

UNIVERSITY OF DENVER

Financial Report

June 30, 2024



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UNIVERSITY OF DENVER

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Denver
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of University of Denver (the University), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Denver, Colorado
November 21, 2024

UNIVERSITY OF DENVER
Statement of Financial Position
At June 30, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	\$ 172,111,601	153,243,190
Short-term investments	93,381,801	87,389,590
Accounts receivable, net	40,571,040	46,735,994
Pledges receivable, net	47,169,097	51,318,284
Inventories, prepaid expenses, and other assets	18,905,164	14,633,816
Notes receivable	9,102,559	9,352,975
Long-term investments	1,092,353,932	1,027,748,396
Loans to students, net	2,202,985	3,556,960
Deposits with bond trustees	12,292	703,918
Right-to-use asset under operating leases	1,515,267	2,657,372
Property, plant, and equipment, net of accumulated depreciation	771,718,807	776,015,042
Total assets	\$ 2,249,044,545	2,173,355,537
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 113,969,936	79,865,706
Deferred revenues	31,453,571	32,829,992
Other liabilities	571,527	1,363,469
Annuity obligations	6,385,868	5,978,820
Operating lease liabilities	1,515,267	2,657,372
Long-term debt	202,483,012	214,279,225
U.S. government grants refundable	3,216,908	4,890,955
Total liabilities	359,596,089	341,865,539
Net assets:		
Without donor restrictions:		
Undesignated	23,635,583	23,022,211
Board-designated endowments	304,792,454	291,788,886
Designated student loans	1,615,088	1,675,921
Other designated	82,970,259	96,479,065
Net investment in plant	557,064,365	550,414,885
Total without donor restrictions	970,077,749	963,380,968
With donor restrictions		
Gifts and distributed endowment income	89,606,630	89,304,561
Student loans	2,135,643	2,135,761
Annuity life income	11,086,494	11,062,210
Endowment subject to future appropriations	313,052,224	279,884,283
Perpetual endowment	503,489,716	485,722,215
Total with donor restrictions	919,370,707	868,109,030
Total net assets	1,889,448,456	1,831,489,998
Total liabilities and net assets	\$ 2,249,044,545	2,173,355,537

See accompanying notes to the financial statements

UNIVERSITY OF DENVER

Statement of Activities
Year ended June 30, 2024

	2024		
	Without donor restrictions	With donor restrictions	Total
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 362,255,453	—	362,255,453
Private gifts of cash and financial assets	1,868,457	16,081,604	17,950,061
Contributed nonfinancial assets		685,963	685,963
Grants and contracts	60,022,354	—	60,022,354
Endowment investment return appropriated for operations	12,843,671	34,792,192	47,635,863
Other investment income	12,196,576	493,860	12,690,436
Net realized and unrealized gains (losses) on other investment	702,945	2,019,850	2,722,795
Sales and services of educational activities	18,344,313	—	18,344,313
Sales and services of auxiliary enterprise	54,936,807	—	54,936,807
Other sources of operating revenue	31,242,836	—	31,242,836
Net assets released from restrictions	48,852,668	(48,852,668)	—
Total operating revenue	<u>603,266,080</u>	<u>5,220,801</u>	<u>608,486,881</u>
Operating expenses:			
Salaries and wages	308,208,708	—	308,208,708
Fringe benefits	70,867,129	—	70,867,129
Services and supplies	142,348,631	—	142,348,631
Utilities and maintenance	17,862,207	—	17,862,207
Depreciation	19,415,284	—	19,415,284
Interest on indebtedness	7,903,361	—	7,903,361
Other operating expenses	44,009,746	—	44,009,746
Total operating expenses	<u>610,615,066</u>	<u>—</u>	<u>610,615,066</u>
Increase (decrease) in net assets from operating activity	<u>(7,348,986)</u>	<u>5,220,801</u>	<u>(2,128,185)</u>
Non-operating activity			
Private gifts cash and financial assets for endowment	—	16,143,834	16,143,834
Endowment investment return after amounts appropriated for operations	12,596,309	30,587,660	43,183,969
Change in value of split-interest agreements	—	758,840	758,840
Net assets released from restrictions	1,689,811	(1,689,811)	—
Reclassification of restricted net assets	(240,353)	240,353	—
Increase (decrease) in net assets from non-operating activity	<u>14,045,767</u>	<u>46,040,876</u>	<u>60,086,643</u>
Change in net assets	6,696,781	51,261,677	57,958,458
Net assets at beginning of year	963,380,968	868,109,030	1,831,489,998
Net assets at end of year	<u>\$ 970,077,749</u>	<u>919,370,707</u>	<u>1,889,448,456</u>

