UNIVERSITY OF DENVER

Financial Report

June 30, 2020

UNIVERSITY of DENVER

OFFICE OF THE CHANCELLOR

November 13, 2020

To Readers and Users of the University of Denver's Financial Statements:

The University's management is responsible for the fair presentation of the University's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), and has full responsibility for their integrity and accuracy. Management believes that effective internal controls are maintained to provide reasonable assurance at reasonable costs that assets are protected and that transactions and events are recorded properly.

Management, with oversight of the Board of Trustees, maintains a strong ethical climate to ensure that the University's affairs are conducted at the highest standards of personal and corporate conduct. The University has voluntarily adopted best practices in corporate governance and responsibility including:

- We have clear codes of business conduct and conflicts of interest - approved by the Board of Trustees - that are monitored by the Office of Internal Audit and annually affirmed by our deans, directors, officers and trustees.
- All University deans and directors have individually certified the accuracy and completeness of the underlying financial transactions and the non-financial activities as well as the adherence to internal controls within their scope of their responsibility.
- We have a confidential hotline in the Office of Internal Audit available to all employees to submit complaints on accounting, internal controls and auditing matters. The Audit Committee of the Board of Trustees reviews the nature and disposition of all matters reported under this mechanism.
- Our Internal Audit function oversees the University's key areas of business, financial processes and internal controls, and reports directly to the Audit Committee.
- Both the internal audit function and the independent accountants meet with the Audit Committee at least annually without the presence of management representatives.

We are dedicated to maintaining our high standards for financial accounting and reporting as well as our system of internal controls. The University's culture demands integrity and we have confidence that our employees and processes reflect the highest level of ethical standards.

Mary L Clark

Jeremy Haefner
Chancellor

Mary Clark
Provost and
Executive Vice Chancellor

Leslie Brunelli
Senior Vice Chancellor
for Business and Financial
Affairs/Treasurer

Andrew Cullen

Jason Gerow

Andrew Cullen
Associate Vice Chancellor for
Finance/Assistant Treasurer

Jason Gerow
Director of Accounting

UNIVERSITY OF DENVER

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Management's Financial Review - Executive Summary (Unaudited)

Management's Discussion & Analysis provides an overview and examination of the University of Denver's financial activities for the fiscal year ended June 30, 2020 with comparative information for the fiscal year ended June 30, 2019 and financial trend data over a five-year period as appropriate. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The University's financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Financial Accounting Standards Board (FASB), which establishes standards for external financial reporting for private colleges and universities.

Despite the challenges experienced in the final quarter of the fiscal year due to the COVID-19 pandemic, the University of Denver (DU) maintained a solid financial position at June 30, 2020 reporting total assets of $1.85 billion and total net assets of $1.47 billion at fiscal year-end. The figures represent a slight decrease year-over-year when compared to total assets of $1.87 billion and total net assets of $1.49 billion for the fiscal year ending June 30, 2019. The overall net asset decrease was largely driven by changes to the value of the University's Endowment, with investment returns and lower than average new gifts offset by operating distributions. The following highlights describe in a greater level of detail the 2020 fiscal year financial performance.

Operations: Operating revenues increased $3.3 million over FY19, while operating expenses increased $22.0 million. Net tuition and fee revenue increased $27.5 million but were largely offset by decreases in auxiliary and other operating revenues directly attributable to the COVID-19 pandemic. Specifically, spring quarter housing and meal refunds totaling $13.3 million drove an overall $12.4 decrease in auxiliary revenues and decreases in Athletic department ticket sales and recreational service revenues contributed to a $12.0 million decrease in other operating revenues. Operating expenses grew during FY20, with salaries, wages & benefits and services & supplies increasing 5% and 22% respectively. The increase, however, was offset by a decrease in other operating expenses of $17.5 million as the University enforced expenditure reduction strategies in those divisions that were experiencing revenue declines as the result of the COVID-19 pandemic.

Cash and Liquidity: Working capital, consisting of cash and short-term investments held by the operating fund, increased to $147.4 million at June 30, 2020. This is equal to 107 days of average operating expenses, falling within the Educational Advisory Board's (EAB) recommended metric of 90 to 120 days. The University's rating agencies view unrestricted (quasi) endowment investments that can be liquidated within one-year as an additional source of liquidity. The endowment currently included $418.1 million of such funds, providing an additional 179 days of operating expense and resulting in a modified days cash on hand figure of 286 days suggesting a strong liquidity position for the University of Denver when viewed in the context of the EAB recommended metric.

