METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT

Year Ended June 30, 2015

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METROPOLITAN STATE UNIVERSITY OF DENVER
REPORT SUMMARY
Year Ended June 30, 2015

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged CliftonLarsonAllen, LLP to conduct a financial and compliance audit of the Metropolitan State University of Denver (formerly, the Metropolitan State College of Denver) (the University) for the year ended June 30, 2015. CliftonLarsonAllen performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from May 2015 to October 2015.

The purpose and scope of our audit were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2015. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2015 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2015.

No audit adjustments were proposed or made to the financial statements of the University.

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

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

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

In addition to issuing a report on the University's compliance with internal control over financial reporting, we also performed procedures in accordance with Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted four instances of noncompliance or internal control deficiencies during these procedures, which we consider to be significant deficiencies.

Summary of Key Audit Findings

Notification of Disbursement of Student Financial Aid (Significant Deficiency in Internal Control)

During our review of the University's notifications of disbursement of aid, we found that, during Fiscal Year 2015, the University only notified students when their loan was approved and at the beginning of each term as opposed to each disbursement which occurred throughout the award year. Further, we noted that some of the elements required by federal regulations were not included in the notifications.

Controls over Accuracy of Enrollment Reporting – Initial Record Reporting (Significant Deficiency in Internal Control)

The University does not have adequate controls in place to ensure that student enrollment data reported to the NSLDS is accurate or reported timely.

Controls over Accuracy of Enrollment Reporting – Correction of Errors (Significant Deficiency in Internal Control)

The University does not have adequate controls in place to ensure errors in student data are identified, corrected and reported to the NSLDS accurately and in a timely manner.

Review Controls over Disbursements and Borrower Data Transmission (Significant Deficiency in Internal Control)

Management did not maintain documented evidence that the reconciliation of the School Account Statement was being reviewed.

Recommendations and the University's Responses

A summary of our recommendations and responses from the University can be found in the Recommendation Locator section of this report. The University's responses to the findings have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2014 included nine findings and recommendations. Of the nine prior year findings and recommendations we noted that six, have been implemented and are not findings for Fiscal Year 2015. The remaining three findings have not been implemented and are again included in our findings and recommendations for the year ended June 30, 2015. See summary at page 12.

METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
RECOMMENDATION LOCATOR
Year Ended June 30, 2015

Rec no.	Page no.		Agency response	Implementation date
1	7-8	Metropolitan State University of Denver should implement a process to ensure that students are notified of each Student Financial Aid loan and TEACH grant disbursement and that the notification includes all elements of communication as required by federal regulations. This process should include providing training to University staff to ensure they have a sufficient understanding of Student Financial Aid requirements surrounding disbursements.	Agree	Immediate
2	8-9	Metropolitan State University of Denver should implement a reconciliation process whereby the registrar generates a monthly report that contains reportable enrollment status changes that is compared to enrollment status changes reported to NSLDS within the past month that includes unofficial withdrawals. The reconciliation should be reviewed by a second individual of supervisory authority to ensure that the student enrollment data reported to the National Student Loan Data System (NSLDS) is accurate and reported in a timely manner.	Agree	Immediate
3	9-10	Metropolitan State University of Denver should work with the NSC to identify a process and control whereby the University will be able to identify, correct and resubmit error files to NSLDS within the federally required timeframe.	Agree	January 29, 2016
4	11	Metropolitan State University of Denver should document the review of the reconciliation of the School Accounts Statements (SAS) data file to its financial records.	Agree	Immediate

DESCRIPTION OF THE METROPOLITAN STATE UNIVERSITY OF DENVER (UNAUDITED)
Year Ended June 30, 2015

Organization

Established in 1965 as Colorado's "College of Opportunity," Metropolitan State University of Denver (the University) is the third largest higher education institution in Colorado and one of the largest public four-year universities in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only have a high school diploma, a general educational development (GED) high school equivalency certificate, or the equivalent to gain admission.

The University is governed by the Board of Trustees, an 11-member board consisting of 9 voting members appointed by the Governor of Colorado with the consent of the Senate, and a faculty and a student representative, both of whom are non-voting.

The University offers 60 major fields of study and 87 minors, 30 certificates, and 33 licensure programs through its College of Business; School of Education, College of Letters, Arts and Sciences; and College of Professional Studies. Degrees include Bachelor of Science, Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Music, Bachelor of Music Education, and three Masters. Academic bachelor programs range from the traditional, such as English, art, history, biology, and psychology, to business related degrees in computer information systems, accounting and marketing, and professional directed programs in nursing, healthcare management, criminal justice, pre-medicine, prelaw, and pre-veterinary science. Master programs include art in teaching, social work, and professional accountancy.

Enrollment and faculty and staff information is provided below. Full-time equivalent students reported by the University for the last three fiscal years are as follows:

Fiscal Year	Resident	Nonresident	Total
2015	15,528	583	16,111
2014	16,068	497	16,565
2013	16,266	660	16,926

Full-time equivalent employees, funded by the State of Colorado, reported by the University for the last three fiscal years are as follows:

Fiscal Year	Faculty	Staff	Total
2015	861	452	1,313
2014	860	415	1,275
2013	875	383	1,258

We have audited the financial statements of the Metropolitan State University of Denver (the University) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 4, 2015. In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the University's internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated December 4, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since December 4, 2015. We did not audit the financial statements of the Metropolitan State University of Denver Foundation, Inc., a discretely presented component unit, discussed in note 1 to the financial statements. Those financial statements were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Additionally, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The University's responses to the findings have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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

In addition to issuing a report on the University's compliance and internal control over financial reporting, we also performed procedures in accordance with Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted four instances of noncompliance or internal control deficiencies during these procedures, which we consider to be significant deficiencies.

Student Financial Aid Cluster – Introduction

The Federal Student Financial Aid (SFA) programs provide assistance to eligible students attending institutions of postsecondary education. The programs are administered by the Department of Education and are authorized by Title IV of the Higher Education Act of 1965, as amended, and collectively are referred to as the "Title IV programs".

Title IV funds include several types of aid: grant funds, loan funds and Federal Work Study (FWS) funds. Grant funds and loan funds have subcategories of aid that have different eligibility requirements that are awarded based on a student's situation. The University's Title IV Grant funds include Federal Pell grants, Federal Supplemental Educational Opportunity (FSEOG) grants, and Teacher Education Assistance For College and Higher Education (TEACH) grants. The University's Title IV loan funds include Federal Perkins loans, Federal Direct Student loans and Federal Direct Parent loans for Undergraduate Students (PLUS loans).

An original sample of 40 was selected in order to test 1) students' general eligibility, 2) satisfactory academic progress and 3) and disbursement notification requirements. Of the original sample of 40, selected students were tested for the types of aid listed below. Several students received more than one type of aid and were therefore tested for each type of aid they received.

- 32 students received either loans or TEACH grants disbursements that were tested for notification of disbursement requirements.
- 22 received PELL disbursements that were tested for specific grant requirements.
- 22 students received subsidized federal direct student loans that were tested for applicable requirements.
- 27 students received unsubsidized federal direct student loans that were tested for applicable requirements.
- 2 students received undergraduate PLUS loans that were tested for applicable requirements.
- 2 students received FSEOG grant funds that were tested for applicable requirements.
- 1 student received a Perkins loan that was tested for applicable requirements.
- 1 student received FWS funds that were tested for applicable requirements.

In addition to the original 40 selected, the following samples were also selected in order to test the requirements of all types of Federal Student Financial Aid awarded by the University:

- One student who received federal graduate PLUS loan funds
- One student who received TEACH grant funds

Lastly, separate samples were selected in order to test compliance in the following areas:

- Return of federal Title IV funds requirements (sample of 40)
- Student verification requirements (sample of 40)
- Perkins loan deferment and cancellation requirements (sample of 40)
- Reconciliation of school financial records to the U.S. Department of Education's Common Origination and Disbursement website (sample of 3 monthly reconciliations)
- Student loan enrollment reporting requirements (sample of 40)

Notification of Disbursement of Student Financial Aid

Title IV regulations require that universities notify students of certain information as prescribed by federal regulations when loans are disbursed to a student's account. Regulations require such notifications go to parents when excess loan funds are paid to the parents versus the students.

What was the purpose of the audit work?

The purpose of the audit work was to determine whether the University notified students or parents, as applicable, of required information during Fiscal Year 2015 as prescribed by federal regulations.

What audit work was performed and how were results measured?

We tested 32 students who received SFA loan or TEACH grant disbursements during Fiscal Year 2015 to determine whether the students or their parents, as applicable, were notified of the information required by federal guidelines. For TEACH grants, Perkins Loans, and Federal Direct Loans (including PLUS), the University is required to notify students or parents in writing of (1) the date and amount of the federal financial aid disbursement; (2) the student's right, or parent's right, to cancel all or a portion of a loan or loan disbursement and have the loan proceeds returned to the holder of the loan or the TEACH grant payments returned to the Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH grant, or TEACH grant disbursement per 34 CFR 668.165.

What problem did the audit work identify?

We noted that none of the 32 students tested received any type of notification that contained information on the student's and/or parent's right to cancel all or a portion of the SFA loan and the procedure and time by which the student and/or parent must notify the University that he or she wishes to cancel the loan. Specifically, we found that the University notifies students or parents when loans are approved and, at the beginning of each term, they notify students or parents when loans are expected to be disbursed during the term rather than prior to each disbursement.

Why did the problem occur?

The University was made aware of the issue at the beginning of Fiscal Year 2015, as we reported it as a finding in our Fiscal Year 2014 report. University staff reported that they did not have the resources in Fiscal Year 2015 to address the problem.

Why does this problem matter?

As a result of not providing students or parents with the required SFA notifications during Fiscal Year 2015, the University was out of compliance with federal program regulations. This problem could lead to potential federal sanctions.

(CFDA No. 84.268 and 84.379 Student Financial Aid Cluster. Classification of Finding: Significant Deficiency.)

Total known federal questioned costs of $0: $0 identified in the 32 students selected; $0 identified in payments outside of the 32 students selected.

Recommendation No.1:

Metropolitan State University of Denver should implement a process to ensure that students are notified of each Student Financial Aid loan and Teacher Education Assistance For College and Higher Education (TEACH) grant disbursement and that the notification includes all elements of communication as required by federal regulations. This process should include providing training to University staff to ensure they have a sufficient understanding of Student Financial Aid requirements surrounding disbursements.

Metropolitan State University of Denver Response: Agree**.** MSU Denver implemented both a loan certification letter and a loan disbursement letter beginning the 2015-16 academic year. The loan certification letter is emailed to the student/borrower that notifies them that a loan request has been processed and is now in the certification process. The disbursement letter is emailed notifying the borrower that their loan request has been disbursed into their student account and also informs them of options if they no longer wish to take out these loans. These notification emails are sent to those who have accepted Direct Loans, PLUS/Grad PLUS, alternative (private) loans and TEACH.

Implementation Date: Implemented

Controls over Accuracy of Enrollment Reporting – Initial Record Reporting

Universities are required to notify lenders and guaranty agencies of the status of student aid recipients by accessing the National Student Loan Database (NSLDS) website and creating the Enrollment Reporting Summary Report.

Under the Pell grant and loan programs, schools must complete and return the Enrollment Reporting roster file within 15 days of receipt from the U.S. Department of Education. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Once received, universities must update the roster for changes in student statuses, report the date the enrollment statuses were effective, enter the new anticipated graduation dates, and submit the changes electronically through the NSLDS website. The University utilizes a third party servicer, the National Student Clearinghouse (NSC), to assist with this process.

What was the purpose of the audit work?

The purpose of the audit work was to determine whether the University uploaded roster files timely in accordance with federal regulations during Fiscal Year 2015.

What audit work was performed and how were results measured?

We tested 40 students who had a reduction or increase in attendance levels, graduated from, withdrew, dropped out of, and/or enrolled but never attended the University during Fiscal Year 2015 to determine whether the University reported the student's change in status within the federally required timeframe.

Enrollment information must be reported to NSLDS within 15 days whenever attendance changes for students. (Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

What problem did the audit work identify?

We found that, for 9 of 40 students we reviewed, the University did not report the student's change in enrollment status information into NSLDS website within the required timeframe. We noted that all 9 exceptions were instances of students unofficially withdrawing. We noted that the error report, which the University uses to check their data before sending to the NSC does not include unofficial withdrawals.

Why did the problem occur?

The University does not have a review process in place to ensure that student enrollment data reported to the NSLDS is accurate and reported in a timely manner.

Why does this problem matter?

Failure to properly report student enrollment status increases the risk of material non-compliance with federal Student Financial Aid program requirements. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to loan program holders by ED; consequently, students could be over awarded or under awarded federal financial aid, be obligated to return federal financial aid funds or obligation to pay back amounts on loans depending on the specific change to their enrollment status.

(CFDA No. 84.063 and 84.268; Student Financial Aid Cluster. Classification of Finding: Significant Deficiency.)

[1]**Total known federal questioned costs of $0:** $0 identified in the 40 students selected; $0 identified in payments outside of the 40 students selected.

Recommendation No. 2:

Metropolitan State University of Denver should implement a reconciliation process whereby the registrar generates a monthly report that contains reportable enrollment status changes that is compared to enrollment status changes reported to NSLDS within the past month that includes unofficial withdrawals. The reconciliation should be reviewed by a second individual of supervisory authority to ensure that the student enrollment data reported to the National Student Loan Data System (NSLDS) is accurate and reported in a timely manner.

Metropolitan State University of Denver Response: Agree. The Registrar's Office has created and implemented a time status report that is run prior to submitting to the National Student Clearinghouse (NSC). The Registrar's Office will begin running this on a weekly basis and ensure it is reviewed by the Systems Analyst and Associate Registrar to ensure that student enrollment data is reported to NSLDS accurately.

Implementation Date: Implemented

Controls over Accuracy of Enrollment Reporting – Correction of Errors

The National Student Loan Data System (NSLDS) is the USDOE's central database for student aid. All schools participating in the SFA programs are required to report student enrollment data to the NSLDS through an enrollment roster file and have online enrollment access.

Under the Pell grant and the loan programs, at least every 60 days, the USDOE sends a roster file containing student enrollment status and other data to each participating institution; each institution must certify the information and return the Enrollment Reporting roster file within 15 days of receipt to the USDOE. Once received, each institution must update the roster for changes in student statuses, report the date the enrollment statuses were effective, enter the new anticipated graduation dates, and submit the changes electronically through the NSLDS website. In addition, timely and accurate enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

After the institution submits the enrollment roster file, if there are any records that did not pass the NSLDS enrollment reporting edits, an institution will receive an Error/Acknowledgment file from NSLDS with the records that did not pass the edits. The institution then has 10 business days to address the errors and submit the revised roster file to NSLDS. As outlined by the OMB A-133 Compliance Supplement, auditors are required to review the NSLDS Enrollment Reporting Summary Report (as referred to as the SCHER1 by the USDOE) report to ensure compliance.