See accompanying notes to the financial statements

UNIVERSITY OF DENVER

Statement of Activities
Year ended June 30, 2023

	2023		
	Without donor restrictions	With donor restrictions	Total
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 363,430,652	—	363,430,652
Private gifts of cash and financial assets	2,106,991	18,884,666	20,991,657
Contributed nonfinancial assets	—	51,500	51,500
Grants and contracts	53,433,939	—	53,433,939
Endowment investment return appropriated for operations	11,997,233	32,430,264	44,427,497
Other investment income	9,178,936	265,816	9,444,752
Net realized and unrealized gains (losses) on other investment	(558,109)	1,225,274	667,165
Sales and services of educational activities	18,213,521	—	18,213,521
Sales and services of auxiliary enterprise	52,275,468	—	52,275,468
Other sources of operating revenue	29,061,186	—	29,061,186
Net assets released from restrictions	43,706,223	(43,706,223)	—
Total operating revenue	<u>582,846,040</u>	<u>9,151,297</u>	<u>591,997,337</u>
Operating expenses:			
Salaries and wages	283,532,301	—	283,532,301
Fringe benefits	66,250,769	—	66,250,769
Services and supplies	145,979,764	—	145,979,764
Utilities and maintenance	17,189,370	—	17,189,370
Depreciation	19,064,846	—	19,064,846
Interest on indebtedness	8,158,871	—	8,158,871
Other operating expenses	40,296,207	—	40,296,207
Total operating expenses	<u>580,472,128</u>	<u>—</u>	<u>580,472,128</u>
Increase (decrease) in net assets from operating activity	<u>2,373,912</u>	<u>9,151,297</u>	<u>11,525,209</u>
Non-operating activity			
Private gifts cash and financial assets for endowment	—	8,975,119	8,975,119
Contributed nonfinancial assets for endowment	—	6,459,813	6,459,813
Endowment investment return after amounts appropriated for operations	464,051	(11,985,314)	(11,521,263)
Change in value of split-interest agreements	—	1,862,266	1,862,266
Net assets released from restrictions	8,375,585	(8,375,585)	—
Reclassification of restricted net assets	(542,258)	542,258	—
Increase (decrease) in net assets from non-operating activity	<u>8,297,378</u>	<u>(2,521,443)</u>	<u>5,775,935</u>
Change in net assets	10,671,290	6,629,854	17,301,144
Net assets at beginning of year	952,709,678	861,479,176	1,814,188,854
Net assets at end of year	<u>\$ 963,380,968</u>	<u>868,109,030</u>	<u>1,831,489,998</u>

See accompanying notes to the financial statements

UNIVERSITY OF DENVER
Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 57,958,458	17,301,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	19,335,675	18,721,727
Disposal of property, plant, and equipment	79,609	343,119
Amortization of premium and cost of issuance	(766,213)	(778,011)
(Increase) decrease in accounts receivable	6,164,954	(8,386,533)
Decrease in pledges receivable	4,149,187	26,580,928
(Increase) in inventories, prepaid expenses, and other assets	(4,271,348)	(2,883,839)
(Increase) decrease in notes receivable	250,416	(9,352,975)
Increase (decrease) in accounts payable and accrued liabilities	34,017,662	(11,935,509)
Increase (decrease) in deferred revenues	(1,376,421)	2,708,630
(Decrease) in other liabilities	(791,942)	(2,500,335)
Actuarial adjustment for annuity obligation	49,252	(665,733)
Contributions of real property and personal property	(685,963)	(6,511,313)
Contributions restricted for long term investment	(16,143,834)	(9,338,420)
Net realized and unrealized (gains) on investments	(89,689,118)	(29,081,285)
Net cash provided (used) by operating activities	8,280,374	(15,778,405)
Cash flows from investing activities:		
Proceeds from sale of investments	621,370,065	446,275,755
Purchases of investments	(601,920,897)	(442,517,208)
Purchases of property, plant, and equipment	(14,967,519)	(22,111,139)
Repayments of Perkins and University loans from students	1,353,975	1,479,460
Decrease in deposits with bond trustees	691,626	585,134
Net cash provided (used) in investing activities	6,527,250	(16,287,998)
Cash flows from financing activities:		
Proceeds from contributions restricted for long term investment	16,764,834	15,798,233
Payments of bonds payable	(11,030,000)	(5,995,000)
(Decrease) in refundable government loan funds, net	(1,674,047)	(1,798,028)
Net cash provided in financing activities	4,060,787	8,005,205
Net increase (decrease) in cash and cash equivalents	18,868,411	(24,061,198)
Cash and cash equivalents at beginning of year	153,243,190	177,304,388
Cash and cash equivalents at end of year	\$ 172,111,601	153,243,190

See accompanying notes to the financial statements

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity

The University of Denver is an accredited, independent, coeducational institution located in Denver, Colorado. The University was founded as Colorado Seminary in 1864. In 1880, following the reorganization of the Colorado Seminary, the University was established as the degree-granting body. In 2020, the University and the Colorado Seminary merged, forming the surviving entity, the University of Denver. An amended charter and articles of incorporation are in place with the State of Colorado. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 13,400 students, of which approximately 6,400 are undergraduates. The University is primarily supported by tuition and fees, private gifts, and grants and contracts.

(b) Basis of Presentation

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

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Certain portions of net assets without donor restrictions are designated for specific purposes by the University.

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

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

(c) Change in Accounting Principle

At the beginning of 2024, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. There was no cumulative net asset adjustment as the implementation of Topic 326 did not have a material impact on the statement of activities.

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Notes to Financial Statements
June 30, 2024 and 2023

(d) Cash and Cash Equivalents

The University controls cash for all activities through one operating account.

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

(e) Accounts Receivable

Accounts receivable consist primarily of amounts due from students for tuition, room, board, and fees, and amounts due to the University under federal, state, and privately sponsored program grants and contracts. An allowance for expected credit losses is provided. The University uses a combination of historical loss experience, current economic conditions and forward-looking information to estimate future credit losses.

