU Anschutz. Other limited partners include ULEHI, UCHealth and Children's Colorado. The Fund invests in ventures across the health care spectrum and its close affiliation with the campus provides access to unique opportunities. As of June 30, 2020, CU Medicine had invested $193,000. CU Medicine accounts for its participation on the cost basis. ULEHI has initially committed to provide up to $10,000,00 to the Fund as a limited partner and non-managing member of the General Partner. As of June 30, 2020, ULEHI's investment was valued at $1,809,000 based upon the NAV of its ownership interest in partners' capital of the Fund.

During the year ended June 30, 2020, total distributions by ULEHI to the University were $2,019,667, which included $1,900,000 related to four investments at cost originally held by ULEHI that were sold to the Fund, at cost.

On August 30, 2019, CUPCO's board of directors approved the transfer of Campus Village Apartments, LLC (CVA) to CU Denver and on September 12, 2019, the University approved the transfer. CVA, a Delaware limited liability company, was formed under the laws of the State of Delaware on May 25, 2005. CUPCO was the sole member. CVA is organized, operated, and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping, and operating a student housing facility located in Denver, Colorado, as well as improvements and amenities related to this facility. During Fiscal Year 2020, buildings and equipment with a book value of $30,581,000 and related debt of $48,015,000 was transferred to CU Denver. The impacts of this transfer have been eliminated in the combined financial statements.

Note 17: Discretely Presented Component Units

The University has two discretely presented component units: CU Foundation and CUBEC.

University of Colorado Foundation

Distributions made by the CU Foundation to the University were approximately $184,408,000 and $160,759,000 during the years ended June 30, 2020 and 2019, respectively. This amount has been recorded as University grant or gift revenue and the CU Foundation operating expense in the accompanying financial statements and does not include undistributed income on University endowments.

Since July 1, 2007, the University has contracted with the CU Foundation to manage a portion of its investments. As of June 30, 2020 and 2019, $253,039,000 and $239,843,000, respectively, of non-endowed investments are being managed by the CU Foundation.

The University is the ultimate beneficiary of substantially all restricted and trust funds held by the CU Foundation and is income beneficiary of a significant portion of endowment funds held by the CU Foundation. In addition, the University contracts with the CU Foundation to manage its endowments. The University has endowments and other assets held by the CU Foundation approximating $206,533,000 and $207,988,000 as of June 30, 2020 and 2019, respectively.

The CU Foundation collected a 1.5 percent annual advancement support fee of $4,700,000 for the year ended June 30, 2020, and a 1.5 percent annual advancement support fee of $4,900,000 for the year ended June 30, 2019. The CU Foundation paid the University $24,409,000 and $24,842,000 to help cover development costs for the years ended June 30, 2020 and 2019, respectively, which is reported as other operating revenue.

As of June 30, 2020 and 2019, the University recorded an accounts receivable from the CU Foundation of $14,214,000 and $9,854,000, respectively.

University of Colorado Boulder Enterprise Corporation

In June 2020, CU Boulder loaned CUBEC $10,000,000 for an equity investment in CU Hotel, LLC, a joint venture with HRV Hotel Partners to construct and operate a conference center and hotel. The loan is conditioned upon subsequent equity investment. Initially there are interest-only loan payments with an open-ended term. CUBEC has no other activity for the years ended June 30, 2020 and 2019.

Note 18: Related Organizations and Jointly Governed Organizations

University of Colorado Hospital (UCHealth)

In accordance with 1991 State legislation, UCHealth (a related organization) was established as a separate and distinct entity. Requests for additional information should be addressed to UCHealth, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

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

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

Total payments issued by UCHealth to CU Denver | Anschutz approximated $57,427,000 and $60,633,000 for years ended June 30, 2020 and 2019, respectively. Total payments issued by CU Denver | Anschutz to UCHealth for the years ended June 30, 2020 and 2019 approximated $13,113,000 and $13,966,000, respectively.

For the years ended June 30, 2020 and 2019, UCHealth distributed approximately $25,652,000 and $28,739,000, respectively, reported as gift revenue by the University.