Fundraising: The transition to a new Chancellor and a new Vice Chancellor for Advancement, along with the COVID-19 pandemic, negatively impacted fundraising with private support declining to $44.1 million. In accordance with GAAP, the University recorded $27.5 million on the financial statements which was a decrease of $19.8 million from the amount recorded on the financial statements in FY19. Private support that did not meet the accounting standard criteria for contribution revenue recognition included: 1) allowance and present value discounting for new pledges of $700K, 2) write-off of pledges of $600K, 3) testamentary bequest intentions of $11.6 million and 4) philanthropic grant gifts of $6.3 million. These reductions were offset by the collection of previous fiscal year conditional pledges and testamentary bequests of approximately $2.6 million, highlighting the importance of securing pledges that will be realized in future years.

Debt and Construction: The University's long-term debt decreased $7.8 million from $229.4 million to $221.6 million during the fiscal year. Principal and interest payments on the University outstanding debt totaled $17.6 million. Interest paid during the year totaled $9.8 million, including interest only payments on the series 2007, 2017A and 2017B bonds. Principal will begin being retired on the 2007 bonds in FY23, the 2017A bonds in FY30 and the 2017B bonds next fiscal year in FY21. The University's Maximum Annual Debt Service (MADS) of $19.4 million will occur in FY23 unless the University moves forward with a refunding of outstanding bonds in the historically low current interest rate environment.

Endowment: The University's endowment investments that are currently managed by Investure returned 1.37% for FY20. The fair market value of the endowment at FY20 year-end was $772.1 million, down $14.3 million from the prior year-end balance of $786.4 million. The endowment value was bolstered by gifts of $10.1 million, investment returns of $13.2 million and other transfers to the endowment of $4.4 million. These increases were offset by distributions to operations for spending of $35.9 million and a $6.1 million distribution to the Barton Institute for Community Action which spun-off during the fiscal year from the University to form its own not-for-profit organization. Approximately 92% of spending distributions to operations were directly allocated to functions that support the University's academic mission in the form of scholarships, fellowships, academic programs, faculty chairs and professorships with the remaining 8% supporting administrative functions and other institutional initiatives.

Management's Financial Review - Statistics (Unaudited)

STUDENTS (HEAD COUNT)	FY20	FY 19	FY 18	FY 17	FY 16	5 years Increase / (Decrease) Amount	Percent
Undergraduate	5,774	5,801	5,765	5,754	5,758	16	0%
Graduate and professional	7,157	6,151	5,669	5,860	6,039	1,118	19%
Pre-collegiate	466	503	534	601	645	(179)	-28%
Total fall enrollment	13,397	12,455	11,968	12,215	12,442	955	8%
Undergraduate admissions							
Applied [1]	21,028	20,475	19,904	20,322	15,036	5,992	40%
Accepted	12,345	11,563	11,554	10,867	10,938	1,407	13%
Enrolled	1,353	1,477	1,504	1,399	1,424	-71	-5%
Selectivity	58.7%	56.5%	58.0%	53.5%	72.7%	NA	NA
Yield	11.0%	12.8%	13.0%	12.9%	13.0%	NA	NA
Degrees conferred							
Baccalaureate	1,308	1,357	1,332	1,366	1,279	29	2%
Master's	2,053	1,939	1,957	2,131	2,056	-3	0%
JD	224	238	245	274	267	-43	-16%
Doctoral	165	151	156	118	158	7	4%
Total degrees conferred	3,750	3,685	3,690	3,889	3,760	-10	0%
Undergraduate six-year graduation rate	76.7%	77.2%	75.1%	79.2%	76.9%	NA	NA
Undergraduate tuition	$ 51,336	$ 49,392	$ 47,520	$ 45,288	$ 43,164	$ 8,172	19%
% increase over prior year	3.9%	3.9%	4.9%	4.9%	5.0%	NA	NA
FACULTY AND STAFF							
Full-time faculty	751	748	733	723	701	50	7%
Full-time staff	1,721	1,635	1,553	1,508	1,473	248	17%
Part-time faculty	693	624	557	553	578	115	20%
Part-time staff	153	145	148	149	157	-4	-3%
Total faculty and Staff	3,318	3,152	2,991	2,933	2,909	409	14%
GRANTS AND CONTRACTS							
Federal	$ 26,074,425	$ 21,414,888	$ 20,189,304	$ 18,322,890	$ 16,314,547	$ 9,759,878	60%
State	5,326,205	4,814,003	3,802,219	3,708,778	2,800,518	2,525,687	90%
Private	8,712,976	4,636,031	3,252,372	3,599,974	3,732,502	4,980,474	133%
Indirect cost recovery	9,167,952	8,505,978	7,178,801	6,853,500	6,516,571	2,651,381	41%
Total grants and contracts	$ 49,281,558	$ 39,370,900	$ 34,422,696	$ 32,485,143	$ 29,364,139	$ 19,917,419	68%
ENDOWMENT							
Market value [2]	$ 772,073,079	$ 786,425,334	$ 761,952,224	$ 711,345,798	$ 607,368,290	$164,704,789	27%
Endowment return	1.8%	4.7%	8.7%	11.1%	-2.3%	NA	NA
Full time equivalent (FTE) student	10,068	9,669	9,441	9,599	9,792	276	3%
Endowment per student	$ 76,686	$ 81,335	$ 80,707	$ 74,106	$ 62,027	$ 14,659	24%

Source data as of fall end of term provided by Institutional Research at University of Denver.
(1) In Fall 2016, the University changed its methodology for evaluating undergraduate applications.
(2) Endowment market value does not include pledges.