The following table shows the University's accounts receivable balances and allowances for expected credit losses as of June 30, 2024 and 2023:

	2024	2023
Student accounts receivable	\$ 31,100,453	34,808,205
Allowance for expected credit losses	(3,075,746)	(3,797,473)
Student accounts receivable, net	28,024,707	31,010,732
Sponsored programs accounts receivable	6,477,833	9,828,559
Allowance for expected credit losses	(137,724)	(120,150)
Sponsored programs accounts receivable, net	6,340,109	9,708,409
Financial aid accounts receivables	1,297,970	652,078
Other accounts receivable	4,908,254	5,364,775
Total accounts receivable, net	\$ 40,571,040	46,735,994

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

In June of each year, student tuition accounts with delinquent balances over 365 days and no payment activity for the prior 12 months, which are deemed uncollectible, are written off to bad debt reserve.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2024 and 2023

(f) Investments

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

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

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

(g) Pledges Receivable and Contribution Revenue

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

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

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2024 and 2023

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

See note 1(k) for discussion of grants and contracts with governments and similar agencies.

(h) Inventories

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

(i) Notes Receivable

Notes receivable consist of one note receivable which was assigned to the University during the year ended June 30, 2023 as part of the distribution of the assets of an estate gift and a second note receivable which was made payable to the University during the year ended June 30, 2023 by a debtor to a second estate of which the University was a beneficiary. Both notes receivable are valued at the present value of the future expected cash payments.

(j) Deposits with Bond Trustees

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

(k) Property, Plant, and Equipment

Property, plant, and equipment exceeding a capitalization threshold of \$5,000 are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation on property, plant, and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and historically 10 to 80 years for buildings and improvements.

Property, plant, and equipment includes the accumulated construction costs of buildings currently being constructed that are not placed in service as of the reporting date, as shown in note 7. To the extent that buildings are constructed with contributions from donors restricted to the cost of construction, interest capitalization is not included in the cost of construction.

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

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

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

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2024 and 2023

(I) Revenue Recognition

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

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

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

The following table shows the University's tuition and fee revenue and scholarship support for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undergraduate tuition	\$ 347,461,253	324,576,826
Graduate tuition	240,397,248	253,968,121
Other tuition	14,159,707	12,903,923
Student fees	<u>4,876,752</u>	<u>4,809,368</u>
Tuition and fees	606,894,960	596,258,238
Less: institutional scholarships	(212,462,303)	(203,255,910)
Less: noninstitutional scholarships	<u>(32,177,204)</u>	<u>(29,571,676)</u>
Net tuition and fees	<u>\$ 362,255,453</u>	<u>363,430,652</u>

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

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2024 and 2023:

Balance at June 30, 2023	\$ 32,829,992
Tuition and fee revenue recognized	(32,829,992)
Revenue deferred for future performance obligations	<u>31,453,571</u>
Balance at June 30, 2024	<u>\$ 31,453,571</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2024 and 2023

Balance at June 30, 2022	\$	30,121,362
Tuition and fee revenue recognized		(30,121,362)
Revenue deferred for future performance obligations		<u>32,829,992</u>
Balance at June 30, 2023	\$	<u><u>32,829,992</u></u>

(m) Grants and Contracts Revenue

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

The following table shows the University's grants and contracts revenue from governmental and non-governmental sources for the fiscal years ended June 30, 2024 and 2023:

	2024	2023
Governmental sources of grants and contracts		
Federal sponsored programs	\$ 37,772,912	33,199,709
Other governmental sponsored programs	7,153,634	6,063,504
Federal and state student financial assistance	<u>6,018,725</u>	<u>6,036,486</u>
Total governmental sources of grants and contracts	<u>50,945,271</u>	<u>45,299,699</u>
Non-governmental sponsored programs	9,077,083	8,134,240
Total grants and contracts	<u><u>\$ 60,022,354</u></u>	<u><u>53,433,939</u></u>

Facilities and administrative costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal facilities and administrative costs rate with the Office of Naval Research. Facilities and administrative costs recovered included in federal sponsored programs in the chart above were approximately \$7,433,000 and \$6,193,000 during fiscal years ended June 30, 2024, and 2023, respectively. Facilities and administrative costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors. Facilities and administrative costs recovered from other governmental-sponsored programs and non-governmental sponsored programs were approximately \$2,025,000 and \$1,756,000 during fiscal years ended June 30, 2024 and 2023, respectively.

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(n) Sales and Services of Auxiliary Enterprise

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

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

	2024	2023
Housing	\$ 27,692,474	26,523,483
Meal plans	16,572,195	15,631,349
Health and counseling services	6,436,060	6,061,867
Conferencing and events	2,736,780	1,830,609
Performing arts events	1,453,685	1,952,715
Other sales and services of auxiliary enterprises	45,613	275,445
Total sales and services of auxiliary enterprises	\$ 54,936,807	52,275,468

(o) Compensated Absences

Eligible University employees earn paid vacation each month based upon their years of service with the University. Vacation time accrues and vests proportionately between July 1 and June 30 of the current year and employees can carry a maximum of 22 days to the next fiscal year. An accrual has been made for earned vacation time in the amount of \$5,970,000 and \$5,452,000 as of June 30, 2024 and 2023, respectively. It is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

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

(p) Annuity Obligations

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

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(q) Taxes

The University is recognized as an organization generally exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) and a public charity, and not as a private foundation, under Section 509(a)(1). However, income generated from activities unrelated to the University's exempt purpose is subject to tax under Section 511 of the Code. The University had no material amounts of unrelated business income for the years ended June 30, 2023 and 2022.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes*. FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2023 and 2022.

(r) Net Asset Reclassifications

In 2011, the University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated \$66 million of the University's strategic reserves to match commitments to new and existing scholarship endowments. For the years ended June 30, 2024 and 2023, the University matched commitments to the matching program in the amount of approximately \$240,000 and \$542,000, respectively.