The University, like many large schools, contracts with the National Student Clearinghouse (NSC) to process their enrollment reporting to NSLDS. While NSC and other third-party servicers process the USDOE report on behalf of the institutions with which they contract, those institutions, including the University, are fully responsible for timely reporting, whether they report directly or via a third-party servicer.

What was the purpose of the audit work?

The purpose of the audit work was to determine whether the University uploaded roster files and corrected errors timely in accordance with federal regulations during Fiscal Year 2015.

What audit work was performed and how were results measured?

We selected 40 students that either had a reduction or increase in attendance levels, graduated from, withdrew, dropped out of, and/or enrolled but never attended the University during Fiscal Year 2015 for testing. Our test was designed to determine whether the University reported the student's change in enrollment status within the federally required timeframe of 30 days.

In addition, we reviewed SCHER1 to ensure that the campuses were submitting roster files within the required 15-day timeframe and correcting and resubmitting errors to NSLDS within 10 days as required by federal regulations.

What problem did the audit work identify?

We found 9 of 40 errors in the accuracy of the reported statuses in the sample of 40 enrollment status changes we selected, as reported in finding #2. In addition, we discovered during our review of the SCHER1 report that the University had not corrected errors identified by NSLDS within the required timeframe. After uploading batch roster updates to NSLDS within the required timeframe, the campuses' error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days; however, some of those records continued to not pass the NSLDS enrollment reporting edits. We noted no additional uploads by NSC to correct these errors until the next enrollment roster request from NSLDS, which occurs approximately every 30 days.

Why did the problem occur?

As previously discussed, the campuses utilize the NSC to report student information to NSLDS. The University did not have a monitoring process in place to ensure that the NSC corrected errors in a timely manner.

Why does this problem matter?

Failure to properly report and correct information submitted to the USDOE through the NSLDS increases the risk of material non-compliance with federal Student Financial Aid program requirements. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to loan program holders by the USDOE; consequently, this could impact a student's obligation to pay back amounts on loans depending on the specific change to their enrollment status.

(CFDA No. 84.SFA; Student Financial Aid Cluster. Classification of Finding: Significant Deficiency.)

Total known federal questioned costs of $0: $0 identified in the 40 students selected; $0 identified in payments outside of the 40 students selected.

Recommendation No. 3:

Metropolitan State University of Denver should institute a process to monitor the third party servicer to ensure NSC is performing the duties they are contracted to perform. This should include taking steps to ensure that the University identifies and addresses error files and requires the NSC to correct and resubmit the affected files within the required 10 days.

Metropolitan State University of Denver Response: Agree. The Registrar's Office will develop a process with NSC to ensure the correct steps are being taken to comply with the required 10 day turnover.

Implementation Date: January 29, 2016

Management Review Controls over Borrower Data Transmission

Universities are required to report all Student Financial Aid loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the U.S. Department of Education's Common Origination and Disbursement (COD) website within 30 days of loan disbursement. Each month, the COD provides universities with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. Universities are required to reconcile these files to their financial records.

What was the purpose of the audit work?

The purpose of the audit work was to determine whether the University reconciled SAS data files to its records each month during Fiscal Year 2015 and, if so, whether the reconciliations were reviewed by someone other than the preparer.

What audit work was performed and how were results measured?

We requested three monthly reconciliations of SAS data files to financial records from Fiscal Year 2015 to determine whether the University performed and reviewed the reconciliations as required by federal regulations.

What problem did the audit work identify?

We determined that the University did not maintain documented evidence that the reconciliations were reviewed. While no evidence of the performance of the control was maintained, we noted that the SAS data files agreed to the University's financial records and as such, no instances of noncompliance were identified.

Why did the problem occur?

The University does not have policies and procedures in place to ensure that evidence is maintained of the review of SAS reconciliations.

Why does this problem matter?

Failure to maintain documented evidence of the performance of the reconciliation procedures increases the risk of material noncompliance in the SFA program.

(CFDA No. 84.268; Student Financial Aid Cluster. Classification of Finding: Significant Deficiency.)

Total known federal questioned costs of $0: $0 identified in the 3 reconciliations selected; $0 identified outside of the 3 reconciliations selected.

Recommendation No. 4:

Metropolitan State University of Denver should document the review of the reconciliation of the School Accounts Statements (SAS) data file to its financial records.

Metropolitan State University of Denver Response: Agree***.*** The Office of Financial Aid and Scholarships developed a process late in the 1415 academic year in which reconciliation reports are loaded into Banner on a monthly basis and reviews are conducted within a timely manner.

Implementation Date: Implemented

METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

The following table presents the recommendations still outstanding from the June 30, 2014 audit, and its disposition as of June 30, 2015:

Recommendation No.	**Disposition**
Recommendation No. 1 – Metropolitan State University of Denver should implement a process to ensure that all manual overrides are reviewed and approved. This process should include a review of all student profiles that appear on the Banner over award report and are manually overridden to ensure their awards are being calculated correctly based on their student information and eligibility.	Implemented
Recommendation No. 2 – The University should implement a process to review the academic progress of students who receive TEACH grant funds so that the University does not disburse TEACH grant funds to a student who does not meet satisfactory academic progress requirements.	Implemented
Recommendation No. 3 – Metropolitan State University of Denver should implement a process to ensure that students are notified of each Student Financial Aid loan and TEACH grant disbursement and that the notification includes all elements of communication as required by federal regulations. This process should include providing training to University staff to ensure they have a sufficient understanding of Student Financial Aid requirements surrounding disbursements.	Not implemented. See current year Recommendation No. 1.
Recommendation No. 4 – Metropolitan State University of Denver should ensure that return of Title IV fund calculations are performed correctly and reviewed on a timely basis to ensure that all applicable return of Title IV funds calculations are returned to the Department of Education within 45 days. Management should select a sample of calculations performed on a monthly basis to review to ensure that they were performed correctly.	Implemented

Recommendation No.	**Disposition**
Recommendation No. 5 – Metropolitan State University of Denver should implement appropriate internal review controls to ensure that all students selected for verification of eligibility for Student Financial Aid are verified in accordance with the University's Quality Assurance Program. Management should review a sample of student verification files performed monthly to ensure that students are being verified properly.	Implemented
Recommendation No. 6 – Metropolitan State University of Denver should implement a review process over federal Perkins loan deferment calculations to ensure that the calculations are accurate, in accordance with federal regulations, and that adequate supporting documentation is maintained.	Implemented
Recommendation No. 7 – Metropolitan State University of Denver should implement policies and procedures to document both the performance and review of the reconciliation of the School Accounts Statements (SAS) data file to its financial records.	Partially implemented. See current year Recommendation No. 4.
Recommendation No. 8 – Metropolitan State University of Denver should implement a reconciliation process whereby the registrar generates a monthly report that contains reportable enrollment status changes that is compared to enrollment status changes reported to NSLDS within the past month. The reconciliation should be reviewed by a second individual of supervisory authority to ensure that the student enrollment data reported to the National Student Loan Data System (NSLDS) is accurate and reported in a timely manner.	Not implemented. See current year Recommendation No. 2.
Recommendation No. 9 – The Metropolitan State University of Denver should implement appropriate internal controls to ensure that it is in compliance with all continuing disclosure requirements related to its outstanding debt.	Implemented

Independent Auditors' Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit and the report of other auditors. We did not audit the financial statements of the Metropolitan State University of Denver Foundation, Inc. (the Foundation), a discretely presented component unit, discussed in note 1 to the financial statements, which represents 22% of total assets, 32% of total revenues, and 97% of net position of the aggregate discretely presented component units as of and for the year ended June 30, 2015. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Metropolitan State University of Denver as of June 30, 2015, 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 Matters

As discussed in Note 18 to the financial statements, in fiscal year 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No, 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18-26 and the schedule of University's Proportionate Share of PERA Pension Liability and the schedule of University's Contributions to PERA Pension on page 55 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

The description of the Metropolitan State University of Denver on page 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 4, 2015

This section of Metropolitan State University of Denver's (MSU Denver, or the University) financial report presents Management's Discussion and Analysis of the financial performance of MSU Denver during the years ended June 30, 2015 and 2014. This discussion focuses on current activities and known facts and provides an overview of MSU Denver's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Understanding the Financial Report

The financial statements adhere to Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. In fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This statement requires the University to record a liability equal to its proportionate share of the net pension liability of the Public Employees' Retirement Association (PERA). PERA provided information, which allowed the University to restate the 2015 beginning net position figure, but not enough information to restate fiscal year 2014 information. Because of this, the figures between fiscal year 2014 and 2015 are not comparable. Due to this incomparability, the University has decided to only show fiscal year 2015 in our financial statements and our footnotes. However, in this Management's Discussion and Analysis section we will address the changes between fiscal year 2015 and fiscal year 2014 as well as identify how many of those changes are due to entries required by Statement No 68. The fiscal year 2016 annual report will show comparative statements and notes.

This annual report consists of a series of financial statements in compliance with the standards noted above: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. The statements are prepared under the accrual basis of accounting. Hence, revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or services, without regard to the actual date of collection or payment.

The financial statements of the Metropolitan State University of Denver Foundation, Inc. (the Foundation) and the HLC @ Metro, Inc. are included in MSU Denver's financial statements as required by GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Management's Discussion and Analysis focuses on the financial activities of the University and not the discretely presented component units.

Financial Highlights

In fiscal year 2015, the financial position of MSU Denver appears to have significantly decreased. The combined net position went from a positive $78.9 million in fiscal year 2014 to a negative $57.5 million in fiscal year 2015. GASB Statement No 68 (GASB 68) resulted in a $148.8 million net pension liability, a $6.6 million deferred outflow, and a $2.1 million deferred inflow, which reduced the unrestricted net position by $144.0 million. For comparative purposes, if we were to remove the effects of GASB 68, the overall net position would have been a positive $86.7 million, which would have been an increase of $7.8 million.

- In fiscal year 2015, the level of funding for MSU Denver's College Opportunity Fund (COF) stipends was set by the General Assembly at $75 per eligible credit hour. This amount increased from $64 per eligible credit hour in fiscal year 2014.

- MSU Denver's June 30, 2015 current assets of $85.4 million were sufficient to cover current liabilities of $29.8 million. The current ratio of 2.87 (current assets/current liabilities) reflects the liquidity of MSU Denver's assets and the availability of funds for current operations. GASB 68 did not affect the University's current assets.
- The University had outstanding bonds payable of $63.5 million in fiscal year 2015.
- MSU Denver's headcount had decreases in its undergraduate students of 0.3%, 4.9%, and 4.94% in the summer 2014, fall 2014, and spring 2015 terms, respectively, over the previous year's terms. However, there were increases in the headcount of graduate level students of 15.9%, 3.24% and 2.04% in the summer 2014, fall 2014, and spring 2015 terms, respectively, over the previous year's terms. Graduate headcount represented approximately 2.2% of total headcount.

Statement of Net Position

The statement of net position reports on assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position as of June 30, 2015. Over time, increases or decreases in net position are one indicator of MSU Denver's financial health when considered in conjunction with nonfinancial facts such as student enrollment. As previously discussed GASB 68 had a considerable effect on the University's net position. The condensed Statements of Net Position and the other condensed statements shown here in the Management's Discussion and Analysis section all include the entries required by GASB 68. Where applicable we have outlined what effects GASB 68 had on the figures.

Condensed Statements of Net Position

	June 30	
	2015	**2014**
	(In thousands)	
Assets:		
Current assets	$ 85,400	$ 87,426
Noncurrent assets	102,151	94,455
Total assets	187,551	181,881
Deferred Outflows	6,587	-
Total assets and deferred outflows	$ 194,138	$ 181,881
Liabilities:		
Current liabilities	$ 29,843	$ 33,869
Noncurrent liabilities	219,766	69,108
Total liabilities	249,609	102,977
Deferred inflows	2,053	-
Total liabilities and deferred inflows	$ 251,662	$ 102,977
Net position:		
Net Investment in Capital Assets	$ 23,376	$ 17,569
Restricted for expendable purposes	9,256	9,363
Unrestricted	(90,156)	51,972
Total net position	$ (57,524)	$ 78,904

At June 30, 2015, MSU Denver's total assets were $187.6 million, which is an increase of $5.7 million when compared to the prior year. GASB 68 did not affect the University's total assets; however, as a result of GASB 68 the University now has a deferred outflow of $6.6 million. Deferred outflows are additions to net position and essentially reflect expenses that relate to a future period. $3.6 million of the $6.6 million represents the amount of PERA contributions the University made from January 1, 2015 through June 30, 2015. This time frame is after PERA's fiscal year end close and subsequent to the date the relative balances were measured. The remaining $3.0 million represents MSU Denver's share of the net difference between projected and actual investment earnings by PERA.

The primary reason assets increased $5.7 million is due to the completion of the Regency Athletic Complex (RAC). The University funded the RAC primarily with cash reserves, but it also used $4 million of proceeds from the Series 2014 bonds, $3.925 million of which was received in fiscal year 2015. The University also received $2.0 million in capital contributions from the state for the construction of the Aerospace Sciences and Engineering Building. There was also an $807 thousand increase in student accounts receivable, of which over $400 thousand was due to non-resident students. Lastly, there was a $625 thousand increase in accounts receivable other, which was made up primarily of a receivable due from the Foundation for the RAC. There were small decreases in loans receivable, software, and leasehold improvements.

At June 30, 2015, MSU Denver's total liabilities were $249.6 million which is an increase of $146.6 million when compared to fiscal year 2014. There was a $148.8 million net pension liability in fiscal year 2015 as a result of GASB 68. For comparative purposes, if we removed the net pension liability there would be a $2.1 million decrease in total liabilities. This decrease is primarily due to a reduction in payables for the RAC.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position present the results of operations during fiscal year 2015. Activities are reported as operating, non-operating, or other. Operating revenues and expenses generally result from providing services for instruction, public service, student services, and academic and institutional support to/from an individual or entity separate from MSU Denver. Nonoperating revenues and expenses are those other than operating and include but are not limited to investment and interest income, private grants and gifts, rental income, and Pell grants. Other revenue consists of capital contributions from the State. GASB 68 did not affect revenue figures.