Management's Financial Review - Financial Overview (Unaudited)

Financial Position

Summary of Financial Position

as of June 30, in Millions

	2020	2019	Increase (Decrease) Amount	Percent
ASSETS				
Cash and cash equivalents	$ 76.7	$ 78.0	$ (1.3)	-2%
Investments	874.0	894.0	(20.0)	-2%
Accounts receivable	34.3	31.1	3.2	10%
Pledges receivable	40.8	43.9	(3.1)	-7%
Inventories, prepaid expenses and other assets	10.1	8.7	1.4	16%
Loans to students	9.2	11.5	(2.3)	-20%
Deposits with bond trustees	41.8	132.5	(90.7)	-68%
Property, plant and equipment	764.2	671.0	93.2	14%
Total assets	**$ 1,851.1**	**$ 1,870.7**	**$ (19.6)**	**-1%**
LIABILITIES				
Accounts payable and accrued liabilities	$ 94.8	$ 86.5	$ 8.3	10%
Deferred revenues	33.6	28.3	5.3	19%
Other liabilities	1.2	0.7	0.5	71%
Annuity obligations	8.3	8.7	(0.4)	-5%
Long-term debt	235.4	244.0	(8.6)	-4%
U.S. government grants refundable	10.6	14.6	(4.0)	-27%
Total liabilities	**383.9**	**382.8**	**1.1**	**0%**
NET ASSETS				
Without donor restrictions	853.2	861.9	(8.7)	-1%
With donor restrictions	614.0	626.0	(12.0)	-2%
Total net assets	**1,467.2**	**1,487.9**	**(20.7)**	**-1%**
Total liabilities and net assets	**$ 1,851.1**	**$ 1,870.7**	**$ (19.6)**	**-1%**

The University's net asset base decreased by $20.7 million during FY20 to $1.467 billion, resulting in an annual negative growth rate of -1.0%. Over the past five years, the University's net assets grew at a compounded annual growth rate of 2.7%. In the same period, the compounded annual growth rate of the endowment was 4.1%.

The decrease in the University's net assets during FY20 is largely attributed to endowment activity. The endowment distributed $35.9 million to operations for spending. In addition, $6.1 million was distributed from the endowment to the Barton Institute for Community Action, which separated from the University and is now an independent, unrelated not-for-profit organization. These distributions were offset by permanently restricted endowment gifts of $8.2 million, investment returns of $13.2 million, and other endowment additions of $4.4 million. The total decrease in endowment net assets was $16.2 million.

Also contributing to the overall net asset decrease during FY20 was a decrease in donor advised fund net assets of $6.2 million, which includes a donor-recommended grant to the Denver Art Museum of $5.5 million for capital project investment.

Management's Financial Review - Financial Overview (Unaudited)

Increase in Net Assets from Operations

Operating Statement

as of June 30, in Millions

	2020	2019	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Operating revenue				
Tuition & fees (net)	$ 350.2	$ 322.7	$ 27.5	9%
Auxillary services	28.7	41.1	(12.4)	-30%
Subtotal	378.9	363.7	15.2	4%
Grants and contracts	49.3	39.4	9.9	25%
Private gifts for operations	19.4	27.9	(8.5)	-30%
Endowment distributions	35.9	37.2	(1.3)	-3%
Other operating revenues	41.0	53.0	(12.0)	-23%
Total operating revenue	**$ 524.5**	**$ 521.2**	**$ 3.3**	**1%**
Operating expenses				
Salaries, wages, and benefits	$ 322.6	$ 306.0	$ 16.6	5%
Services and supplies	125.1	102.2	22.9	22%
Other operating expenses	69.9	87.4	(17.5)	-20%
Total operating expenses	**$ 517.6**	**$ 495.6**	**$ 22.0**	**4%**
Change in net assets from operations	**$ 6.9**	**$ 25.6**	**$ (18.7)**	**-73%**
Operating margin	1.3%	4.9%	-3.6%	

The University's increase in net assets from operating activity of $6.9 million was $18.7 million less than the FY19 increase of $25.6 million. This decrease in net operating activity is the result of a muted increase in total operating revenues of $3.3 million when compared to a year-over-year increase in total operating expenses of $22.0 million. A closer look at revenues reveals a strong increase in net tuition & fees of $27.5 million but significant decreases in auxiliary and other revenues for operations that were greatly impacted by the COVID-19 pandemic. Immediate action to reduce expenditures related to these operations limited a further deterioration of the operating margin. Expense control in FY21 will continue to be necessary given the uncertainty of the virus and its impact on enrollments and auxiliary revenues, specifically housing and meals plans, and ticket sales related to University events.