(s) Use of Estimates

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

(t) Endowment Funds

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

(u) Subsequent Events

FASB ASC Topic 855-10, *Subsequent Events*, establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2024 and through November 21, 2024.

(v) Reclassifications

Certain 2023 amounts have been reclassified to conform to the current year presentation.

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(2) Financial Assets for General Expenditure

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

	<u>2024</u>	<u>2023</u>
Financial Assets:		
Cash and cash equivalents - operating	\$ 159,917,261	144,340,379
Short-term investments - operating	93,036,800	87,044,590
Long-term investment - operating	314,183	197,123
Working capital	<u>253,268,244</u>	<u>231,582,092</u>
Accounts receivable, net	40,571,040	46,735,994
Pledges receivable-operating due within one year	6,149,317	9,705,242
Board-designated endowments	304,792,454	291,788,886
Financial assets available at year end	<u>604,781,055</u>	<u>579,812,214</u>
Liquidity resources		
Estimated endowment distribution in the following year	45,044,000	43,933,000
	<u>\$ 649,825,055</u>	<u>623,745,214</u>

In addition to the financial assets on the table above, the University has available a line of credit of \$50 million with a financial institution. See note 15 for further discussion.

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

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(3) Short- and Long-Term Investments

Investments at June 30 consist of the following:

	2024		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
Fixed Income Securities	\$ 78,371,958	500,517	78,872,475
Mutual funds	10,000,134	3,926,440	13,926,574
Real estate	475,000	(130,000)	345,000
Other	237,752	—	237,752
	<u>89,084,844</u>	<u>4,296,957</u>	<u>93,381,801</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	21,414,104	—	21,414,104
Fixed Income Securities	71,274,798	(876,914)	70,397,884
Alternative Investments	121,354,365	162,154,376	283,508,741
Global Equities	83,654,934	148,868,159	232,523,093
Mutual Funds	13,650,186	1,391,164	15,041,350
Real Estate	24,024,936	43,781,065	67,806,001
Private Equities	287,433,425	103,061,469	390,494,894
Beneficial Trust Interest	8,426,036	2,523,079	10,949,115
Other	218,750	—	218,750
	<u>631,451,534</u>	<u>460,902,398</u>	<u>1,092,353,932</u>
Total all funds	<u>\$ 720,536,378</u>	<u>465,199,355</u>	<u>1,185,735,733</u>
2023			
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
Fixed Income Securities	\$ 74,098,644	(65,076)	74,033,568
Mutual funds	10,042,176	2,501,095	12,543,271
Real estate	475,000	(130,000)	345,000
Other	237,751	—	237,751
	<u>84,853,571</u>	<u>2,306,019</u>	<u>87,159,590</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	4,108,372	—	4,108,372
Fixed Income Securities	71,178,402	(2,305,375)	68,873,027
Alternative Investments	161,323,213	124,566,724	285,889,937
Global Equities	87,682,048	110,912,867	198,594,915
Mutual Funds	26,839,338	785,662	27,625,000
Real Estate	24,024,936	43,781,065	67,806,001
Private Equities	262,783,515	101,820,076	364,603,591
Beneficial Trust Interest	8,472,081	1,903,373	10,375,454
Other	102,099	—	102,099
	<u>646,514,004</u>	<u>381,464,392</u>	<u>1,027,978,396</u>
Total all funds	<u>\$ 731,367,575</u>	<u>383,770,411</u>	<u>1,115,137,986</u>

All endowments established by various donors over the years are accounted for separately in the accounting records of the University to ensure that the purposes for which the endowments were initially created are carried out in perpetuity. For investment purposes, to maximize total investment return and administrative efficiency, the University commingles certain assets in an investment pool.

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Individual endowments own shares in the pool, the value per share being determined by the pool's aggregate fair value, and the number of shares outstanding at the time contributions are made. At June 30, 2024, the pool 151,546,539 shares outstanding, with a fair value of approximately \$1,023,991,747. The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. The distribution for spending in 2024 was \$0.30 per share, which represented spending of realized and unrealized gains. At June 30, 2023, the pool had 147,778,307 shares outstanding, with a fair value of approximately \$958,188,974. The distribution for spending in 2023 was \$0.28 per share, which represented spending of realized and unrealized gains.

The investment pool consisted of 1,467 and 1,439 individual endowments at June 30, 2024 and 2023, respectively.

The University has the following split-interest agreements, which are included in long-term investments and are classified as net assets with donor restrictions at June 30, 2024 and 2023:

	2024	
	Number of agreements	Market Value
Perpetual trusts held by third party Charitable Remainder Trusts:	2	\$ 8,690,733
University named trustee	15	12,451,649
Third-party named trustee	4	2,258,380
Charitable Annuity Agreements	36	2,919,529
	57	\$ 26,320,291
	2023	
	Number of agreements	Market Value
Perpetual trusts held by third party Charitable Remainder Trusts:	2	\$ 8,110,706
University named trustee	15	11,884,791
Third-party named trustee	4	2,264,747
Charitable Annuity Agreements	41	3,045,811
	62	\$ 25,306,055

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

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The Charitable Remainder Trusts and Charitable Annuity Agreements are split-interest agreements that are held and administered either by the University or by others. In the period when the agreement is established, the University recognizes an asset at fair value, a liability to the beneficiary for the estimated future benefits to be distributed, and contribution revenue for the difference. The annuity obligation is primarily based on the person's age at the time of the gift, their life expectancy, and the prevailing interest rate as of the date of the agreement. Annual adjustments are made to the liability for the estimated future benefits to be distributed due to changes in the actuarial assumptions and the discount rate, where applicable, over the term of the agreement.