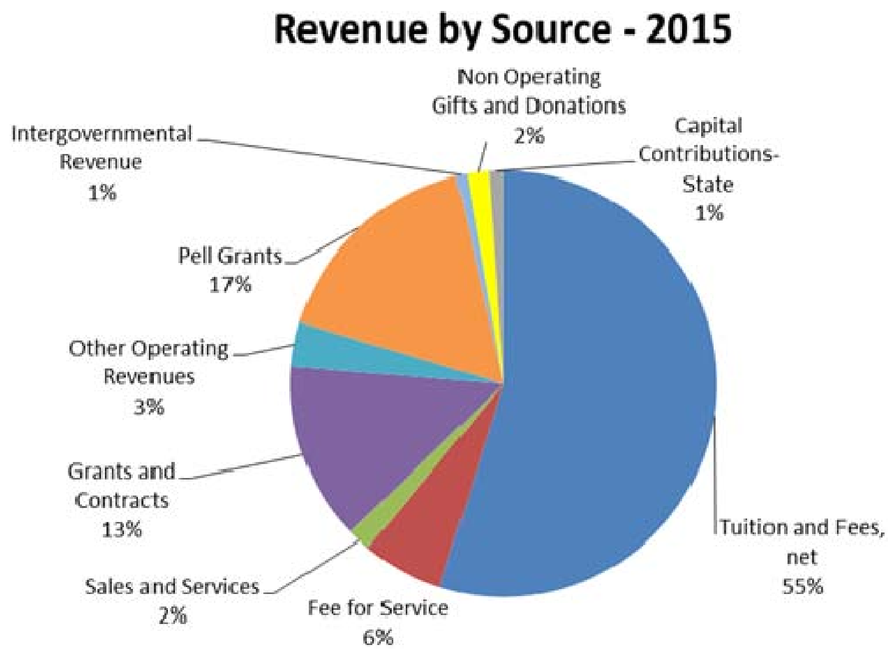
Condensed Statements of Revenues, Expenses, and Changes in Net Position

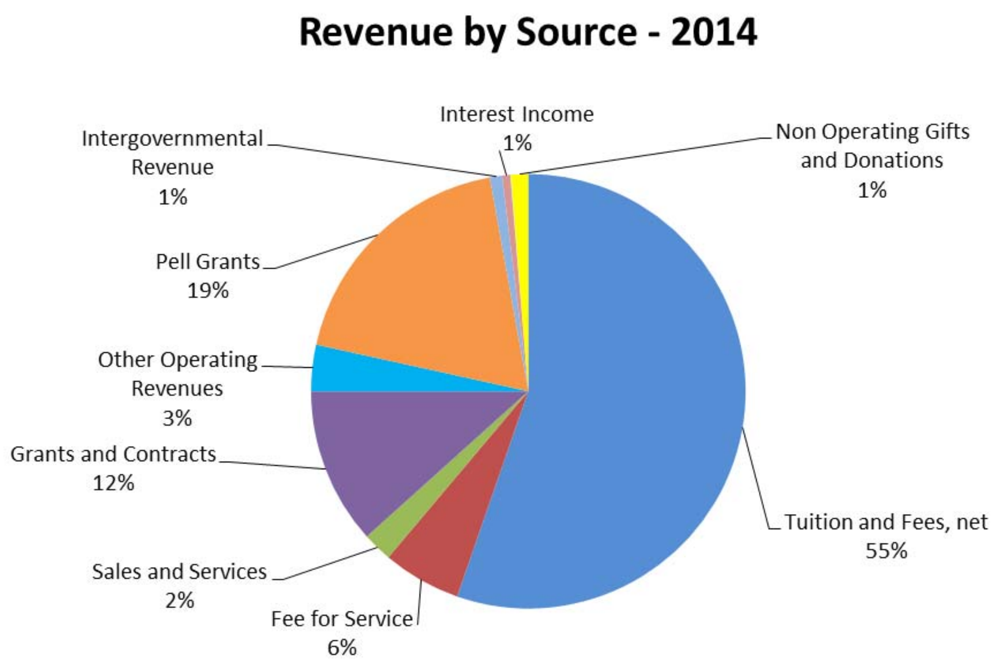
	June 30 2015	June 30 2014
	(In thousands)	
Operating revenues:		
Tuition and fees, net	$ 101,795	96,388
Fee for service	11,432	10,156
Sales and services	3,296	3,827
Grants and contracts	25,052	20,272
Other operating revenues	6,259	6,036
Total operating revenues	147,834	136,679
Operating expenses	178,346	168,159
Operating loss	(30,512)	(31,480)
Nonoperating revenues:		
Pell grants	31,130	32,602
Intergovernmental revenue	1,328	1,597
Investment and interest income	728	1,053
Interest expense on capital asset-related debt	(3,634)	(3,893)
Loss on disposal of capital assets	(60)	(429)
Nonoperating gifts and donations	3,118	2,203
Other non operating revenue	130	101
Net nonoperating revenues	32,740	33,234
Income before other revenues	2,228	1,754
Other revenues		
Capital contributions - State	2,023	-
Increase in net position	4,251	1,754
Net position at beginning of year	78,904	77,150
Restatement	(140,679)	-
Net position at beginning of year as restated	(61,775)	-
Net position at end of year	$ (57,524)	78,904

Tuition and fees revenue, net, accounted for $101.8 million of $147.8 million in operating revenue in fiscal year 2015. The tuition and fees revenue amount is net of scholarship allowances of $54.7 million and bad debt of $2.3 million. Scholarship allowances are defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students.

Net tuition and fee revenue increased approximately $5.4 million, or 5.6%, from fiscal year 2014. There was a 6% increase in tuition rates in fiscal year 2015, but undergraduate resident enrollment continued to decline, as noted in the financial highlights section above. Scholarship discounts and allowances increased approximately $2.0 million from fiscal year 2014 due to the increase in tuition and Colorado student grants.

The following are graphic illustrations of total revenue (operating, non-operating, and other) by source for MSU Denver for fiscal years 2015 and 2014, respectively. Each major revenue component is displayed relative to its proportionate share of total revenue.





Overall operating expenses show an increase of $10.2 million over fiscal year 2014 due to several factors. There was a $7.0 million increase in salary and benefit expenses in fiscal year 2015. This increase resulted from a 2% pay increase for all exempt staff as well as a 2.5% pay increase for all classified staff. The minimum salaries for administrators were increased from 85% to 87% of the College and University Professional Associations (CUPA) range, and faculty were raised from 85% to 89%. There was also a net increase of 22 full time employees (FTE) in fiscal year 2015. In addition, GASB 68 resulted in an additional $3.6 million expense for the net pension liability increase. The University also had a $1.1 million increase in depreciation due to the completion of the athletic fields.

There was also approximately a $1.4 million increase in materials and supplies as travel. $776 thousand of this $1.4 million was due to increases in the appropriations and controlled maintenance paid to AHEC and the payments to UCD for the shared use of the library. There was also a $629 thousand increase in fiscal year 2015 due to a change in presentation for the University's credit card processing fees (merchant fees). Prior to fiscal year 2015 the University presented these fees as a contra revenue in the sales and services of educational departments line. However, given that these merchant fees are increasing due to increased payments via credit card, MSU Denver moved these to the institutional support expense line which is consistent with other institutions of higher education and more accurately reflects the cost of conducting business. There was an offsetting $1.8 million decrease in non-capital expenses, which was primarily due to one-time computer purchases in fiscal year 2014. There was also a decrease of approximately $2.0 million due to a one-time payment to AHEC in fiscal year 2014 for additions to the electrical infrastructure.

	2015	2014
Operating expenses:		
Instruction	$ 80,913,623	75,531,096
Research	15,055	16,542
Public service	1,144,621	813,143
Academic support	17,784,466	15,700,581
Student services	17,781,686	17,273,000
Institutional support	19,511,744	18,048,463
Operation of plant	11,248,050	12,607,469
Scholarships and fellowships, net	1,848,457	1,875,244
Auxiliary enterprise expenditures	21,736,555	21,023,242
Depreciation	6,362,145	5,269,745
Total operating expenses	$ 178,346,402	168,158,525

Statements of Cash Flows

The statements of cash flows present relevant information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities. It also helps the users of financial statements gauge MSU Denver's ability to generate cash flows and meet financial obligations as they mature.

Condensed Statements of Cash Flows

	June 30	
	2015	2014
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ (23,043)	(25,831)
Noncapital financing activities	34,149	35,657
Capital and related financing activities	(20,772)	(13,831)
Investing activities	655	968
Net (decrease) increase in cash	(9,011)	(3,037)
Cash and cash equivalents:		
Beginning of year	77,805	80,842
End of year	$ 68,794	77,805

MSU Denver's cash and cash equivalents decreased by $9.0 million in fiscal year 2015. The decrease is primarily due to the completion of the Regency Athletic Complex (RAC). However, the University did see offsetting increases due to tuition and fees and gifts and contracts. The major sources of unrestricted cash inflows in fiscal year 2015 were $99.1 million from tuition and fees, $24.9 million from grants and contracts, and $31.0 million in Pell grants. The primary outflows are $121.2 million for payments to or for employees, $45.7 million for payments to suppliers and $22.6 million for the acquisition of capital assets.

Capital Assets

At June 30, 2015, the University had $93.2 million in property, plant, and equipment, net of accumulated depreciation of $30.6 million. Depreciation charges were $6.4 million for fiscal year 2015.

The $5.1 million decrease in construction in progress, the $4.7 million increase in buildings and the $14.3 million increase in leasehold/land improvements were due to the completion of the RAC.

Details of these assets are shown in the table below:

Capital Assets, Net of Depreciation at Year-End

	June 30	
	2015	2014
	(In thousands)	
Construction in progress	$ 2,258	7,403
Land	1,005	1,005
Equipment	8,077	7,654
Buildings	47,056	42,383
Leasehold/land improvements	34,836	21,133
Total	$ 93,232	79,578

Debt

In November 2009, MSU Denver issued $55.2 million of Series 2009 Taxable Institutional Enterprise Revenue Bonds to finance the construction of the University's first brick and mortar building, the Student Success Building (SSB). The SSB added approximately 145,000 square feet of space for classrooms and faculty offices, specifically for MSU Denver students and professors. It also provides students with a central location for student support services. In June 2010, the University issued $10.6 million in Series 2010 Taxable Institutional Enterprise Revenue Bonds for various major remodeling projects (see note 6 for more information on these obligations) as personnel moved to the SSB. These bonds will be paid off using proceeds from a student bond fee approved by the University's students. Both bond issuances are Revenue Zone Economic Development Bonds (RZEDBs) that make them eligible for a 45% bond interest subsidy from the federal government.

In June 2014, the University issued Series 2014 Institutional Enterprise Revenue Bonds not to exceed $4.0 million to help fund the construction of the RAC. These bonds worked like a line of credit, where the University drew funds on an as needed basis. As of June 30, 2015, the University drew the full $4.0 million.

At June 30, 2015, the University had $70.3 million in outstanding debt. The table below summarizes these amounts by type of debt:

Outstanding Debt at Year-End

	June 30	
	2015	2014
	(In thousands)	
Series 2009	$ 49,905	51,255
Series 2010	9,563	9,811
Series 2014	4,000	75
Capital lease	6,815	7,176
Total	$ 70,283	68,317

Economic Outlook and Metropolitan State University of Denver's Future

MSU Denver is commemorating its 50th anniversary with a yearlong celebration on campus and throughout Denver. Fifty years after its inception, the University has remained steadfast in its mission to serve as a modified open enrollment institution with an eye on affordability and accessibility. As the University celebrates its past, it also looks to the future with opportunities for growth, not only in its physical size but in how it transforms the lives of its students.

In an effort to leverage the growing aerospace sector in Colorado, MSU Denver has continued architectural and engineering work on the new Aerospace, Engineering and Sciences Building (AES). This new facility will house mechanical, electrical and civil engineering technologies; industrial design; and computer science to support an integrated curriculum, and promote collaborative research. Formal ground breaking is scheduled for October, 2015, with an estimated completion date of fall 2017. It will be built on the southeast corner of 7th Street and Auraria Parkway, and the estimated cost of $60 million will be funded with $20 million from the State and the remaining $40 million from MSU Denver and private-sector support. As of fiscal year 2015, the University received $2.0 million in state capital contributions and is scheduled to receive the remaining $18 million in fiscal year 2016.

After a successful public private partnership with Sage Hospitality for the Hospitality Learning Center, the University has entered into a new partnership with the Detroit Institute of Music Education (DIME) that will offer music education at DIME's location in Michigan, but through MSU Denver's faculty and curriculum. The purpose of the partnership is to generate additional revenues and increase the University's credit hour production with a location in Denver in the future. The courses offered through this partnership must be approved by the National Association of Schools of Music and the Higher Learning Committee. Their review is scheduled for fall 2015.

Additionally, MSU Denver has issued a letter of intent with Colorado Heights University (CHU) that would result in the transfer of ownership of significant portions of the historic Loretto Heights campus located at Federal and Dartmouth to MSU Denver, expanding the University's educational presence in southwest Denver and creating a multi-campus university. Currently, MSU Denver has entered into a 120-day due diligence period, during which time it will perform an inspection of the campus and existing facilities. Based on the results of this process, if the universities complete the transaction, MSU Denver could take ownership of the property by July 1, 2016, with some classes and programs beginning there in fall 2016.

The University also created two new master's programs – a Master of Health Administration with a focus on data analytics, and a Master of Business Administration with a focus on business intelligence. These programs are scheduled to go to the Higher Learning Commission for approval in spring 2017, to be offered in fall 2017.

MSU Denver retained its Taxpayer's Bill of Rights (TABOR) enterprise status during fiscal year 2015 by receiving less than 10% in state funding. The COF stipend was set by the General Assembly for fiscal year 2015 at $75 per eligible credit hour for resident undergraduate students. The stipend went unchanged for fiscal year 2016 and will remain at $75 per eligible credit hour, which is currently appropriated at $31.6 million, per the long bill. MSU Denver received $11.4 million in fee-for-service revenue in fiscal year 2015, and is budgeted to receive $18.5 million in fiscal year 2016. The main reason for the significant increase in fee-for-service revenue in fiscal year 2016 is the implementation of House Bill (HB) 1319 this past fiscal year. HB 1319 changed the fundamental funding structure of fee-for-service by tying a significant portion of that funding to institutional enrollment and performance factors.

In fiscal year 2015, MSU Denver raised tuition by 6% for undergraduate residents. The University will raise undergraduate tuition 5% in fiscal year 2016.

In March 2013, the federal government enacted the Balanced Budget and Emergency Deficit Control Act, and President Obama issued a sequestration order that reduced the subsidy amount the University received on its Recovery Zone Economic Development Bonds (RZEDB). Before sequester, the subsidy paid MSU Denver 45% of the interest amount on both the series 2009 and 2010 bonds. Sequester is scheduled though 2024 with reductions spanning 5.5% to 7.1%. The table below shows MSU Denver's original subsidy payment amounts and the modified payments for each RZEDB.