During the years ended June 30, 2020 and 2019, CU Medicine recognized approximately $115,050,000 and $105,084,000, respectively, in health services revenue from UCHealth in support of clinical and academic missions. CU Medicine also received approximately $114,831,000 and $41,192,000 during the years ended June 30, 2020 and 2019, respectively, from UCHealth for amounts earned for services performed by CU Medicine faculty members but required to be processed through UCHealth (such as the State medically indigent program, Ryan White, and other miscellaneous programs).

As of June 30, 2020 and 2019, the University recorded an accounts receivable from UCHealth of $4,334,000 and $8,880,000, respectively, for various services provided. As of June 30, 2020 and 2019, the University had $118,000 and $159,000 accounts payable owed to UCHealth, respectively. Generally, amounts due are paid during the current or subsequent month.

Auraria Higher Education Center

AHEC, established by legislation in 1974, is jointly governed and utilized by CU Denver, the Community College of Denver, and Metropolitan State University of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2020 and 2019, the University incurred expenses related to the common facilities approximating $11,389,000 and $11,205,000, respectively, for payments to AHEC. CU Denver also collected AHEC mandatory student fees of $5,585,000 and $5,798,000 from CU Denver students during the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, the University recorded an accounts payable to AHEC of $470,000 and $845,000, respectively, for services rendered but not yet paid, and for fees collected for the spring end of term but not yet paid. As of June 30, 2020 and 2019, the University had $384,000 and $0 accounts receivable due from AHEC.

In addition, the University leases space from AHEC. As of June 30, 2020 and 2019, the University has future operating lease payment obligations to AHEC of $3,601,785 and $3,884,675. For related party lease transactions, see Note 8.

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

University of Colorado Health and Welfare Trust

The Trust (a jointly governed organization) was formed June 28, 2010. Trust members are the University, UCHealth, and CU Medicine. The purpose of the Trust is to provide healthcare benefits to the employees of the Trust members on a self-insured basis. The University does not have financial accountability over the Trust. Self-insured risks are transferred to the pool.

The Trust paid medical claims on behalf of the University of $242,159,000 and $236,244,000 during the years ended June 30, 2020 and 2019, respectively. The University's payments to the Trust were $246,657,000 and $224,345,000 for the years ended June 30, 2020 and 2019, respectively, and the employees' payments were $32,170,000 and $28,824,000, respectively. As of June 30, 2020 and 2019, the University had accounts receivable owed from the Trust of $0 and $859,000, respectively, and no accounts payable due to the Trust.

See Note 20 for discussion of changes to the Trust effective in Fiscal Year 2021.

Detailed financial information may be obtained directly from the Trust at 1999 Broadway, Suite 820, Denver, Colorado 80202.

Note 19: Commitments and Contingencies

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2020 and 2019, total rental expense under these agreements approximated $20,954,000 and $17,219,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 19.

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

Years Ending June 30		Minimum Lease
2021	$	18,502
2022		17,468
2023		12,858
2024		10,940
2025		9,064
2026 – 2030		35,602
2031 – 2035		5,698
Total	**$**	**110,132**

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects with outstanding amounts totaling approximately $338,369,000 and $404,053,000 as of June 30, 2020 and 2019, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2020 and 2019, the amount of capital construction appropriations authorized from the State for these projects approximated $36,605,000 and $44,465,000, respectively.

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

CU Medicine, as a member of the healthcare industry, is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. CU Medicine management believes that CU

Medicine is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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

As a result of the COVID-19 pandemic, economic uncertainties have arisen which have the potential to negatively impact the future financial position, results of operations and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably determined at this time.

Note 20: Subsequent Events

The University has evaluated all subsequent events through the auditors' report date, and noted the following material subsequent events that required disclosure in these financial statements.

Trust Reorganization

Effective July 2, 2020, UCHealth withdrew from the Trust. As a result, the Trust will become a blended component unit of the University in Fiscal Year 2021.