Contribution revenue recognized for new split-interest agreements in 2024 and 2023 was approximately \$216,000 and \$33,000, respectively.

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

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

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

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

(a) Investments

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

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

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

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

(b) Fair Value Hierarchy Table

The following tables summarize the University's short- and long-term investments in the fair value hierarchy as of June 30, 2024 and 2023, as well as the liquidity of the investments. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the short-term investments and long-term investments amounts presented in the statement of position.

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

Private equity investments in the fair value tables below as of June 30, 2024 and 2023 are liquidated in accordance with the respective fund legal documents. The timing of the liquidation of these funds as of June 30, 2024 and 2023 is unknown.

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Investment/liquidity	June 30, 2024				
	Level 1	Level 2	Level 3	NAV	Total
Fixed Income Securities:					
Daily	\$ 149,270,359	—	—	—	149,270,359
Total	149,270,359	—	—	—	149,270,359
Alternative investments:					
Quarterly	—	—	—	226,586,225	226,586,225
Illiquid	—	—	—	56,922,516	56,922,516
Total	—	—	—	283,508,741	283,508,741
Mutual funds:					
Daily	28,967,924	—	—	—	28,967,924
Total	28,967,924	—	—	—	28,967,924
Global equities:					
Daily	7,288,298	—	—	—	7,288,298
Monthly	—	—	—	224,618,230	224,618,230
Quarterly	616,565	—	—	—	616,565
Total	7,904,863	—	—	224,618,230	232,523,093
Trustee cash and cash equivalents:					
Daily	21,414,104	—	—	—	21,414,104
Total	21,414,104	—	—	—	21,414,104
Real estate:					
Semiannually	—	68,151,001	—	—	68,151,001
Total	—	68,151,001	—	—	68,151,001
Private equities:					
Illiquid	—	—	100,000	390,394,894	390,494,894
Total	—	—	100,000	390,394,894	390,494,894
Beneficial trust interest:					
Locked-up 1	—	10,949,115	—	—	10,949,115
Total	—	10,949,115	—	—	10,949,115
Other:					
Daily	318,750	—	—	—	318,750
Illiquid	137,752	—	—	—	137,752
Total	456,502	—	—	—	456,502
Grand total	\$ 208,013,752	79,100,116	100,000	898,521,865	1,185,735,733

Locked-up 1: Beneficial Trusts Interests, funds held in perpetuity, or released at trust maturity

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Investment/liquidity	June 30, 2023				NAV	Total
	Level 1	Level 2	Level 3			
Fixed Income Securities						
Daily	\$ 142,676,593	—	—	—	—	142,676,593
Total	142,676,593	—	—	—	—	142,676,593
Alternative investments:						
Quarterly	—	—	—	223,776,178	—	223,776,178
Illiquid	—	—	—	62,113,759	—	62,113,759
Total	—	—	—	285,889,937	—	285,889,937
Mutual funds:						
Daily	40,168,271	—	—	—	—	40,168,271
Total	40,168,271	—	—	—	—	40,168,271
Global equities:						
Daily	3,429,101	—	—	—	—	3,429,101
Monthly	—	—	—	194,600,924	—	194,600,924
Quarterly	564,890	—	—	—	—	564,890
Total	3,993,991	—	—	194,600,924	—	198,594,915
Trustee cash and cash equivalents:						
Daily	4,108,372	—	—	—	—	4,108,372
Total	4,108,372	—	—	—	—	4,108,372
Real estate:						
Semiannually	—	68,151,001	—	—	—	68,151,001
Total	—	68,151,001	—	—	—	68,151,001
Private equities:						
Illiquid	—	—	100,000	364,503,592	—	364,603,592
Total	—	—	100,000	364,503,592	—	364,603,592
Beneficial trust interest:						
Locked-up 1	—	10,375,454	—	—	—	10,375,454
Total	—	10,375,454	—	—	—	10,375,454
Other:						
Daily	202,097	—	—	—	—	202,097
Monthly	—	230,000	—	—	—	230,000
Illiquid	137,754	—	—	—	—	137,754
Total	339,851	230,000	—	—	—	569,851
Grand total	\$ 191,287,078	78,756,455	100,000	844,994,453	—	1,115,137,986

Locked-up 1: Beneficial Trusts Interests, funds held in perpetuity, or released at trust maturity

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The following table sets forth a summary of certain changes in the fair value of University's Level 3 assets for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Beginning	\$ 100,000	7,107,116
Donated	-	-
Unrealized	-	(7,007,116)
Purchases	-	-
Sales	-	-
Transfers In	-	-
Transfers Out	-	-
Ending	<u>\$ 100,000</u>	<u>100,000</u>

(5) Endowments

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

The University's endowments consist of 1,467 and 1,439 individual funds as of June 30, 2024 and 2023, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

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

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

1. The duration and the preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions

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4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

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

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2024:			
Donor-restricted			
Perpetual endowment	\$ —	503,489,716	503,489,716
Subject to future appropriations	—	313,052,224	313,052,224
Board-designated endowment funds	304,792,454	—	304,792,454
	\$ 304,792,454	816,541,940	1,121,334,394
	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023:			
Donor-restricted			
Perpetual endowment	\$ —	485,722,215	485,722,215
Subject to future appropriations	—	279,884,283	279,884,283
Board-designated endowment funds	291,788,886	—	291,788,886
	\$ 291,788,886	765,606,498	1,057,395,384