Series 2009 Bond Interest Payments and Corresponding Subsidy Receipts

June 30,	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Modified % of Subsidy Payments	Difference
2010	$ 1,585,672	$ 713,553	45%	$713,553	45%	$ (0)
2011	3,052,632	1,373,684	45%	1,373,684	45%	(0)
2012	3,039,941	1,367,973	45%	1,367,973	45%	(0)
2013	3,010,744	1,354,835	45%	1,296,222	43%	(58,612)
2014	2,974,155	1,338,370	45%	1,242,007	42%	(96,363)
2015	2,930,379	1,318,671	45%	1,222,408	42%	(96,263)
	Total Reduction in Series 2009 Bond Subsidy Payments					**(251,238)**

Series 2010 Bond Interest Payments and Corresponding Subsidy Receipts

June 30,	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Modified % of Subsidy Payments	Difference
2011	$ 543,193	$ 244,437	45%	$244,437	45%	$ (0)
2012	568,015	255,607	45%	255,607	45%	(0)
2013	563,395	253,528	45%	242,549	43%	(10,979)
2014	557,629	250,933	45%	232,866	42%	(18,067)
2015	550,508	247,728	45%	229,644	42%	(18,084)
	Total Reduction in Series 2010 Bond Subsidy Payments					**(47,130)**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to MSU Denver at Campus Box 98, P.O. Box 173362, Denver, CO 80217

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
June 30, 2015

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 68,794,334
Accounts receivable-student (net of allowance for doubtful accounts of $3,076,382)	12,019,886
Accounts receivable - other	2,457,954
Loans receivable	1,132,190
Prepaid expense	996,159
Total current assets	85,400,523
NONCURRENT ASSETS	
Restricted cash	-
Investments	363,364
Prepaid expense	507,088
Loans receivable (net of allowance for doubtful accounts of $512,845)	8,048,550
Land	1,005,185
Construction in Progress	2,258,245
DEPRECIABLE ASSETS, NET:	
Equipment	8,077,385
Buildings	47,055,932
Leasehold and land improvements	34,835,483
Total depreciable capital assets, net	89,968,800
Total noncurrent assets	102,151,232
DEFERRED OUTFLOWS	
Deferred pension outflow	3,553,211
Deferred outflow-investment earnings	3,033,521
Total deferred outflows	6,586,732
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 194,138,487
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 4,008,373
Accrued interest payable	348,561
Accrued payroll	11,755,172
Unearned revenue	7,630,581
Compensated absences	296,990
Bonds payable	1,980,000
Capital leases	379,355
Deposits held in custody and other current liabilities	3,443,383
Total current liabilities	29,842,415
NONCURRENT LIABILITIES	
Net pension liability	148,774,027
Compensated absences	3,069,102
Bonds payable	61,487,615
Capital leases	6,435,561
Total noncurrent liabilities	219,766,305
DEFERRED INFLOWS	
Deferred pension inflows	2,053,239
Total deferred inflows	2,053,239
TOTAL LIABILITIES AND DEFERRED INFLOWS	251,661,959
NET POSITION	
Invested in capital assets net of related debt	23,376,073
Restricted for expendable purposes	9,256,273
Unrestricted	(90,155,818)
TOTAL NET POSITION	$ (57,523,472)

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
June 30, 2015

ASSETS	Metropolitan State University of Denver Foundation, Inc.	HLC @ Metro Inc.	Total
Cash and cash equivalents	$ 602,785	$ 541,843	$ 1,144,628
Restricted cash and cash equivalents	-	8,360,616	8,360,616
Promises to give, net	461,225	-	461,225
Accounts receivable	14,203	528,294	542,497
Use of land	-	5,000,775	5,000,775
Beneficial interest in charitable trusts held by others	110,706	-	110,706
Investments	5,422,992	-	5,422,992
Endowment			-
Promises to give, net	957,948	-	957,948
Investments	7,109,108	-	7,109,108
Land and building, net	1,549,202	40,087,367	41,636,569
Furniture and equipment, net	-	570,046	570,046
Deferred debt issuance costs (net of amortization of $344,761)	-	1,093,751	1,093,751
Other assets	28,645	138,757	167,402
Total assets	$ 16,256,814	$ 56,321,449	$ 72,578,263
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	$ 34,607	$ 213,784	$ 248,391
Accounts payable and other	782,215	-	782,215
Interest payable	-	1,072,674	1,072,674
Bonds payable	-	54,162,985	54,162,985
Liabilities under charitable gift annuities	50,077	-	50,077
Other current liabilities	-	347,708	347,708
Total liabilities	866,899	55,797,151	56,664,050
Net assets			
Unrestricted	2,357,219	(4,510,791)	(2,153,572)
Temporarily restricted	9,785,678	5,035,089	14,820,767
Permanently restricted	3,247,018	-	3,247,018
Total net assets	15,389,915	524,298	15,914,213
Total liabilities and net assets	$ 16,256,814	$ 56,321,449	$ 72,578,263

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2015

OPERATING REVENUES	
Student tuition and fees, net of scholarship allowance of $54,718,360, and bad debt expense of $2,253,999	$ 101,794,541
Fee for service	11,432,411
Sales and services for educational departments	435,444
Sales and services for auxiliary enterprises	2,860,637
Federal grants and contracts	7,071,145
State grants and contracts	17,836,497
Local grants and contracts	107,394
Private grants and contracts	37,546
Operating interest income	214,093
Other operating revenues	6,044,990
Total operating revenues	147,834,698
OPERATING EXPENSES	
Instruction	80,913,623
Research	15,055
Public service	1,144,621
Academic support	17,784,466
Student services	17,781,686
Institutional support	19,511,744
Operation of plan	11,248,050
Scholarship and fellowships	1,848,457
Auxiliary enterprise expenditures	21,736,555
Depreciation	6,362,145
Total operating expenses	178,346,402
Operating loss	(30,511,704)
NONOPERATING REVENUES (EXPENSES)	
Pell grants	31,130,247
Intergovernmental revenue	1,327,909
Investment and interest income (loss)	727,696
Interest expense on capital asset related debt	(3,634,124)
Loss on disposal of fixed assets	(59,753)
Nonoperating gifts and donations	3,118,185
Other nonoperating	130,393
Net nonoperating revenue	32,740,553
Income before other revenues	2,228,849
OTHER REVENUES	
Capital contributions from the state	2,023,076
Total other revenues	2,023,076
Increase in net position	4,251,925
NET POSITION, BEGINNING OF YEAR	78,904,085
RESTATEMENT	(140,679,482)
NET POSITION, BEGINNING OF YEAR - AS RESTATED	(61,775,397)
NET POSITION, END OF YEAR	$ (57,523,472)

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2015

	Metropolitan State University of Denver Foundation, Inc.	HLC @ Metro Inc.	Total
Change in unrestricted net assets:			
Support, revenue, and gains:			
Contributions	$ 71,855	$ -	$ 71,855
In-kind contributions	1,391,753	-	1,391,753
Endowment management fees	126,256	-	126,256
Total support	1,589,864	-	1,589,864
Net investment return (loss)	27,358	8,748	36,106
Change in value of split-interest agreements	(4,364)	-	(4,364)
Federal interest subsidy	-	987,235	987,235
Rooms revenue	-	7,666,392	7,666,392
Food and beverage revenue	-	881,551	881,551
Parking, telephone and other revenue	-	818,551	818,551
Rent - Center for Visual Arts (CVA)	124,757	-	124,757
Net assets released from restrictions	3,176,593	308,921	3,485,514
Total support, revenue, and gains	4,914,208	10,671,398	15,585,606
Expenses and losses:			
Support provided to the University	2,987,972	-	2,987,972
University Hospitality Learning Center program services	-	4,735,954	4,735,954
General and administrative costs	407,680	693,290	1,100,970
Depreciation expenses	-	1,511,798	1,511,798
Donor development costs	1,391,503	13,135	1,404,638
Interest and amortization	-	3,374,932	3,374,932
Operating expenses for CVA	94,575	-	94,575
Total expenses and losses	4,881,730	10,329,109	15,210,839
Changes in unrestricted net assets	32,478	342,289	374,767

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2015

	2015		
	Metropolitan State University of Denver Foundation, Inc.	**HLC @ Metro Inc.**	**Total**
Change in temporarily restricted net assets:			
Support, revenue and gains:			
Contributions	2,583,606	218,919	2,802,525
In-kind contributions	43,332	-	43,332
Special events revenue, net	362,744	-	362,744
Federal interest subsidy	-	-	-
Interest income	-	-	-
Total support	2,989,682	218,919	3,208,601
Net investment gain (loss)	(15,900)	-	(15,900)
Net assets released from restrictions	(3,176,593)	(308,921)	(3,485,514)
Other reclassifications of net assets	-	-	-
Total support, revenue, and gains	(202,811)	(90,002)	(292,813)
Changes in temporarily restricted net assets	(202,811)	(90,002)	(292,813)
Change in permanently restricted net assets:			
Support, revenue, and gains:			
Contributions	239,381	-	239,381
Special events revenue, net	-	-	-
Total support	239,381	-	239,381
Change in value of split-interest agreements	(939)	-	(939)
Total support, revenue, and gains	238,442	-	238,442
Changes in permanently restricted net assets	238,442	-	238,442
Changes in net assets	68,109	252,287	320,396
Net assets, beginning of year	15,321,806	272,011	15,593,817
Net assets, end of year	$ 15,389,915	$ 524,298	$ 15,914,213

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received	
Tuition and fees	$ 99,094,656
Fee for service	11,432,411
Sales and services	3,207,120
Grants and contracts	24,885,019
Student loans collected	1,874,935
Other operating receipts	7,000,205
Cash payments	
Payments to or for employees	(121,155,225)
Payments to suppliers	(45,681,525)
Scholarships disbursed	(1,848,457)
Student loans disbursed	(1,852,330)
Net cash used in operating activities	(23,043,191)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating gifts and donations	2,686,307
Pell grants	30,952,068
Agency (direct lending inflows)	88,058,494
Agency (direct lending outflows	(87,548,886)
Other agency (inflows)	9,862,380
Other agency (outflows)	(9,861,212)
Net cash provided by noncapital financing activities	34,149,151
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest subsidy	1,452,052
Insurance proceeds	4,750
Debt issuance costs	-
Interest on capital asset related debt	(3,637,223)
Proceeds from bond sale	3,925,000
Principal paid on bonds	(1,600,000)
Principal paid on capital leases	(361,503)
Proceeds from sale of capital assets	-
State capital contributions	2,023,076
Acquisition of capital assets	(22,578,367)
Net cash used in capital and related financing activities	(20,772,215)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	727,696
Collection of loans	15,000
Purchase of investments	(87,730)
Net cash (used in) provided by investing activities	654,966
Net decrease in cash	(9,011,289)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,805,623
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 68,794,334

The accompanying notes are an integral part of the financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2015

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (30,511,704)
Adjustment to reconcile:	
Depreciation expenses	6,362,145
Provision for bad debt	3,345,708
Nonoperating revenue	125,643
Decrease (increase) in assets	
Accounts receivable - student	(4,461,439)
Loan receivable	(95,514)
Prepaid expense	357,724
Accounts receivable - other	(94,383)
Increase in deferred outflows	
Deferred pension outflow	(3,242,867)
Increase (decrease) in liabilities	
Net pension liability	4,750,678
Deferred pension inflow	2,053,239
Accounts payable	(1,400,855)
Accrued interest payable	(3,012)
Unearned revenue	(644,573)
Accrued payroll	358,953
Other liabilities	57,066
Net cash used in operating activities	$ (23,043,191)
NETCASH TRANSACTIONS	
Retirement of capital assets	$ 342,905
Donation of capital assets	42,000
Write-off of uncollectible accounts receivable	2,750,940
Write-off of uncollectible loans receivable	188,900

The accompanying notes are an integral part of the financial statements.

(1) Summary of Significant Accounting Policies

a) Governance

The accompanying financial statements reflect the financial activities of Metropolitan State University of Denver (the University or MSU Denver) for the fiscal year ended June 30, 2015. Effective July 1, 2002, Colorado Revised Statute (C.R.S.) 23-54-102 established the Board of Trustees (Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are nonvoting members. The Trustees have full authority and responsibility for the control and governance of the University, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the University to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

ii. Reporting Entity

The State of Colorado (the State) is the primary governmental reporting entity for State financial reporting purposes. For financial reporting purposes, the University is included as part of the State's primary government. The financial statements of the University, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted (GAAP) in the United States of America. Financial results for the State of Colorado are presented in separate statewide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in these statewide financial statements. The accounting policies of the University conform to GAAP as applicable to government units.

On August 17, 2010, the University's Board of Trustees approved the creation of the Metropolitan State University of Denver Roadrunner Recovery and Reinvestment Act Finance Authority (the Authority), which was responsible for issuing bonds to fund the construction of a Hotel and Hospitality Learning Center (HLC). They also approved the incorporation of a special-purpose nonprofit corporation to be known as "HLC@Metro, Inc." The special-purpose corporation was the most advantageous way to structure the University's relationship with the HLC by obtaining the lowest possible cost of financing, reducing the University's potential exposure for the debt obligations associated with the project, and maintaining the greatest level of control of the project. In October 2010, $54.9 million in bonds were issued by the Authority and were subsequently transferred to the HLC@Metro, Inc. The Authority had no additional transactions nor did any resources remain with the Authority.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, paragraph 47, the discrete presentation of the Metropolitan State University of Denver Foundation, Inc.'s (the Foundation) and the HLC@Metro, Inc.'s financial statements appear on separate pages from the financial statements of the University. The Foundation and the HLC@Metro, Inc. warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationships with the University. Please refer to note 16 for additional discussion.

iii. Basis of Accounting

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

The University applies all applicable GASB pronouncements. In fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.* These statements establishes new financial reporting requirements for governments that provide their employees with pension benefits. The University does provide certain employees with pension benefits through the State's multiple employer cost sharing Public Employees' Retirement Association (PERA) defined benefit program. As per the statement, the University recorded a liability equal to its proportionate share of the net pension liability of PERA. Given the financial impact Statements No. 68 and 71 have on the financial statements, and that information was not provided to restate fiscal year 2014 figures, it is permissible to only include one year of information when presenting this year's financial statements. Due to the lack of comparability of the financial information, the University has opted to only show one year when presenting the financial statements for this fiscal year only. The fiscal year 2016 annual report will include comparative statements. Please see note 10 for more information.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand, demand deposits, restricted cash, and certificates of deposit with financial institutions, pooled cash with the Colorado State Treasurer (the Treasurer), and all highly liquid investments with an original maturity of three months or less, except those deposits and investments representing endowments.

Restricted Cash: Restricted cash includes amounts whose use is constrained through either external party restrictions or imposition by law. Restricted purposes include bond debt service reserves and unspent bond proceeds.

Accounts Receivable: Accounts receivable result primarily from tuition, fees, and other charges to students, and grants.

Investments: Investments are stated at their fair value, which is determined based on quoted market prices. Changes in fair value of investments are reported as a component of investment income.

Bond Issuance Costs: Bond issuance costs incurred on revenue bonds are expensed in the year the bond issue occurs.

Capital Assets: Equipment, buildings, construction in progress, and leasehold and land improvements are stated at cost at the date of acquisition or fair market value at the date of donation. A physical inventory of all capital assets is taken annually with appropriate adjustments made to the financial records. The University follows the policy of capitalizing only those capital assets with an initial cost or fair value equal to or greater than $5,000. The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specific to the project. Total interest capitalized during the year ended June 30, 2015 was $227 thousand.

Leasehold Improvements: Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized as leasehold improvements. For renovations and improvements, the capitalization policy includes items with a value of $50,000 or more. Routine repairs and maintenance are charged to operating expense.