Variable Rate Demand Bonds and Refunding of Commercial Paper

On July 1, 2020, the University issued Series 2020A-1 Tax-exempt Enterprise Revenue Variable Rate Demand Bonds (Green Bonds) for $100,000,000 to fund continued construction on the Anschutz Health Science Building (AHSB), Series 2020A-2 Tax-exempt Enterprise Revenue (Variable Rate Demand Bonds) for $75,000,000 to fund continued construction on the Imig music building on the Boulder campus and to fund construction on Anschutz Research Basement Build-out projects and AHSB, and Series 2020B-1 Tax-exempt Enterprise Revenue and Refunding (Variable Rate Demand Bonds) for $50,000,000 to refund the existing Commercial Paper debt outstanding. Initial interest rates are reset weekly, daily and daily on the respective bonds. The first interest payment was due August 3, 2020. Interest rate will not exceed 12 percent per annum. The bonds are subject to optional and mandatory sinking fund redemptions. Final maturity is June 1, 2050. In the event that remarketing proceeds are insufficient, a separate Standby Bond Purchase Agreement supports the payment of principal and interest.

Taxable Enterprise Refunding Revenue Bonds

On July 10, 2020, the University issued Series 2020B-2 Taxable Enterprise Refunding Revenue Bonds for $140,885,000 for refunding projects consisting of three components. The first component is a taxable advance refunding for savings of a portions of the Series 2014B-1, Series 2015A, and Series 2016A of $49,800,000. The second component is to restructure debt to provide budget relief in fiscal year 2021 and 2022 by defeasing $60,300,000 of principal due on June 1, 2021 and 2022 and associated interest of $3,900,000. The third component entails paying a portion of interest of $26,500,000 due on December 1, 2020 and June 1, 2021. The refundings provide budget relief of $57,100,000 and $30,700,000 for Fiscal Year 2021 and Fiscal Year 2022 respectively. Interest rates range from 0.53 percent to 2.81 percent for the 2020B-2 Series. The first interest payment date is December 1, 2020. The final maturity of the 2020B-2 Bonds is June 1, 2048.

CU South Denver

The University plans to sell its CU South Denver campus in Douglas County, which it was gifted in 2015. After going through several due diligence assessments, University leadership determined the facility is not financially viable. In October 2020 the University expects to issue a request for proposals for a broker who would market the property. The net book value of the land, building, and improvements was $37,008,000 as of June 30, 2020.

Required Supplementary Information

University of Colorado

Required Supplementary Information

June 30, 2020 and 2019 *(In Thousands) (Unaudited)*

SCHEDULE OF CHANGES IN UNIVERSITY OPEB's TOTAL OPEB LIABILITY AND RELATED RATIOS

University OPEB Plan		Fiscal Year Ending June 30, 2020	June 30, 2019	June 30, 2018
Service cost	$	53,400	49,754	53,099
Interest cost		34,254	28,404	24,648
Differences between expected and actual experience		(206,938)	(1,728)	(87,654)
Changes of assumptions		3,678	35,919	(46,406)
Benefit payments		(15,461)	(15,163)	(17,211)
Net change in Total OPEB liability		(131,067)	97,186	(73,524)
Total OPEB liability (beginning)		843,959	746,773	820,297
Total OPEB liability (ending)	$	712,892	843,959	746,773
Covered-employee payroll	$	1,719,840	1,663,010	1,475,177
Total OPEB liability as a percentage of payroll		41.45%	50.75%	50.62%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA OPEB LIABILITY

MEASUREMENT DATE	PROPORTION OF COLLECTIVE NET OPEB LIABILITY (A)	PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY (B)	COVERED PAYROLL (C)	PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY
DECEMBER 31, 2019	3.4351836004%	$ 38,611	$ 308,898	12.50%	24.49%
DECEMBER 31, 2018	3.6189452649%	$ 49,237	$ 305,926	16.09%	17.03%
DECEMBER 31, 2017	3.7222136080%	$ 48,374	$ 302,484	15.99%	17.53%
DECEMBER 31, 2016	3.8085462272%	$ 49,379	$ 300,390	16.44%	16.72%