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The changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2023	\$ 291,788,885	765,606,498	1,057,395,383
Investment return:			
Investment income	762,988	3,090,521	3,853,509
Net realized and unrealized gains	<u>24,676,992</u>	<u>62,289,331</u>	<u>86,966,323</u>
Total investment return	25,439,980	65,379,852	90,819,832
Private gifts	314,210	16,530,067	16,844,277
Appropriation of endowment assets for expenditures	(12,843,671)	(34,792,192)	(47,635,863)
Reinvested income	333,403	2,656,228	2,989,631
Transfer to restricted endowments	—	921,134	921,134
Reclassification of restricted net assets	(240,353)	240,353	—
Changes	<u>13,003,569</u>	<u>50,935,442</u>	<u>63,939,011</u>
Endowment net assets, June 30, 2024	<u>\$ 304,792,454</u>	<u>816,541,940</u>	<u>1,121,334,394</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 290,996,219	751,550,626	1,042,546,845
Investment return:			
Investment income	1,117,610	3,382,207	4,499,817
Net realized and unrealized gains	<u>11,365,980</u>	<u>17,040,437</u>	<u>28,406,417</u>
Total investment return	12,483,590	20,422,644	32,906,234
Private gifts	6,151	15,395,049	15,401,200
Appropriation of endowment assets for expenditures	(11,997,233)	(32,430,264)	(44,427,497)
Reinvested income	277,416	1,692,840	1,970,256
Transfer to restricted endowments	565,000	8,433,346	8,998,346
Reclassification of restricted net assets	(542,258)	542,258	—
Changes	<u>792,666</u>	<u>14,055,873</u>	<u>14,848,539</u>
Endowment net assets, June 30, 2023	<u>\$ 291,788,885</u>	<u>765,606,499</u>	<u>1,057,395,384</u>

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(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level of the book value (underwater). The University had 38 funds considered underwater with a deficiency of approximately \$536,000 at June 30, 2024. There were 66 funds considered underwater with a deficiency of approximately \$2,158,000 at June 30, 2023. The deficiency is recorded as net unrealized losses on endowment in the change in net assets with donor restrictions within the statement of activities.

(c) Return Objectives and Risk Parameters

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

(d) Strategies Employed for Achieving Objectives

The University has entered into an agreement with Investure, LLC for investment advisory and management services. The scope of the agreement pertains to management of a portion of the University's Consolidated Endowment Fund. The University has authorized Investure, LLC to act as the University's attorney-in-fact to enter into, make, execute and perform agreements or other undertakings on behalf of the University in connection with each investment. The University, through Investure, LLC's management, targets a diversified asset allocation. Investure, LLC's long-term investment allocation guidelines include the following targets and maximum allocations by investment: global equity target of 30% and maximum allocation of 50%, alternative equity target of 30% and maximum allocation of 40%, private equity target of 30% and maximum allocation of 40%, fixed income target of 10% with no maximum allocation.

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

(e) Spending Policy

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2024 and 2023, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

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(6) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 20,761,025	25,971,356
One to five years	19,580,621	19,044,435
Greater than five years	<u>26,170,200</u>	<u>27,515,200</u>
	66,511,846	72,530,991
Less allowance for uncollectible pledges	(5,670,457)	(6,632,821)
Less present value discount (4.75% - 6.50%)	<u>(13,672,292)</u>	<u>(14,579,886)</u>
Net pledges receivable	<u>\$ 47,169,097</u>	<u>51,318,284</u>

Included in pledges receivable is the present value of approximately \$12,723,000 and \$12,516,000 as of June 30, 2024 and 2023, respectively, in pledges from current and former members of the board of trustees.

(7) Property, Plant, and Equipment

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

	<u>2024</u>	<u>2023</u>
Land	\$ 12,491,550	12,490,316
Land improvements	35,523,499	35,523,499
Buildings and improvements	933,966,696	924,592,664
Equipment	63,964,664	62,930,040
Library books	9,559,175	9,527,866
Construction in progress	<u>11,171,291</u>	<u>9,357,649</u>
	1,066,676,875	1,054,422,034
Less accumulated depreciation	<u>(294,958,068)</u>	<u>(278,406,992)</u>
	<u>\$ 771,718,807</u>	<u>776,015,042</u>

The University had approximately \$19,415,000 and \$19,065,000 of depreciation and disposal expense for the years ended June 30, 2024 and 2023, respectively.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2024 and 2023, respectively, an asset retirement obligation of approximately \$9,378,000 and \$9,063,000 is included in accounts payable and accrued liabilities.

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(8) Long-Term Debt

Bonds payable at June 30 consist of the following:

	2024	2023
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2021	\$ 9,600,000	11,105,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017A	119,480,000	119,480,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017B	17,655,000	19,510,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	12,515,000	14,360,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	32,445,000	38,270,000
	191,695,000	202,725,000
Unamortized bond premium	11,667,741	12,491,172
Unamortized bond cost of issuance	(879,729)	(936,947)
Total long-term debt	202,483,012	214,279,225
Less current installments	11,795,000	11,030,000
Long-term debt, excluding current installments	\$ 190,688,012	203,249,225

The University had approximately \$7,903,000 and \$8,159,000 of interest expense net of amortization of bond premium and deferred cost of issuance for the years ended June 30, 2024, and 2023, respectively. Amortization of bond premium and deferred cost of issuance was approximately \$766,000 and \$778,000 for the years ended June 30, 2024, and 2023, respectively. Interest of approximately \$8,821,000 and \$8,994,000 was paid in cash during the years ended June 30, 2024 and 2023, respectively.