Deferred Outflows of Resources: Consumption of net position that applies to future periods; therefore, expenses/expenditures are not recognized until that time. PERA contributions the University makes subsequent to PERA's measurement date results in a deferred outflow of resources, as does the net difference between projected and actual investment earnings by PERA.

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 10 years for capitalized computers, 3 years for software, 3 to 50 years for other equipment, 12 years for modular buildings, 27 years for buildings, and 3 to 45 years for leasehold/land improvements.

Deposits Held in Custody for Others: Deposits held for others include accounts payable to third parties (on behalf of others) and balances representing the net position owed to the individual or organization for which the University is acting as custodian.

Unearned Revenue: Unearned revenue consists of amounts received from the provision of educational goods and services that have not yet been earned. The University prorates the summer session revenues and direct instructional expenses on the basis of an estimate that half are earned in the current year. Any grant funds received in excess of grant expenditures are also recorded as unearned revenues.

Capital Leases: Capital leases consist of a lease-purchase contract for improvements related to the Science building on the Auraria Campus. The building owned by Auraria Higher Education Center (AHEC), is occupied by the University, the University of Colorado at Denver (UCD), and the Community College of Denver (CCD). The Science building has office space and technologically advanced student labs. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes.

Deferred Inflows of Resources: Acquisition of net assets by the University applicable to a future reporting period. Amortization of the University's change in proportionate share of PERA's unfunded pension liability results in a deferred inflow of resources as does differences between expected and actual experience of the pension plan.

Net Position: 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 related debt.
- *Restricted for expendable purposes* represents net resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted* represents net resources derived from student tuition and fees, fee-for-service contracts, and College Opportunity Fund (COF) stipends. These resources are used for transactions relating to the educational and general operations of the University to meet current expenses for any purpose. These resources also include those from auxiliary enterprises that are substantially self-supporting activities that provide services for students, faculty, and staff.

Classification of Revenues and Expenses: The University has classified its revenues and expenses as either operating, nonoperating, or other according to the following criteria:

- *Operating revenues and expenses* generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the University.
- *Nonoperating revenues and expenses* do not meet the definition of operating revenues, and include federal bond interest subsidies, Pell grants, gifts, investment income, rental income, and interest expense.
- *Other revenues* consist of capital contributions from the State for the construction of the Aerospace and Engineering Sciences (AES) Building.

Scholarship Allowance: Scholarship discounts and allowances are the differences between the stated charge for 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 student's behalf. In the accompanying financial statements, the gross student tuition and fee revenues are reported less the scholarship discounts and allowances. The University's resources provided to students as financial aid are recorded as scholarship allowances to the extent that they are used to satisfy tuition and fees and other student charges. Any excess resources are recorded as student aid operating expenses.

Application of Restricted and Unrestricted Resources: The University's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

Compensated Absences Policy: Employees' compensated absences are accrued when earned and are recognized based on vacation and sick leave balances due to employees at year-end upon termination. Employees accrue and vest in vacation and sick leave based on their hire date and length of service. Vacation accruals are paid in full upon separation, whereas only 25% of sick leave is paid upon specific types of separation, such as retirement. The current portion of compensated absences liability in the statements of net position is calculated based on an estimated average amount for the past three fiscal years.

Income Taxes: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2015.

Use of Estimates: The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Reclassifications: Prior year amounts have been reclassified to conform to current year presentation.

(2) Cash and Cash Equivalents and Investments

At June 30, cash on hand and in banks consisted of the following:

	2015	
	Bank Balance	**Carrying Amount**
Cash on hand	$ -	$ 32,432
Cash in checking and depository accounts at banks	1,205,734	255,071
Total cash on hand and in banks		$ 287,503

As of June 30, 2015, $250,000 of the cash in checking and depository accounts was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the University's name.

The University deposits its cash with the Treasurer as required by Colorado Revised Statutes. The Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1 C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited with the Treasurer are invested until the cash is needed. Earnings are allocated in proportion to the daily cash balance for all participants in the pool. At June 30, 2015, the University had $68,506,831 with the Treasurer. This total represented approximately .09% of the total $7,661.8 million in deposits in the Treasurer's Pool (Pool).

For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains (losses) included in income reflect only the change in fair value for the fiscal year.

For the University's deposits with the State Treasury, the University had a net unrealized loss of $114,537 in fiscal year. This net unrealized loss is included in cash and cash equivalents on the statement of net position.

i. Custodial Credit Risk

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state'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 state's name. As of June 30, 2015, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

ii. Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0% of investments in the Pool are subject to credit quality risk reporting. Except for $87,396,440 in fiscal year 2015 of corporate bonds rated lower medium and $25,018,750 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capacity to pay principal and interest when due.

iii. 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. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity (WAM) of investments in the Treasurer's Pool is .063 years for commercial paper (6.3% of the Pool), 1.339 years for U.S. government securities (47.5% of the Pool), 2.528 years for asset-backed securities (18.5% of the Pool), and 2.196 years for corporate bonds (22.9% of the Pool), and 0.010 years for Money Market Mutual Funds (4.8% of the Pool).

iv. Foreign Currency Risk

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2015.

Additional information on investments of the Pool may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2015.

v. Other Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for any public entity's investments. As of June 30, 2015, the University has invested $190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in Colorado to pool surplus funds for investment purposes.

COLOTRUST is a 2a7-like investment pool, and the University's investment is rated as AAAm by Standard and Poor's. COLOTRUST pooled investments are excluded from the custodial credit risk and interest rate risk disclosure requirements. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2015, the fair value of the University's investment remained at $190,634.

As of June 30, 2015, the University also invested $172,730 in TIAA/CREF Lifecycle Mutual funds. All mutual funds are subject to market risk, including possible loss of principal. The Lifecycle funds target allocation is 58% equity and 42% fixed income; however, the fund may deviate from these target allocations by 10% depending on current market conditions. As of June 30, 2015, the allocation met the target and is reflected in the table below:

Current Asset Allocation
As of June 30, 2015

	% of net Assets
U.S. Equity 39.57%	39.57%
Fixed income 33.85%	33.85%
International Equity 18.45%	18.45%
Short-term Fixed Income 3.99%	3.99%
Inflation-Protected Assets 3.98%	3.98%
Short-Term Investments, Other Assets & Liabilities, Net	0.16%
	100.00%

1) Custodial Credit Risk

100% of the investments are held by the custodian brokerage firm in the name of the University. However, as a mutual fund it is not covered by depository insurance.

2) Credit Quality Risk

The Morningstar Rating is a quantitative assessment of a fund's past performance for both return and risk, as measured from one to five stars. It uses focused comparison groups to better measure fund manager skill. Morningstar rating has ranked this fund four out of five.

3) Foreign Currency Risk

The TIAA/CREF Lifecycle Mutual fund has 18% in international equities. It may also invest up to 20% of its bond assets in fixed income securities of foreign issuers, including emerging markets.

(3) Capital Assets

The following tables, present changes in capital assets and accumulated depreciation for the year ended June 30, 2015:

	Balance, June 30, 2014	Additions	CIP transfers	Retirements	Balance, June 30, 2015
Land	$ 1,005,185	$ -	$ -	$ -	$ 1,005,185
Construction in progress	7,402,532	17,111,358	(22,196,737)	(58,908)	2,258,245
Depreciable capital assets:					
Equipment	19,598,790	1,892,304	509,061	(342,905)	21,657,250
Building	47,182,017	-	6,650,717	-	53,832,734
Leasehold improvements	28,989,280	1,072,987	15,036,959	-	45,099,226
Less accumulated depreciation:					
Equipment	(11,945,239)	(1,976,686)	-	342,060	(13,579,865)
Buildings	(4,799,226)	(1,977,576)	-	-	(6,776,802)
Leasehold improvements	(7,855,861)	(2,407,882)	-	-	(10,263,743)
Net depreciable capital assets	71,169,761	(3,396,853)	22,196,737	(845)	89,968,800
Total capital assets, net	$ 79,577,478	$ 13,714,505	$ -	$ (59,753)	$ 93,232,230

(4) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015	Amounts due within one year
Bonds payable	$ 61,141,120	$ 3,926,495	$ (1,600,000)	$ 63,467,615	$ 1,980,000
Capital lease payable	7,176,419	-	(361,503)	6,814,916	379,355
Compensated absences	3,060,248	331,743	(25,899)	3,366,092	296,990
Total noncurrent liabilities	$ 71,377,787	$ 4,258,238	$ (1,987,402)	$ 73,648,623	$ 2,656,345

(5) Lease Obligations

Operating Leases

The University leases building space, land, copiers, and small off-site storage units under operating lease agreements with AHEC and with private organizations. The University has two ground leases with AHEC totaling $2.00 for the ground where the HLC and the Student Success Building (SSB) are built. Total rental expense for the years ended June 30, 2015 under all agreements was $2,181,885. As of June 30, 2015, minimum future rentals required by these agreements are as follows:

Fiscal year(s) ending:	
2016	$ 2,080,101
2017	1,794,285
2018	1,648,100
2019	1,219,748
2020	1,219,723
2021 – 2025	4,343,802
2026 – 2030	1,412,520
Total	$ 13,718,279

In addition to these operating leases, the University occupies other space on the Auraria Campus owned by AHEC. The use of this space is not formalized under an official lease agreement (with a lease term and future payment obligations) but is rather a component of the shared campus costs and is, therefore, reflected in note 14.

Capital Leases

During fiscal year 2009, the University entered into a capital lease with AHEC in the amount of $8,986,165 to finance the construction and acquisition of leasehold improvements for the new Science building on the Auraria Campus. The lease requires annual principal payments and semiannual interest payments. In fiscal year 2015 the principal payment totaled $361,503, and interest expense equaled $373,743.

The following is a schedule of future minimum capital lease payments as of June 30, 2015:

	Principal	Interest	Total
Fiscal year(s) ending June 30:			
2016	$ 379,355	356,170	735,525
2017	397,207	337,704	734,911
2018	417,291	317,342	734,633
2019	439,606	294,820	734,426
2020	466,384	269,906	736,290
2021 - 2025	2,735,819	940,795	3,676,614
2026 - 2029	1,979,254	172,071	2,151,325
Total	$ 6,814,916	2,688,808	9,503,724

(6) Bond Obligations

Total outstanding bonds are summarized below:

Issue	Date issued	Amount issued	June 30 2015
2009 Taxable Institutional Enterprise Revenue Bonds	11/17/2009	$ 55,190,000	49,905,000
2010 Taxable Institutional Enterprise Revenue Bonds	6/11/2010	10,575,000	9,600,000
Less discount on 2010 Bonds, net of amortization			(37,385)
2014 Institutional Enterprise Revenue Bonds	6/13/2014	75,000	4,000,000
Total			$ 63,467,615

Principal and interest requirements on all outstanding bonds at June 30, 2015 are summarized in the table below. The interest figures shown are not net of the federal subsidy. The 2014 bond interest is a variable rate calculated as 65.001% of LIBOR, plus a tax free loan margin of 0.99% per annum. However, because these amounts are not known for future dates the calculation below is based on the rate as of June 30, 2015.

Fiscal year	Principal	Interest	Total
2016	$ 1,980,000	$ 3,463,227	$ 5,443,227
2017	2,025,000	3,392,402	5,417,402
2018	2,075,000	3,314,365	5,389,365
2019	2,130,000	3,230,334	5,360,334
2020	2,185,000	3,140,273	5,325,273
2021 – 2025	11,865,000	14,138,855	26,003,855
2026 – 2030	11,385,000	11,027,708	22,412,708
2031 – 2035	13,435,000	7,228,230	20,663,230
2036 – 2040	15,890,000	2,690,520	18,580,520
2040	535,000	16,050	551,050
	63,505,000	51,641,964	$ 115,146,964
Unamortized discount, net	(37,385)		
	$ 63,467,615		

i. Series 2009

On November 17, 2009, the University issued $55,190,000 of Series 2009 Taxable Institutional Enterprise Revenue Bonds (Recovery Zone Economic Development Bonds) at par, bearing interest at 2.0% to 6.2%, for the purpose of financing the construction of the SSB. The SSB added approximately 145,000 square feet of space for classrooms and faculty offices, specifically for MSU Denver students and professors. It also provides students with a central location for student support services.

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from $1,295,000 to $2,875,000 through December 1, 2039. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order, which reduced the amount of the subsidy. As of June 30, 2015, the University received $251,238 less in subsidy payments than what was expected before sequester. As of June 30, 2015, the University has received $7,215,847 in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

ii. Series 2010

On June 11, 2010, the University issued $10,575,000 of Series 2010 Taxable Institutional Enterprise Revenue Bonds (Recovery Zone Economic Development Bonds), bearing interest at 1.8% to 6.0%, for the purpose of financing significant remodeling work that was done as University personnel moved to the SSB.

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from $240,000 to $535,000 through December 1, 2040. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order, which reduced the amount of the subsidy. As of Jun 30, 2015, the University received $47,130 less in subsidy payments than what was expected before sequester. As of June 30, 2015, the University received $1,205,102 in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

The Series 2010 bonds are shown net of unamortized discount of $37,385.

iii. Series 2014

On June 13, 2014, the University issued Series 2014 Institutional Enterprise Revenue Bonds not to exceed $4,000,000, at a variable interest rate equal to 65.001% of LIBOR plus a tax-free loan margin of .99% per annum. The purpose of these bonds is to provide funding for the completion of the new athletic fields, which are 12.5 acres that will have eight tennis courts, a soccer stadium, and baseball and softball diamonds. These bonds worked like a line of credit, where the University could draw funds on an as needed basis. The outstanding principle amount is equal to the amount the University draws down. At the end of fiscal year 2015, the University drew the full $4 million. Principal payments will become due beginning in fiscal year 2016. The maturity date of these bonds is September 1, 2024. These bonds are not subject to the bond subsidy payments from the federal government.

(7) Pledged Revenue

The University has pledged future revenues to repay $63,505,000 in outstanding revenue bonds. Pledged revenue includes 10% of resident and nonresident tuition, all revenues derived from the facilities construction fee, all revenues derived from indirect cost recoveries (overhead) payable to research contracts and grants performed within the University's facilities, all revenues derived from mandatory fees for the provision of student and faculty services at the University, all revenues, net of operation and maintenance expenses, for the provision of continuing education services at the University, interest income, and federal interest subsidy payments received in connection with the bonds.

Proceeds from the bonds provided financing for the construction of the SSB, various major remodeling projects, and the construction of the Regency Athletic Complex. The total remaining principal and interest payments, net of the federal subsidy payments, are expected to be $92,005,559 (unaudited) payable through fiscal year 2041. This figure is assuming the federal government removes the reduction to the subsidy implemented with the fiscal year 2013 sequester. Interest payments, net of the interest subsidy, for the current year were $2,041,574. The total revenue pledged was $26,752,264 for June 30, 2015.

The University has also agreed to make the required payments on the outstanding bonds on the HLC in the event the HLC@Metro, Inc. does not satisfy its bond payment obligations. The payments for this debt would also be covered by these pledged revenues. See note 16 for more information on the HLC@Metro, Inc.