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA OPEB PLAN

FISCAL YEAR-END	STATUTORILY REQUIRED CONTRIBUTION (A)	CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTION (B)	CONTRIBUTION DEFICIENCY (EXCESS) (A-B)	COVERED PAYROLL (C)	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2020	$ 3,164	$ 3,164	$ -	$ 310,204	1.02%
JUNE 30, 2019	$ 3,136	$ 3,136	$ -	$ 307,467	1.02%
JUNE 30, 2018	$ 3,345	$ 3,345	$ -	$ 327,981	1.02%
JUNE 30, 2017	$ 3,067	$ 3,067	$ -	$ 300,673	1.02%

University of Colorado

Required Supplementary Information

June 30, 2020 and 2019 *(In Thousands) (Unaudited)*

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA PENSION LIABILITY

MEASUREMENT DATE	PROPORTION OF COLLECTIVE NET PENSION LIABILITY (A)	PROPORTIONATE SHARE OF COLLECTIVE NET PENSION LIABILITY (B)	COVERED PAYROLL (C)	PROPORTIONATE SHARE OF COLLECTIVE NPL AS A PERCENTAGE OF COVERED PAYROLL (B/C)	PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY
DECEMBER 31, 2019	10.7126353636%	$ 1,039,533	$ 308,898	336.53%	62.24%
DECEMBER 31, 2018	10.9376365281%	$ 1,244,558	$ 305,926	406.82%	55.11%
DECEMBER 31, 2017	11.0227933269%	$ 2,206,541	$ 302,484	729.47%	43.20%
DECEMBER 31, 2016	11.1571798445%	$ 2,049,366	$ 300,390	682.24%	42.59%
DECEMBER 31, 2015	11.1631105031%	$ 1,175,591	$ 296,983	395.84%	56.11%
DECEMBER 31, 2014	11.2723667751%	$ 1,060,337	$ 292,225	362.85%	59.84%
DECEMBER 31, 2013	11.3970757002%	$ 1,015,248	$ 284,977	356.26%	61.08%

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA PENSION PLAN

FISCAL YEAR-END	STATUTORILY REQUIRED CONTRIBUTION (A)	CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTION (B)	CONTRIBUTION DEFICIENCY (EXCESS) (A-B)	COVERED PAYROLL (C)	CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL (B/C)
JUNE 30, 2020	$ 65,557	$ 73,815	$ (8,258)	$ 310,204	23.80%
JUNE 30, 2019	$ 63,850	$ 72,435	$ (8,585)	$ 307,467	23.56%
JUNE 30, 2018	$ 61,138	$ 61,138	$ -	$ 327,981	18.64%
JUNE 30, 2017	$ 58,698	$ 58,698	$ -	$ 300,673	19.52%
JUNE 30, 2016	$ 54,561	$ 54,561	$ -	$ 299,112	18.24%
JUNE 30, 2015	$ 50,696	$ 50,696	$ -	$ 295,357	17.16%
JUNE 30, 2014	$ 46,824	$ 46,824	$ -	$ 288,904	16.21%
JUNE 30, 2013	$ 40,368	$ 40,368	$ -	$ 279,476	14.44%
JUNE 30, 2012	$ 30,527	$ 30,527	$ -	$ 279,810	10.91%
JUNE 30, 2011	$ 27,243	$ 27,243	$ -	$ 278,497	9.78%

June 30, 2020 and 2019 *(In Thousands) (Unaudited)*

SCHEDULE OF CHANGES IN ALTERNATE MEDICARE PAYMENT'S TOTAL PENSION LIABILITY AND RELATED RATIOS

		Fiscal Year Ending			
AMP		**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Service cost	$	4,360	3,985	4,262	3,194
Interest on total AMP pension liability		3,339	2,751	2,231	2,391
Differences between expected and actual experience		(3,865)	(109)	(3,377)	(101)
Changes of assumptions		4,845	4,940	(3,180)	10,999
Benefit payments		(1,692)	(1,566)	(1,448)	(1,349)
Net change in total pension liability		6,987	10,001	(1,512)	15,134
Total pension liability (beginning)		83,212	73,211	74,723	59,589
Total pension liability (ending)	$	90,199	83,212	73,211	74,723
Covered-employee payroll	$	1,436,909	1,369,276	1,187,065	943,644
Total pension liability as a percentage of payroll		6.28%	6.08%	6.17%	7.92%

Note 1: University OPEB's Total OPEB Liability

Funded Status

No assets are held in trust to pay for plan benefits.