(a) Issuance of Series 2021 Bonds

In February 2021, the Colorado Educational and Cultural Facilities Authority (the Authority) issued \$18,500,000 of University of Denver Revenue Bonds, Series 2021. The proceeds from the sale of the 2021 bonds were used to (1) refund \$11,310,000 aggregate principal amount of the Authority's Revenue Bonds Series 2014A, (2) refund \$7,040,000 aggregate principal amount of the Authority's Revenue Bonds Series 2014b, and (3) pay certain costs associated with the issuance of the 2021 Bonds.

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

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(b) Issuance of Series 2017 Bonds

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

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

(c) Issuance of Series 2013 Bonds

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

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

(d) Issuance of Series 2007 Bonds

In December 2006, the Authority issued \$39,920,000 of University of Denver Refunding Revenue Bonds, Series 2007. The proceeds from the sale of the 2007 bonds were used to (1) (i) refund all of the Authority's Revenue Bonds (University of Denver Project) Series 2001A Bonds outstanding in the aggregate principal amount of \$27,000,000 and (ii) refund \$14,905,000 of aggregate principal amount of the Authority's Revenue Bonds (University of Denver Project) Series 2005B Bonds; (2) purchase a municipal bond insurance policy and a reserve fund surety bond for the 2007 Bonds; and (3) pay certain costs associated with the issuance of the 2007 Bonds.

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

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(e) Aggregate Annual Maturities of Bonds Payable

At June 30, 2024, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2025		\$ 11,795,000
2026		11,180,000
2027		11,615,000
2028		8,115,000
2029		8,345,000
Thereafter		<u>140,645,000</u>
		<u>\$ 191,695,000</u>

(f) Restrictive Bond Covenants

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

(g) Security for the Bonds

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

(9) Leases

The University leases facilities, equipment, and vehicles under operating lease agreements. The present value of the future minimum lease payments is reported on the Statement of Financial Position as a Right-to-Use (ROU) asset under operating leases and as an Operating lease liability.

Minimum annual lease payments are shown in the table below as of June 30, 2024:

2025		1,263,661
2026		203,110
2027		<u>134,011</u>
Total minimum lease payments		1,600,782
Present value discount (3.81%)		<u>(85,515)</u>
		<u>\$ 1,515,267</u>

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During the years ended June 30, 2024 and 2023, payments related to the lease agreements were approximately \$1,170,000 and \$1,182,000, respectively, and are reported in services and supplies on the statement of activities. The weighted average remaining lease term as of June 30, 2024 and 2023, was 1.7 years and 2.5 years, respectively. The University elected to use a risk-free rate of return for the calculation of the operating lease liability for all leases. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term. There was no short-term lease expense for the year-ended June 30, 2024 or June 30, 2023, and no amount for short-term leases is included in right-to-use asset under operating leases or operating lease liability.

(10) Retirement Plan

The University of Denver Retirement Plan (the Plan) covers all employees of the University except nonresident aliens and students. The Plan is a contributory tax-deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code (the Code). Participating employees may elect to defer up to 90% of their base pay, limited by the Code to \$23,000 per employee per year. The Code allows participants who have attained age 50 before the end of the Plan year to make catch-up contributions up to an additional \$7,500. Administrators, faculty members, and staff-appointed employees are eligible to participate in employer-provided contribution matching after one year of service. Effective July 1, 2020, the Plan was amended to add a provision for a fully discretionary matching contribution. Eligible employees who contributed at least 4% of their base pay received a matching contribution of 8% for all periods after April 1, 2021. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately \$15,902,000 and \$15,018,000 for the years ended June 30, 2024 and 2023, respectively, which were charged to operations expenses.

(11) Postretirement Benefits Other Than Pensions

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

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive \$60 per month toward the cost of their postretirement medical costs. At June 30, 2024, the Healthcare Plan covered 254 retirees with an additional 2,757 active employees potentially eligible for coverage. At June 30, 2023, the Healthcare Plan covered 242 retirees with an additional 2,670 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

	<u>2024</u>	<u>2023</u>
Acrued postretirement benefit obligation (APBO), beginning of year	\$ 2,378,749	2,536,353
Service cost	49,166	58,520
Interest cost	111,412	105,898
Actuarial loss (gain)	58,289	(152,103)
Benefits paid	<u>(178,560)</u>	<u>(169,920)</u>
APBO (all unfunded), end of year	<u>\$ 2,419,056</u>	<u>2,378,748</u>

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

	<u>2024</u>	<u>2023</u>
Service cost	\$ 49,166	58,520
Interest cost	111,412	105,898
Amortization of prior service cost	11,125	11,125
Recognized net actuarial gain	<u>(29,622)</u>	<u>(24,436)</u>
Net periodic postretirement benefit cost	<u>\$ 142,081</u>	<u>151,107</u>

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 5.26% and 4.87% for June 30, 2024 and 2023, respectively. It is the University's policy to fund the benefit-cost with current cash balances. Under the Healthcare Plan, the University paid benefits of \$178,560 and \$169,920 for the years ended June 30, 2024 and 2023, respectively, which were charged to operating expenses.