The following table shows information for pledged revenues for fiscal years 2015:

	2015
Tuition	$ 13,221,302
Student and faculty fee	4,469,417
Facility fee	6,620,179
Interest income	804,936
Intergovernmental revenue	1,327,909
Indirect cost recovery	308,521
	$ 26,752,264

(8) Compensated Absences

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public University and Universities*, require that compensated absences be broken out into current and noncurrent liabilities. Employees may accrue annual and sick leave based on the length of service and, subject to certain limitations regarding the amount, will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2015 are $296,990.

The estimated costs of noncurrent compensated absences for which employees are vested for the years ended June 30, 2015 are $3,069,102. Fiscal year 2015 operating expenses include an increase of $305,843 in fiscal year 2015 for the estimated compensated absence liability.

(9) Defined Contribution Pension Plan

On September 10, 1993, the Board of Trustees of the State Colleges in Colorado adopted an Optional Retirement Plan (ORP) for faculty and exempt administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994. Eligible employees were offered the choice of remaining in Public Employees' Retirement Association (PERA) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution pension plan with three investment managers, Fidelity Investments, TIAA-CREF, and AIG-VALIC, providing a range of investment accounts for participants. The University's required contribution to the ORP is 11.4% of covered payroll, and contribution by employees is 8% of covered payroll.

The University's contributions to the ORP for the fiscal year ended June 30, 2015 were $5,353,180. These contributions were equal to the required contributions. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and investment decisions made by participants for their individual accounts.

(10) Defined Benefit Pension Plan

i. Summary of Significant Accounting Policies

Metropolitan State University of Denver participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("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.

ii. General Information About the Plan

Plan description: Eligible employees of the University are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (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.

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

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

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions: Eligible employees and MSU Denver are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $7,176,222 for the year ended June 30, 2015.

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

At June 30, 2015, MSU Denver reported a liability of $148,774,027 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. MSU Denver's proportion of the net pension liability was based on MSU Denver's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, MSU Denver's proportion was 1.58 percent, which was a decrease of $532,329 from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, MSU Denver recognized pension expense of $10,765,018. At June 30, 2015, MSU Denver reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	0	11,024
Net difference between projected and actual earnings on pension plan investments	3,033,521	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	2,042,216
Contributions subsequent to the measurement date	3,553,211	N/A
Total	6,586,732	2,053,240

$3,553,211 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(339,597)
2017		(196,882)
2018		758,380
2019		758,380

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of MSU Denver's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	190,764,285	148,774,027	113,454,605

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

iv. Payables to the pension plan

As of June 30, 2015 MSU Denver had a $557,081 payable to the SDTF, which was comprised entirely of the June contributions legally required to be made to the plan. Colorado Revised Statute Section 24-50-104 changed the pay date for salaries earned in the month of June to be paid on the first day of July, which moved all payments related to the June payroll into July, effectively creating this payable each year.

(11) Other Retirement Plans

i. 401(k) Defined Contribution Plan

Plan Description - Employees of MSU Denver 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.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

ii. 457 Deferred Compensation Plan

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

(12) Other Post-Employment Benefits

i. Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

University faculty and exempt administrative staff receive health insurance through the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for postemployment health coverage until the retiree is eligible for Medicare at age 65. As of June 30, 2015, there were 7 participants in postretirement coverage from the eight-member higher education institutions. For fiscal year 2015, the University has one retired administrative participant choosing CHEIBA. Retirees pay the entire premium, which is approximately 130% of the premiums charged to active employees.

CHEIBA financial statements are prepared under GAAP using the accrual basis of accounting following governmental accounting standards for a business-type activity. The financial statements can be obtained by contacting Gallagher Benefits Services, Inc.

There are no long-term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one-year notice to the CHEIBA board.

ii. Health Care Trust Fund

Plan Description – MSU Denver contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – MSU Denver is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for MSU Denver are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the year ending June 30, 2015, MSU Denver's contributions to the HCTF were $422,571, equal to their required contributions for each year.

iii. Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of C.R.S. 24-54.6-101, and a provided in Section 403(b) of the IRC, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees taking fewer than six hours each semester are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan for the University for the fiscal year ended June 30, 2015 was $1,842,299. Employee contributions for the fiscal years ended June 30, 2015 were 7.5% of the covered payroll in the amount of $138,158.

(13) Commitments and Contingent Liabilities

The University entered into a non-exchange financial guarantee with the HLC@Metro Inc. This guarantee is a legal, valid, and binding obligation. As described in note 1b, the HLC@Metro Inc. is a discretely presented component unit of the University. The HLC@Metro Inc. was created as a special purpose corporation to manage the Hospitality Learning Center. This guarantee agreement dated October 1, 2010 with HLC@Metro, Inc., absolutely and unconditionally guarantees to Wells Fargo, HLC@Metro, Inc.'s trustee, the timely payment of all HLC@Metro, Inc.'s debt service payments on its Series 2010 bonds on a gross basis (without netting of any federal subsidy payments received or to be received). The guaranteed amounts are payable solely from available pledged revenues of the University, as discussed in note 7. This guarantee will remain in effect until there are no more outstanding payables on the HLC@Metro Inc.'s series 2010 bonds.

Should the University have to step in and make any payments on behalf of the HLC@Metro Inc., the HLC@Metro Inc. is obligated to repay all the payments made on its behalf. As of June 30, 2015, the University has not had to pay any of these payments.

Amounts expended under the terms of certain grants and contracts are subjected to audit and possible adjustment by governmental agencies. In the opinion of management, any adjustments will not have a material or adverse effect on the accompanying financial statements.

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

The State, including the University, is self-insured in regard to its general and automobile liability exposures. The University also participates in a State commercial insurance policy covering loss or damage to University property. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act.

(14) Campus Shared Controlled Costs

Legislation enacted in 1974 established AHEC and included the University as one of the constituent institutions, along with the CCD and the UCD. Each institution operates independently as an educational institution responsible to its own governing board while sharing common operations. For the purpose of total financial disclosure, the University's portion of campus-shared costs for the Auraria Campus is as follows:

	Year ended June 30 2015
Administration of Auraria Higher Education Center and operation and maintenance of plant	$ 9,454,506
Controlled Maintenance	977,550
Library and Media Center	4,265,500
Total	$ 14,697,556

The University's existing and future commitments to AHEC are established within the Senate Bill 10-1301. The University's ability to fulfill existing and future commitments is contingent upon funds being appropriated for such purposes. For the year ending June 30, 2016, the University's portion of shared costs is estimated to be $14,936,940 (unaudited).

(15) Legislative Appropriations

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill (Long Bill). The Long Bill appropriated funds include an informational amount, which is within the parameters of Section 23-5-130.5, of the Colorado Revised Statues, as well as an appropriated amount. The informational amount is the student's share of tuition and fees and the re-appropriated amount is fee for service contract revenue and College Opportunity Fund (COF) stipends.

For the year ended June 30, 2015, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2015, the University had a total re-appropriated amount of $43,681,193, of which $32,248,782 was for COF Stipends and $11,432,411 was for Fee for Service contract revenue. The informational appropriation of $110,465,887 does not represent funding from the state and is merely an estimate provided by the University for the student share of tuition and fees.

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

(16) Component Unit Disclosures

GASB Statement No. 14, as amended by GASB Statement No. 61, and GASB Statement No. 39 require the inclusion of the Foundation and HLC@Metro, Inc. as discretely presented component units based on the nature and significance of their relationships with the University.

The Foundation is a not-for-profit corporation formed to promote the welfare, development, growth, and well-being of the University. The Foundation is a separate legal entity, which is fully independent from the University, is not financially dependent upon the University, has a separately elected board of directors, and as such, has substantial autonomy and separate government entity characteristics. The financial statements of the Foundation are prepared on the accrual basis and follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

On August 17, 2010, the University's Board of Trustees approved the incorporation of the HLC@Metro, Inc., a not-for-profit, special-purpose corporation in order to create the HLC. The HLC@Metro, Inc. has a management agreement with Sage Hospitality to manage the hotel, and a franchise agreement with Marriott to market the hotel. The essence of these agreements is that the hotel is to provide services to the community-at-large, and not to the exclusive or even primary benefit of MSU Denver or MSU Denver's students, faculty, and staff. The financial statements of HLC@Metro, Inc. are prepared on the accrual basis and follow FASB ASC Topic 958.

The Foundation and HLC@Metro, Inc. use a different GAAP reporting model and, following the GASB Statement No. 39 recommendation, its financial information is not presented on the same page as the University but is reported on their separate pages after the University's financial statements. The separate financial statements include the statements of financial position and the statements of activities. In addition, disclosures specific to the Foundation's and the HLC@Metro, Inc.'s financial statements are provided on separate pages after the University's disclosures.

(17) Related-Party Transactions

Transactions between the University and its discretely presented component units are considered to be related-party transactions. Amounts reported may differ from the component unit's notes to basic financial statements based on various timing differences, all of which have been substantially reconciled to the component unit's balances.

The University leased office space to the Foundation for $8,274 for fiscal year ending June 30, 2015. During the year ended June 30, 2015, the Foundation provided $2,369,486 of funding to the University for various purposes, such as scholarships, departmental funding, and other programs.

The University provides employees on a reimbursement basis to the Foundation. For the year ended June 30, 2015, these expenses were $236,505. In addition, the University donates development and certain personnel costs to the Foundation, which totaled $1,391,503 for the year ended June 30, 2015.

At June 30, 2015, the University had receivables of $747,900 due from the Foundation. As of June 30, 2015, the University had payable balances of $14,203 due to the Foundation.

At June 30, 2015, the University had no payables due to the HLC@Metro Inc. There was a receivable due from the HLC@Metro Inc. of $117.40, as of June 30, 2015.

(18) Change in Accounting Principles

In fiscal year 2015 the University adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.* Statement No. 68 requires the University to record a liability equal to its proportionate share of net pension liability of the Public Employees' Retirement Association (PERA) and Statement No. 71 requires that the University record any fiscal year 2015 contributions made after the measurement date as a deferred outflow rather than pension expense. PERA did not provide enough information to restate prior year amounts, therefore, the University presented a restatement of the beginning Net Position.

Prior to the adoption of Statement No. 68, MSU Denver's fiscal year 2015 beginning net position was $78.9 million. After applying the requirement of Statements No. 68 and 71 and recording the net pension liability as of June 30, 2014, the restated fiscal year 2015 beginning net position is ($61.8) million, with a change in net position of ($140.7) million. The table below summarizes the re-statement.

	Before Restatement	FY14 Net Pension Liability	FY14 Deferred Outflow *	As Restated
Net Position as of July 1, 2015	$ 78,904,085	(144,023,349)	3,343,867	(61,775,398)

* Contributions after the measurement date

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

As required by GASB 68, the schedule below contains 10 years of changes in pension liability; however, historical information prior to implementing GASB 68 is neither required nor available.

Ten Year Schedule

	Pension Plan's Fiscal Year Ending December 31,							
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Employer % of collective net pension liability	1.5816063970%	1.6167918453%	N/A	N/A	N/A	N/A	N/A	N/A
Employer share of collective net pension liability	148,774,027	144,023,349	N/A	N/A	N/A	N/A	N/A	N/A
Employer's covered-employee payroll	44,178,569	43,104,113	N/A	N/A	N/A	N/A	N/A	N/A
Employer's share of the collective net pension liabiltiy as a percentage of employer's covered-employee payroll	336.76%	334.13%	N/A	N/A	N/A	N/A	N/A	N/A
Pension plan's fiduciary net position as a % of total pension liability	59.84%	61.08%	N/A	N/A	N/A	N/A	N/A	N/A

Ten Year Schedule

	MSU Denver's Fiscal Year Ending June 30,									
	2015		**2014**		**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
	Jan-June 2015	July- Dec 2014	Jan-June 2014	July- Dec 2013						
Required employer base contribution	*10.15%*	*10.15%*	*10.15%*	*10.15%*	N/A	N/A	N/A	N/A	N/A	N/A
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	*1.02%*	*1.02%*	*1.02%*	*1.02%*						
Net required employer base contribution apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%						
Required employer Amortization Equalization Disbursement contribution	4.20%	3.80%	3.80%	3.40%	N/A	N/A	N/A	N/A	N/A	N/A
Required employer Supplimental Amortization Equalization Disbursement contribution	4.00%	3.50%	3.50%	3.00%	N/A	N/A	N/A	N/A	N/A	N/A
Total Required PERA contribution to the SDTF	**17.33%**	**16.43%**	**16.43%**	**15.53%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2015		**2014**							
	July 1, 2014-June 30, 2015		**July 1, 2013-June 30, 2014**							
Contributions recognized by PERA	$ 7,203,967		N/A		N/A	N/A	N/A	N/A	N/A	N/A
Difference between required contributions and those recognized by PERA	$ -		N/A							
Employer's covered-empoyee payroll	$ 44,356,828		N/A							
Percent of contributions recognized by pension plan of employers covered payroll	16%		N/A							

Note 1 – Principal Activity and Significant Accounting Policies

Organization

Metropolitan State University of Denver Foundation (the Foundation) is a Colorado nonprofit organization established to promote the general welfare and development of Metropolitan State University of Denver (the University).

965 Santa Fe, LLC (the LLC), a Colorado limited liability company whose sole member is the Foundation, owns and rents the Center for Visual Arts (the CVA) facility to the University.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the LLC because the Foundation has both control and an economic interest in the LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the "Foundation".

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2015, the allowance was $33,200.

Property and Equipment

Property and equipment additions over $5,000 with useful lives exceeding one year are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, presently consisting solely of the building at 965 Santa Fe, of thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2015.

Property and equipment also includes works of art which are capitalized at original cost, or fair value if donated, and are not depreciated because the Foundation intends to preserve assets in perpetuity.

Assets Held and Liabilities under Split-Interest Agreements

Beneficial Interest in Charitable Trust Held by Others

The Foundation has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by the donor and is administered by an outside agent designated by the donor. Therefore, the Foundation has neither possession nor control over the assets of the trust. At the date the Foundation received notice of the beneficial interest, a permanently restricted contribution was recorded in the statement of activities, and a beneficial interest in charitable trust held by others was recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, the beneficial interest in the trust has been reported at fair value in the statement of financial position. At the end of the trust's term, the assets of the trust will be transferred to the permanent endowment for scholarships; earnings on the assets will be available for scholarships.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation's Board of Directors.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Professional Services and In-kind Contributions

Volunteers contribute significant amounts of time to the Foundation’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received (Note 9).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 10 presents total expenses by function.

Income Taxes

The Foundation is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv), and has been determined not to be a private foundation under Section 509(a)(1). The LLC is treated as a disregarded entity for tax purposes, and is incorporated into the tax return filed by the Foundation.

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The entity’s Form 990 and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2011.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals, corporations, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

The Foundation has evaluated subsequent events through September 17, 2015, the date the consolidated financial statements were available to be issued.