Changes In Benefit Terms And Actuarial Assumptions To University OPEB

Changes in assumptions or other inputs effective for the June 30, 2019 measurement date are as follow:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from the PUB-2010 "Teachers" table with generational projection using Scale MP-2018 to the PUB-2010 "Teachers" table with generational projection using Scale MP-2019.
- Health care trend rates were updated.
- Health care claim costs and retiree contributions were updated based upon recent expenditures.

Changes in assumptions or other inputs effective for the June 30, 2018 measurement date are as follow:

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total OPEB Liability of about 8 percent.

Changes in assumptions or other inputs effective for the June 30, 2017 measurement date are as follow:

- Discount rate changed from 2.85 percent to 3.60 percent.
- Health care trend rates were updated.
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females.
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females for PERA participants.
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
    - Mortality rates
    - Withdrawal rates
    - Retirement rates (apply to PERA participants only)

Note 2: PERA's Net OPEB Liability

Changes In Benefit Terms And Actuarial Assumptions

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

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

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

Note 3: PERA's Net Pension Liability

Changes In Benefit Terms And Actuarial Assumptions

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

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

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

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

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

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

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

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for

active employees, RP-2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.

- The discount rate was lowered from 7.50 percent to 5.26 percent.

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

There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00 percent to 7.50 percent
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent

Note 4: University's Alternate Medicare Payment Total Pension Liability

Funded Status

No assets are held in trust to pay for plan benefits.

Changes In Benefit Terms And Actuarial Assumptions

Changes in assumptions or other inputs effective for the June 30, 2019 measurement date are as follow:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from the PUB-2010 "Teachers" table with generational projection using Scale MP-2018 to the PUB-2010 "Teachers" table with generational projection using Scale MP-2019.

Changes in assumptions or other inputs effective for the June 30, 2018 measurement date are as follow:

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total Pension Liability of about 10 percent.

Changes in assumptions or other inputs effective for the June 30, 2017 measurement date are as follow:

- Discount rate changed from 2.85 percent to 3.60 percent.
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females.
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females.
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
  - Mortality rates
  - Withdrawal rates

Changes in assumptions or other inputs effective for the June 30, 2016 measurement date are as follow:

- A decrease in the discount rate from 3.85 percent to 2.85 percent.

Principal Administrative Officers

Mark R. Kennedy, President
Philip P. Distefano, Chancellor, University of Colorado Boulder
Venkat Reddy, Chancellor, University of Colorado Colorado Springs
Michelle A. Marks, Chancellor, University of Colorado Denver
Donald M. Elliman Jr., Chancellor, University of Colorado Anschutz Medical Campus
Leonard Dinegar, Senior Vice President and Chief of Staff
Todd Saliman, Senior Vice President for Strategy, Government Relations and Chief Financial Officer
Kathy Nesbitt, Vice President of Administration
Michael Lightner, Vice President for Academic Affairs
Ken McConnellogue, Vice President for University Communication
Jose Padilla, Vice President, University Counsel, and Secretary of the Board of Regents
Harper Johnson, Associate Vice President of Transformation and Innovation
Annie Konegni Baccary, Associate Vice President and Interim Advancement Administration Officer
Scot Chadwick, Interim Associate Vice President for Online Learning
Sheana Bull, Interim Senior Faculty Fellow for Online Learning
Theodosia Clark, Chief Diversity Officer

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Chuck Litchfield, Vice Chancellor for Administration and Finance, University of Colorado Springs
Terri Carrothers, Senior Vice Chancellor for Administration and Finance,
University of Colorado Denver | Anschutz Medical Campus
Jennifer Sobanet, Vice Chancellor of Administration and Finance, University of Colorado Denver
Amy Gannon, Associate Vice Chancellor for Financial Services and Controller,
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Carolyn Rupp, Controller/Director of Accounting, University of Colorado Springs
Vicki Nichol, Campus Controller, University of Colorado Boulder

Officers and Staff as of September 2020

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