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

2025	\$ 193,000
2026	198,000
2027	195,000
2028	192,000
2029	188,000
2030-2034	<u>908,000</u>
Total	<u>\$ 1,874,000</u>

For the years ended June 30, 2024 and 2023, all medical premiums were greater than the amount subsidized by the University. Therefore, a healthcare trend was not used as all retirees receiving the subsidy received the full \$60.

The measurement date for the Healthcare Plan was June 30, 2024.

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(12) Contributed Nonfinancial Assets

The University received the following contributions of nonfinancial assets for the year ended June 30:

		2024		2023
Real estate	\$	621,000		6,459,813
Equipment		64,963		51,500
Total	\$	685,963		6,511,313

Real estate contributed during the year ended June 30, 2024 consisted of one property contributed by one donor. The fair market value of the property was determined by independent appraisal. The property was sold during the year ended June 30, 2024, and the proceeds were used to create a charitable remainder trust for which the University is the charitable remainder beneficiary.

Real estate contributed during the year ended June 30, 2023 consisted of two properties contributed by one donor. The fair market value of the properties was determined by independent appraisal. The two properties were sold during the year ended June 30, 2023 and the proceeds were added to an endowment previously established by the donor.

For the years ended June 30, 2024 and 2023, all equipment contributed was utilized by University programs.

(13) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2024 and 2023. Prior to 2005, contributions to the Perkins programs were funded 75% by the federal government with the University providing the remaining 25%; yet for fiscal years 2022 and 2021, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed to students, as Congress did not renew the program. No new loans were allowed after June 30, 2018. Institutions have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the Federal Capital Contributions (FCC) portion as loans are repaid. The University has elected to continue to collect on Perkins loans and return the FCC portion as the loans are collected. As payments are made back to the U.S. government, the U.S. government grants refundable will be reduced. At June 30, 2024 and 2023, the allowance for possible loan losses of Perkins approximated \$750,000; however, due to federal regulations, no loans of Perkins have been written off since the inception of Perkins.

The University has other loan funds obtained primarily through gifts and grants from individuals, corporations, and foundations. At June 30, 2024 and 2023, the allowance for possible loan losses of these funds was \$153,000.

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(14) Expenses

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

The table below shows the composition of the expenses of the University for the year ended June 30, 2024 by functional category and natural class:

		<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	\$	139,086,257	13,755,960	10,401,330	56,721,243	32,191,205	43,595,861	12,456,852	308,208,708
Fringe benefits		31,845,969	2,474,092	2,387,049	13,766,703	7,791,620	9,446,592	3,155,104	70,867,129
Services, supplies, and other		47,708,634	4,141,171	11,228,415	45,545,393	28,571,179	26,662,768	22,500,817	186,358,377
Utilities and maintenance		3,273,719	680,695	83,428	2,799,372	2,551,093	1,164,776	7,309,124	17,862,207
Depreciation		7,873,041	201,112	-	284,204	2,467,708	1,752,602	6,836,617	19,415,284
Interest on indebtedness		416,353	-	-	298,618	622,616	22,813	6,542,961	7,903,361
Total	\$	230,203,973	21,253,030	24,100,222	119,415,533	74,195,421	82,645,412	58,801,475	610,615,066

The table below shows the composition of the expenses of the University for the year ended June 30, 2023 by functional category and natural class:

		<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	\$	128,513,895	12,909,461	9,925,451	52,716,525	28,222,301	39,662,645	11,582,023	283,532,301
Fringe benefits		29,197,988	2,252,552	2,191,036	12,413,900	6,581,983	10,799,636	2,813,674	66,250,769
Services, supplies, and other		52,406,533	7,193,998	6,940,808	44,350,527	26,710,515	26,522,315	22,151,275	186,275,971
Utilities and maintenance		3,023,267	578,405	77,301	2,570,617	2,399,906	1,461,277	7,078,597	17,189,370
Depreciation		7,554,159	383,135	1,225	374,085	2,357,369	1,668,285	6,726,588	19,064,846
Interest on indebtedness		499,774	-	-	358,449	641,117	27,383	6,632,148	8,158,871
Total	\$	221,195,616	23,317,551	19,135,821	112,784,103	66,913,191	80,141,541	56,984,305	580,472,128

Institutional support represents expenses related to central, executive-level activities that support the management and planning for the entire University. All other functional expense categories are program related to the mission of the University.

The University had fundraising expenses of approximately \$20,638,000 and \$19,164,000 in 2024 and 2023, respectively, which were recognized in institutional support in the accompanying statements of activities.

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(15) Line of Credit

The University of Denver has a revolving line of credit agreement with a financial institution for its operational needs in the amount of \$50 million, amended and restated as of March 27, 2024. There were no outstanding balances on the line of credit as of June 30, 2024 and 2023.

(16) Commitments and Contingencies

At June 30, 2024 and 2023, the University had outstanding commitments totaling approximately \$4,454,000 and \$985,000, respectively, for contracts related to various construction projects on campus.

During the 2024 fiscal year, the University invested approximately \$51,483,000 in 26 long-term partnerships, all of which were formed prior to the 2024 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$467,020,000. Under the terms of the partnership agreements, the University and other investors are committed to funding additional investments. As of June 30, 2024, the University's remaining commitments to 22 partnerships total approximately \$230,754,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

During the 2023 fiscal year, the University invested approximately \$54,217,000 in 26 long-term partnerships, 23 of which were formed prior to the 2023 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$390,500,000. Under the terms of the partnership agreements, the University and other investors are committed to funding additional investments. As of June 30, 2023, the University's remaining commitments to 23 partnerships total approximately \$260,182,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

(17) Risks and Uncertainties

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

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



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