Note 2 – Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the Foundation's beneficial interest in a charitable trust held by others is based on the fair value of the trust investments as reported by the trustee, which is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2015:

		Fair Value Measurements Using		
	Total	Quoted Prices In Active Market for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 459,939	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	2,503,866	2,503,866	-	-
Bond funds	1,284,505	1,284,505	-	-
Emerging market funds	1,575	1,575	-	-
Equity funds				
U.S. common stocks	958,077	958,077	-	-
Preferred stocks	150,897	150,897	-	-
Real estate investment trusts	64,133	64,133	-	-
	$ 5,422,992	$ 4,963,053	$ -	$ -
Endowment Investments				
Cash and money market funds (at cost)	$ 333,713	$ -	$ -	$ -
Fixed income funds				
U.S. Government securities funds	92,083	92,083	-	-
Bond funds	1,772,610	1,772,610	-	-
Emerging market funds	109,562	109,562	-	-
High-yield bond funds	132,267	132,267	-	-
Equity funds				
U.S. common stocks	2,179,278	2,179,278	-	-
Small to mid-cap equity funds	831,257	831,257	-	-
International equity funds	578,774	578,774	-	-
Emerging market funds	369,331	369,331	-	-
Futures and commodity funds	501,367	501,367	-	-
Preferred stocks	55,359	55,359	-	-
Real estate investment trusts	153507	153507	-	-
	$ 7,109,108	$ 6,775,395	$ -	$ -
Beneficial interest in charitable trust held by others	$ 110,706	$ -	$ -	$ 110,706

Below is a reconciliation of the beginning and ending balances of the beneficial interest in charitable trust held by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2015:

	2015
Beginning Balance	$ 111,645
Change in value of beneficial interest	(939)
Ending Balance	$ 110,706
Unrealized gain (loss) included in change in value of split-interest agreements in the consolidated statements of activities relating to assets still held at June 30, 2015	$ (939)

Note 3 – Net Investment Return

Net investment return consists of the following for the year ended June 30, 2015:

	2015
Investments	
Interest and dividend income	$ 91,348
Net realized and unrealized gain (loss)	(41,119)
Less investment management and custodial fees	(21,203)
	29,026
Endowment investments	
Interest and dividend income	$ 136,018
Net realized and unrealized gain (loss)	5,245
Less investment management and custodial fees	(158,831)
	(17,568)
	$ 11,458

Note 4 – Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2015:

	2015
Within one year	$ 699,530
In one to five years	797,799
Over five years	14,895
	1,512,224
Less discount to net present value (0.17% - 3.30%)	(59,851)
Less allowance for uncollectable promises to give	(33,200)
	$ 1,419,173

At June 30, 2015, three donors accounted for 81% of total promises to give. Promises to give of $957,948 was restricted to endowment as of June 30, 2015.

Note 5 – Property and Equipment

Property and equipment consists of the following at June 30, 2015:

	2015
Center for Visual Arts	
Land	$ 456,400
Building	1,023,472
	1,479,872
Less accumulated depreciation	(194,620)
	1,285,252
Nondepreciated artwork	263,950
	$ 1,549,202

Note 6 – Leases

During the year ended June 30, 2010, the LLC purchased a commercial building at 965 Santa Fe Drive to house the operations of the CVA. Effective March 1, 2010, the LLC and the University entered into a three-year non-cancellable lease which has since been renewed through June 30, 2016. During the year ended June 30, 2013, the Foundation agreed to waive the rental payments on 965 Santa Fe for the years ending June 30, 2015 and 2016, totaling $200,000, and recorded support to the University and a payable to the University at June 30, 2013. During the year ended June 30, 2014, the Foundation and the University modified the agreement, and the University will pay the rent, previously waived, for the years ending June 30, 2015 and 2016 for a total of $200,000. In addition to the annual minimum rent, the University reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which approximate $35,000 per year.

Note 7 – Endowment

The Foundation's endowment (Endowment) is composed of 43 individual permanent endowment funds (Permanent Endowment) and 111 purpose-restricted quasi-endowment funds (Quasi-Endowment). The funds were established by donors primarily to provide scholarships to eligible students of the University, and support for academic departments, student activities, and other purposes of the University. Permanent Endowment funds are permanent charitable funds whose principal must be preserved in perpetuity as a condition imposed by the donor. Quasi-Endowment funds are purpose-restricted board-designated gifts whose principal is intended to be maintained in perpetuity, but which may be expended in accordance with the University's spending-rate policy with no requirement that any such expenditure be replenished. The Foundation's Board of Directors has not designated any of the Foundation's unrestricted net assets to function as endowment. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair values of original Permanent Endowment gifts, as of each gift date, absent explicit donor instructions to the contrary. At June 30, 2015, there were no contrary donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts to the Permanent Endowment, (b) the original value of subsequent gifts to the Permanent Endowment, and (c) accumulations to the Permanent Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the Permanent Endowment funds not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate permanent endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of June 30, 2015, the Foundation had the following endowment net asset composition by type of fund:

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Purpose-restricted quasi-endowment	$ -	4,812,936	$ -	$ 4,812,936
Donor-restricted permanent endowment	(5,685)	123,493	3,136,312	3,254,120
	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056

At June 30, 2015, certain Permanent Endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $5,685 have been reported in unrestricted net assets on that dates. The deficiencies resulted from unfavorable market fluctuations. The Foundation has suspended distributions from these funds until such time as the deficiencies are recovered via market returns; however, there is no legal obligation for the Foundation to fund the deficiencies.

Investment and Spending Policies

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner intended to maintain or increase the dollar value of the portfolio after annual distribution expenses and fees in order to provide the benefit intended by donors. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Through December 31, 2013, the Foundation used a 4.5% endowment spending-rate to determine the amount to spend from the Endowment each year. Effective January 1, 2014, the Foundation adopted a banded inflation method to determine endowment distributions based on the Higher Education Price Index (HEPI), with the resulting rate subject to a minimum of 3% and a maximum of 5%. Barring specific requirements for each individual endowment, distributions from Permanent Endowments are limited to the excess of the fair values of the Permanent Endowments over the sum of the original and subsequent gift amounts. In establishing this policy, the Foundation considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2015				
Endowment net assets, beginning of year	$ (4,019)	$ 4,924,468	$ 2,896,931	$ 7,817,380
Investment return (loss)				
Investment income, net of fees	-	(22,813)	-	(22,813)
Net realized and unrealized gain (loss)	(1,666)	6,911	-	5,245
Total investment return (loss)	(1,666)	(15,902)	-	(17,568)
Contributions	-	235,601	239,381	474,982
Distributions pursuant to endowment spending-rate formula	-	(207,738)	-	(207,738)
Endowment net assets, end of year	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056

Note 8 – Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2015 consist of:

	2015
Restricted by donors for	
Scholarships	$ 1,657,285
Academic, student and other activities	3,191,964
Capital projects	-
Purpose-restricted quasi-endowments	
Scholarships	4,468,530
Academic and other departments	344,406
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	123,493
	$ 9,785,678

Net assets were released from restrictions or otherwise reclassified as follows during the year ended June 30, 2015:

	2015
Satisfaction of purpose restrictions	
Scholarships	$ 999,101
Academic, student and other activities	1,425,697
Capital projects	751,795
	$ 3,176,593

Permanently Restricted

Permanently restricted net assets consist of a beneficial interest in a charitable trust administered by an independent trustee, the proceeds of which will be added to the Foundation's Permanent Endowment for scholarships upon dissolution of the trust, and various endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available to the Foundation for the purposes specified by the donors.

Permanently restricted net asset balances, categorized by the nature of the restrictions on their earnings, are as follows at June 30, 2015:

	2015
Restricted by donors for	
Scholarships	$ 1,676,488
Academic, student and other activities	1,570,530
	$ 3,247,018

Note 9 – Donated Professional Services and In-kind Contributions

The Foundation received donated professional services and materials as follows during the year ended June 30, 2015:

	2015
Program services	
Materials	$ 43,582
Fundraising and development	
Development office compensation - University	1,391,503
	$ 1,435,085

Note 10 – Functionalized Expenses

Total expenses by function were as follows for the year ended June 30, 2015:

	2015
Program services expense	$ 3,082,547
General and administrative costs (includes investment management fees of $180,034	587,714
Donor development costs	1,391,503
Cost of direct benefits to donors	-
Total functionalized expenses	$ 5,061,764

Note 11 – Commitments and Contingencies

The Foundation has agreements with the University to use its best efforts to raise cash and in-kind contributions for University Hospitality Center (HLC@Metro), and for recently completed construction and improvement of the University's athletic fields. The agreements are conditioned on the Foundation's ability to collect donor contributions restricted to the respective projects; as contributions are collected, the Foundation records a liability to HLC@Metro or the University, as appropriate, and a corresponding contribution expense.

Note 12 – Related Party Transactions

The Foundation leases certain office space from the University with automatic one-year renewals at the beginning of each fiscal year. Annual rent expense was $8,274 for the year ended June 30, 2015.

Funding provided by the Foundation directly to the University, which includes HLC@Metro, for scholarships, academic and other departments, and other activities, totaled $2,987,972 for the year ended June 30, 2015. The Foundation owed the University $747,901 at June 30, 2015. The Foundation paid the University $236,505 for salaries and benefits of certain University personnel provided to the Foundation during the year ended June 30, 2015. In addition, the University provided development and other personnel to the Foundation at no cost. The Foundation recorded professional services donated by the University in the amount of $1,391,503 for the year ended June 30, 2015. The corresponding expenses have been reflected in the accompanying statements of activities as donor development costs. Further, the University reimbursed the Foundation $24,546 for CVA operating expenses and $100,000 for CVA rent expense during the year ended June 30, 2015.

The University leases space for the CVA from the LLC (Note 6). Amounts due from the University to the Foundation for expense reimbursements including rent expense was $14,203 at June 30, 2015.

(1) Organization

On August 18, 2010, the Board of Trustees of the Metropolitan State University of Denver (MSU Denver or the University) voted unanimously to establish a special-purpose corporation (SPC) to own the proposed Hotel and Hospitality Learning Center and provide for its financing, construction, operation, and management. HLC @ Metro, Inc. (hereinafter referred to as HLC), a not-for-profit corporation, the income of which is excluded under Section 115 of the Internal Revenue Code (the Code), was established on August 19, 2010 to fulfill this purpose.

The building of the Hotel and Hospitality Learning Center was financed through issuance of $49,640,000 Taxable Revenue Build America Bonds (BABS) (Series 2010A bonds), $4,500,000 Tax-Exempt Revenue Bonds (Series 2010B bonds), and $745,000 Taxable Revenue Bonds (Series 2010C bonds) for a total of $54,885,000. The construction cost was estimated at $45 million and was completed slightly over this amount; with the additional bonds proceeds to be used for debt issuance costs and debt service reserve funds. These bonds were issued by the MSU Denver Roadrunner Recovery and Reinvestment Act Finance Authority (the RRRAFA), which is a political subdivision and a public corporation of the State of Colorado (the State) established to issue these bonds. On October 28, 2010, Series 2010A, B, and C bond proceeds were transferred from the RRRAFA to the HLC.

The Hotel and Hospitality Learning Center at MSU Denver offers the Denver community two resources including: a fully functioning flagged hotel, SpringHill Suites® by Marriott, and a learning laboratory for the University's Hospitality, Tourism, and Events department (HTE).

Located in the heart of Denver, the hotel includes 150 hotel rooms and conference facilities. The adjacent hospitality learning center has more than 28,000 square feet of academic space, including classrooms, specialty learning labs, and faculty offices. The hotel is run by the professional hotel management firm, Sage Hospitality, and is providing hands-on training opportunities for students in the HTE program.

No taxpayer dollars were used on the approximately $45 million project; the groundbreaking was held on March 31, 2011 and the opening date was August 3, 2012.

(2) Summary of Significant Accounting Policies

a) Reporting Entity

The accompanying financial statements include accounts of the HLC, which is a discretely presented component unit of the University. The University board of trustees gives the final approval in the appointment process of the HLC board of directors. As of June 30, 2015, three of the nine members are University directors or officers. To meet the requirements of the HLC's bylaws for up to a nine member Board, and in an effort to increase the number of external industry experts on the HLC Board, a nominating committee was created within the board of directors.

b) Basis of Accounting

The accompanying financial statements for the HLC have been prepared on the accrual basis of accounting.

(2) Summary of Significant Accounting Policies (Continued)

c) Cash and Cash Equivalents

The HLC considers all highly liquid investments, including deposits with the State Treasury, as cash and cash equivalents. At June 30, 2015, cash and cash equivalents in banks consisted of the following:

		2015
Cash in bank accounts with Trustee (Wells Fargo)	$	7,259,019
Cash and cash equivalents invested with State Treasury		1,101,597
Cash for hotel operations (Sage)		541,843
Total cash and cash equivalents	$	8,902,459

d) Cash Invested with State Treasury and Related Unrealized Gains

HLC deposits part of its cash with the State Treasury. The Treasurer pools these deposits and invests them in securities approved by Section 24 75 601.1 of the Colorado Revised Statute (the Pool). Money deposited with the Treasurer is invested until the cash is needed. Earnings are allocated in proportion to the daily cash balance for all participants in the Pool. At June 30, 2015, the HLC had cash on deposit with the State Treasurer of $1,096,224, which represented .014% of the total $7,634.0 million, in deposits in the State Treasurer's Pool. At June 30, 2015, the HLC had earned interest receivable of $1,778 in relation to the cash on deposit balance with the state treasurer; these amounts are expected to be received by the custodian in the month following year-end.

For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the HLC's participation in the Pool, HLC reports as an increase or decrease in cash its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains included in income reflect only the change in fair value for the fiscal year.

For the HLC's deposits with the State Treasury, the net unrealized loss for fiscal year 2015 was $1,219. This net unrealized loss and gain is included in cash and cash equivalents on the statement of financial position.

e) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. The HLC follows the accepted industry standard policy of capitalizing only those capital assets with an initial cost or fair value equal to or greater than $1,000 per item or $250 per item if each item is part of a bulk purchase of 10 or more items. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The useful lives of acquired assets range from 3 to 40 years; 20 to 40 years for buildings and improvements; and 3 to 10 years for furniture, computers, and equipment. All direct costs associated with the construction of the project were included in establishing the asset valuation. This includes legal fees, feasibility studies or any other general and administrative costs that were necessary for the completion of the project.

To the extent applicable, the HLC follows MSU Denver's accounting policies, including the policy of the "half-year" depreciation convention. The HLC recognized $1,511,798 in building, equipment, furniture, and software depreciation expense in fiscal year 2015.

(2) Summary of Significant Accounting Policies (Continued)

f) Accounts Receivable

A summary of accounts receivable balances is as follows:

		2015
BABS Subsidy	$	329,016
Due from the Foundation		34,314
Receivables of Hotel		164,964
State Treasury interest		-
Total accounts receivable	$	528,294

As of June 30, 2015, the total balance included $34,314, due from the Metropolitan State University of Denver Foundation (the Foundation) and represents the amount that it has fundraised for the HLC. Additionally, interest receivable from the federal government for the Series 2010A bonds interest subsidy of $329,016 was included in the total balance as of both June 30, 2015.

As of June 30, 2015, $164,964 is due to the Hotel from external sources related to its operations. Of this balance, $32,684 is from a travel agency, and the remaining balance is from outstanding corporate and personal accounts. The hotel does not have any receivable balances that are greater than 90 days past due.

An allowance for uncollectible accounts is determined based on a specific review of outstanding balances; however, as of June 30, 2015, there is no allowance for uncollectible accounts.

g) Use of Land

As noted above, the University leased land under an operating lease agreement with AHEC totaling $1.00 for the ground where the HLC hotel is built. This land was, in turn, subleased by the University to HLC for a period of 50 years for $1 beginning on October 28, 2010. In accordance with generally accepted accounting principles for not-for-profit organizations, the use of the land below fair market was recorded as an asset at the inception of the lease. Each year, rent expense is recognized at estimated fair market value, reducing the value of the use of land asset. Rent expense for both fiscal years 2015 was $110,311.

The following is a reconciliation of the beginning and ending balances of the Use of land asset:

		2015
Use of land asset, beginning of year		5,000,775
Lease expense related to use of land asset		34,314
Use of land asset, end of year	$	5,035,089

h) Accounts Payable

As of June 30, 2015, accounts payable of $213,784 includes $213,558 from Hotel operations due to numerous vendors with small balances, and $226 of deposits held in custody for payment to the Foundation.

(2) Summary of Significant Accounting Policies (Continued)

i) Bond Issuance Costs

Bond issuance costs are deferred and are being amortized on a straight-line basis over the life of the bonds. Total amortization expense of bond issuance costs for the year ended June 30, 2015 was $172,381.

j) Revenue Recognition

Revenue is recognized when it is earned. Contributions are reported when an unconditional promise to give is received.

k) Expenses

Expenses are recognized by the HLC in the period incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

l) Net Assets

The HLC, as a nonprofit organization, is required to classify its net assets in three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are available for the general operations and have no donor imposed restriction on them. Temporarily restricted net assets are funds received that are subject to donor imposed restrictions that will be met either by certain actions, expenditures, or the passage of time. As these restrictions are met, net assets are reclassified from temporarily restricted to unrestricted net assets.

The HLC has no permanently restricted net assets.

m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ significantly from those estimates.

(3) Fair Value Measurements

The HLC follows the method of fair value measurement described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurement*. 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 HLC 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.

(3) Fair Value Measurements (continued)

At June 30, 2015, all of the HLC's deposits within the Treasurer's Pool are considered to be Level 3 investments.

Additional information on the State Treasurer's pooled cash and investments may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2015.

a) Fair Value of Financial Instruments

The fair value of the HLC's financial instruments is determined as follows:

Cash and cash equivalents – Fair value for cash and cash equivalents, excluding funds held by the State Treasury, is estimated to be the same as the carrying (book) value because of its short maturity. Fair value of the cash equivalents held with the State Treasury is the market value based on quoted market prices. Restricted cash and cash equivalents are composed of balances maintained in escrow accounts as required by Series 2010 bonds loan and trust agreement.

Accounts receivable, net – Fair value is estimated to be the same as the carrying (book) value because of its short maturity.

Use of Land – Fair value is estimated based upon comparable lease prices for land properties near HLC in the Denver Metro area.

Accounts payable, retainage payable, and interest payable – Fair value is estimated to be the same as the carrying (book) value because of their short maturities.

Bonds payable – Fair value is determined by computing the present value of future payments discounted at the prevailing interest rate for comparable debt instruments at year-end. At June 30, 2015, the fair value of bonds payable is $60,284,732.

The following table presents assets (liabilities) measured at fair value by classification within the fair value hierarchy as of June 30, 2015:

	Fair Value Measurements Using			
	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents invested with State Treasury	$ -	$ -	$ 1,101,597	$ 1,101,597
Use of land	-	5,035,089	-	5,035,089
Total	$ -	$ 5,035,089	$ 1,101,597	$ 6,136,686

(3) Fair Value Measurements (continued)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2015:

	Cash and Cash Equivalents State Treasury 2015
Balance, beginning of year	$ 1,101,962
Withdrawals	(10,301)
Ordinary investment income	11,155
Unrealized gains (losses), net	(1,219)
Balance, end of year	$ 1,101,597

(4) Bond Obligations

Total outstanding bonds are summarized below:

	Date of Issue	Amount Issued	June 30 2015
2010 taxabe revenue bonds (Build America Bonds)	10/28/2010	$ 49,640,000	$ 49,640,000
2010 tax-exempt revenue bonds	10/28/2010	4,500,000	4,500,000
2010 taxable revenue bonds	10/28/2010	745,000	335,000
Discount on 2010 series bonds, net of amortization			(312,015)
			$ 54,162,985

Principal and interest requirements for all Series 2010 bonds, which are due semiannually every March and September, are summarized as follows at June 30, 2015.

Fiscal year	Principal	Interest	Total
2016	710,000	3,202,148	3,912,148
2017	825,000	3,178,348	4,003,348
2018	1,075,000	3,138,390	4,213,390
2019	1,250,000	3,089,556	4,339,556
2020	1,300,000	3,037,787	4,337,787
2021-2025	7,165,000	14,198,147	21,363,147
2026-2030	8,535,000	11,965,273	20,500,273
2031-2035	10,390,000	8,980,013	19,370,013
2036-2040	12,750,000	5,227,231	17,977,231
2041-2043	10,475,000	898,861	11,373,861
	$ 54,475,000	$ 56,915,754	$ 111,390,754

(4) Bond Obligations (continued)

Series 2010 Bonds

The RRRAFA issued Series 2010 bonds on October 28, 2010 for the purpose of constructing the Hotel and Hospitality Learning Center. The proceeds of the bonds and its obligations were transferred to the HLC in fiscal year 2011. MSU Denver has entered into a guarantee agreement dated October 1, 2010 with the HLC. Per this agreement, MSU Denver absolutely and unconditionally guarantees to Wells Fargo, the HLC's trustee, the timely payments of all debt service payments on the Series 2010 bonds on a gross basis (without netting of any federal subsidy payments received or to be received) while said bonds are outstanding in the event HLC does not make the required debt service payments. The guaranteed amounts are payable solely from available pledged revenues of MSU Denver. For the year ended June 30, 2015, MSU Denver was not required to, and did not make, any debt service payments on behalf of the HLC.

a) Series 2010A

On October 28, 2010, Series 2010A taxable revenue BABS were issued for $49,640,000, bearing interest rates from 4.04% to 6.45%. The principal and interest are due on a semiannual basis with a maturity date of September 1, 2042. These payments range from $1,039,426 to $4,743,189. The bonds are qualified to receive a 35% interest subsidy from the federal government, which was expected to be $24,742,234 over the life of the bonds. However, due to a government sequester, the subsidy was reduced by 8.7% in March 2013. The subsidy was subsequently increased by 1.5% to a total reduction of 7.2% in October 2013, but then decreased by 0.10% to a total reduction of 7.3% in March 2015. The government sequester is anticipated to reduce the total subsidy received by $1,676,860 over the life of the bonds. A total of $4,743,764 had been earned as of June 30, 2015. A receivable of $329,016 was recorded June 30, 2015.

(b) Series 2010B

On October 28, 2010, Series 2010B tax-exempt revenue bonds were issued for $4,500,000, bearing interest rates from 3% to 4%. The principal and interest are due on a semiannual basis with a maturity date of September 1, 2019. These payments range from $57,400 to $1,294,500 with the last payment being a total of $994,500.

(c) Series 2010C

On October 28, 2010, Series 2010C taxable revenue bonds were issued for $745,000, bearing interest rates from 1.978% to 2.328%. The principal and interest are due on a semiannual basis with a maturity date of September 1, 2015. These payments range from $5,435 to $417,954 with the last payment being a total of $338,899.

(5) Temporarily Restricted Net Assets

The Metropolitan State University of Denver Foundation receives contributions from various corporations, organizations and individuals on behalf of the HLC, which are temporarily restricted. At June 30, 2015, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose and land held for use, as described in Note 1 (g) as follows:

	2015
Use of land asset, beginning of year	5,000,775
Lease expense related to use of land asset	34,314
Use of land asset, end of year	$ 5,035,089

(6) Metropolitan State University of Denver Foundation Contributions

The Foundation exists for the purpose of soliciting and investing donations for MSU Denver. On September 21, 2010, the Foundation's board of directors adopted the Foundation Resolution providing a plan to use its best effort to raise approximately $12 million in donations, sufficient to retire a portion of the HLC 2010 bonds. However, due to the difficulty of raising the remaining portion of the agreed upon $12 million, the agreement was amended to include a more attainable fundraising goal of $3.5 million. For the year ended June 30, 2015, the Foundation contributed a total of $218,919, to the HLC. All amounts contributed by the Foundation for the year ended June 30, 2015 were cash contributions to be used for the HLC's debt service requirements.

(7) Ground Lease

As of June 30, 2015, the HLC has no lease obligations. Trustees of the University have leased the HLC land from the Auraria Higher Education Center for a period of fifty (50) years in the amount of two dollars ($2.00) for the term of the lease. This lease is specifically for the purpose of construction and operation of the Hotel and Hospitality Learning Center. See Note 1 (g) for more information on how the use of this land is recorded on the financial statements.

(8) Income Tax Status

The income of the HLC is derived from the exercise of essential government functions and, as such, is excluded from federal income tax under Section 115 of the Code, however, it would be subject to tax on any unrelated business income under Section 511(a)(2)(B). The HLC generated unrelated business taxable income for the year ended June 30, 2015. The HLC believes that the income generated for the year ended June 30, 2015 is offset by losses from previous years. A net operating loss tax net asset was not recognized in the financial statements, as utilization of the net operating loss carry forward is uncertain.

In accordance with Generally Accepted Accounting Principles, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than–not" standard of being sustained under an income tax audit and to record a liability for any such taxes including penalty and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above for further disclosure. The HLC is currently not under any U.S. federal or state income tax examinations by tax authorities.

(9) Subsequent Events

HLC has evaluated its subsequent events as of December 4, 2015, the date that the financial statements were available to be issued. No events were identified requiring disclosure.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Metropolitan State University of Denver (formerly, Metropolitan State College of Denver) (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 2015. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan University of Denver Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Metropolitan State University of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 4, 2015

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December 4, 2015

Members of the Legislative Audit Committee
Metropolitan State University of Denver
Denver, Colorado

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Metropolitan State University of Denver (formerly, Metropolitan State College of Denver) (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2015, and have issued our report thereon dated of December 4, 2015. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

<u>*Accounting policies*</u>

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements.

As described in Note 1, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No, 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The impact of these standards was the University's recognition of its proportionate share of the state pension plan's net pension liability and the deferral of its contributions to the plan subsequent to the measurement date of the plan's net pension liability. The impact of this standard is detailed in Note 18 of the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Accounts and loans receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses. Individual accounts are written off against the allowance when collection of the account appears doubtful.
- Capital assets are depreciated using the straight-line method and monthly convention over the estimated useful lives of the assets. Estimated useful lives range from 3 to 50 years.
- 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.
- The University's net pension liability is based on the actuarial valuation of the overall net pension liability of the state pension plan. The valuation of the pension plan's liability is based on various actuarial assumptions and other inputs including estimated inflation rates, wage inflation, long-term investment rate of return and post-retirement benefit increases.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2015.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Audits of group financial statements

We noted no matters related to the group audit that we consider being significant to the responsibilities of those charged with governance of the group.

We have provided a separate letter to you dated December 4, 2015, communicating internal control related matters relevant to the group audit and identified by us or by a component auditor during the audit.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 4, 2015

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
INTRODUCTION
Year Ended June 30, 2015

Established in 1965 as Colorado's "College of Opportunity," Metropolitan State University of Denver (the University) is the third largest higher education institution in Colorado and one of the largest public four-year universities in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only have a high school diploma, a general educational development (GED) high school equivalency certificate, or the equivalent to gain admission. The University is governed by the Board of Trustees, an 11-member board consisting of 9 voting members appointed by the Governor of Colorado with the consent of the Senate, and a faculty and a student representative, both of which are non-voting.

Our financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2015 was directed toward the objectives and criteria set forth in the 2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University of Colorado. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2015.

State-Funded Student Financial Assistance Programs

The University's various state-funded student financial assistance programs include the following:

- Colorado Need-Based Grants
- Colorado Work-Study
- Colorado Merit Aid

The total state-funded student financial assistance programs expenditures made by the University were approximately $17.38 million during the year ended June 30, 2015.

The director of financial aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the University in federal and state-funded student financial aid programs. The campus controller's office at each campus is responsible for the programs' financial management, general ledger accounting, payments, and collections.

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2015. The University also obtained authorizations for federal student financial aid funds as follows:

Pell Grants	$ 31,130,247
Direct Loan	83,321,165
College Work-Study	505,212
Teacher Education Assistance for College and Higher Education Grant	106,610
Supplemental Educational Opportunity Grant (SEOG)	775,704

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INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

Members of the Legislative Audit Committee:

Report on the Statement

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2015, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement. The Statement was prepared in accordance with the format as set forth in the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2015, in accordance with the format as set forth in the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado- Funded Student Aid* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University described in Note 1 to the Statement.

Basis of Accounting

As described in Note 2 to the Statement, the Statement prepared by the University was prepared in accordance with the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. As described in Note 2 to the Statement, the Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. In addition, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Restriction on Use

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Regents, and management of the University of Colorado and the Department of Education and Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.

CliftonLarsonAllen LLP

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Denver, Colorado
December 4, 2015

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
Year Ended June 30, 2015

	Total Financial Aid	Colorado Need-Based Grants	Colorado Work-Study	Colorado Merit Aid
Appropriations:				
Original official allocation notice	$ 17,381,159	14,273,907	2,514,929	592,323
Additional funds reallocated by CDHE	-	-	-	-
Funds released to CDHE	-	-	-	-
Total appropriations	17,381,159	14,273,907	2,514,929	592,323
Total expenditures	$ 17,381,159	14,273,907	2,514,929	592,323
Reversions	$ -	$ -	$ -	$ -

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
Year Ended June 30, 2015

(1) Basis of Presentation

The University is governed by the Board of Trustees, an 11-member board consisting of 9 voting members appointed by the Governor of Colorado with the consent of the Senate, and a faculty and a student representative, both of which are non-voting.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado- Funded Student Aid* issued by the Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Metropolitan State University of Denver. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2015.

Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

(2) Basis of Accounting

All state-funded student financial assistance is expensed on a cash basis, except for the Colorado Work-Study program. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

The University's various state-funded student financial assistance programs include the following: the Colorado Need-Based Grant, the Colorado Work-Study Grant, and the Colorado Merit Aid Grant.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2015, and the related notes to the Statement, and have issued our report thereon dated December 4, 2015

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 4, 2015