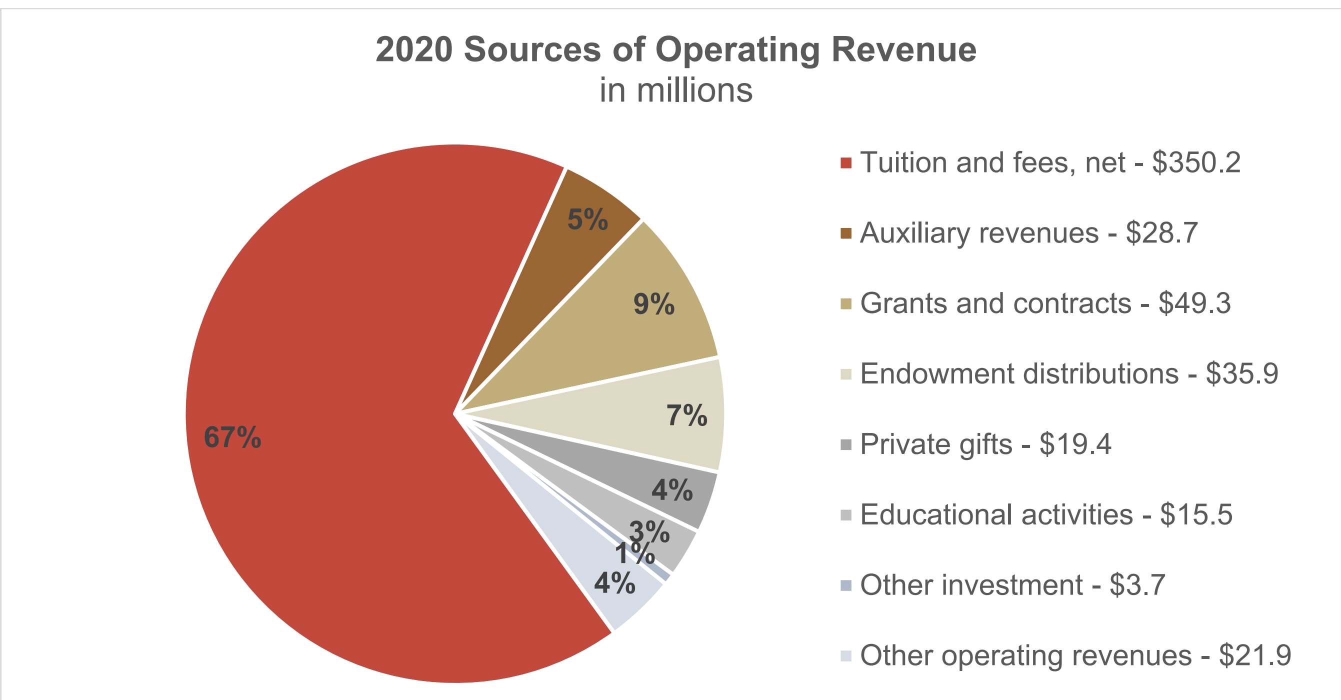
Management's Financial Review - Financial Overview (Unaudited)

Net Tuition & Auxiliary Revenue

2020 *in Millions*	**Total**	**Undergraduate** (5,774 Students)	**Graduate and Professional** (7,157 Students)	**Other *** (466 Students)
Tuition	$ 541.9	$ 290.0	$ 240.2	$ 11.7
Fees **	3.7	-	-	-
Financial aid - discount	(172.2)	(114.6)	(56.5)	(1.1)
Financial aid - allowance	(23.2)	(17.1)	(6.1)	-
Tution & fees, net	$ 350.2	$ 158.3	$ 177.6	$ 10.6
Room & board **	$ 21.6			
Financial aid - room & board **	(0.8)			
Health & counseling **	4.3			
Newman center/conference events **	3.4			
Other **	0.2			
Auxiliary services, net	$ 28.7			
Total	$ 378.9			

*Other Includes Pre-Collegiate, Interterm & prior year
** Combined UG & GR

The University's operating revenues are largely dependent on tuition and fees, comprising 67% of total operating revenues which is an increase from the previous year when it represented approximately 62% of total operating revenues. Total student charges, which include net tuition and fees and sales and services of auxiliary enterprises, comprised 72% and 70% of total operating revenue for FY20 and FY19, respectively.



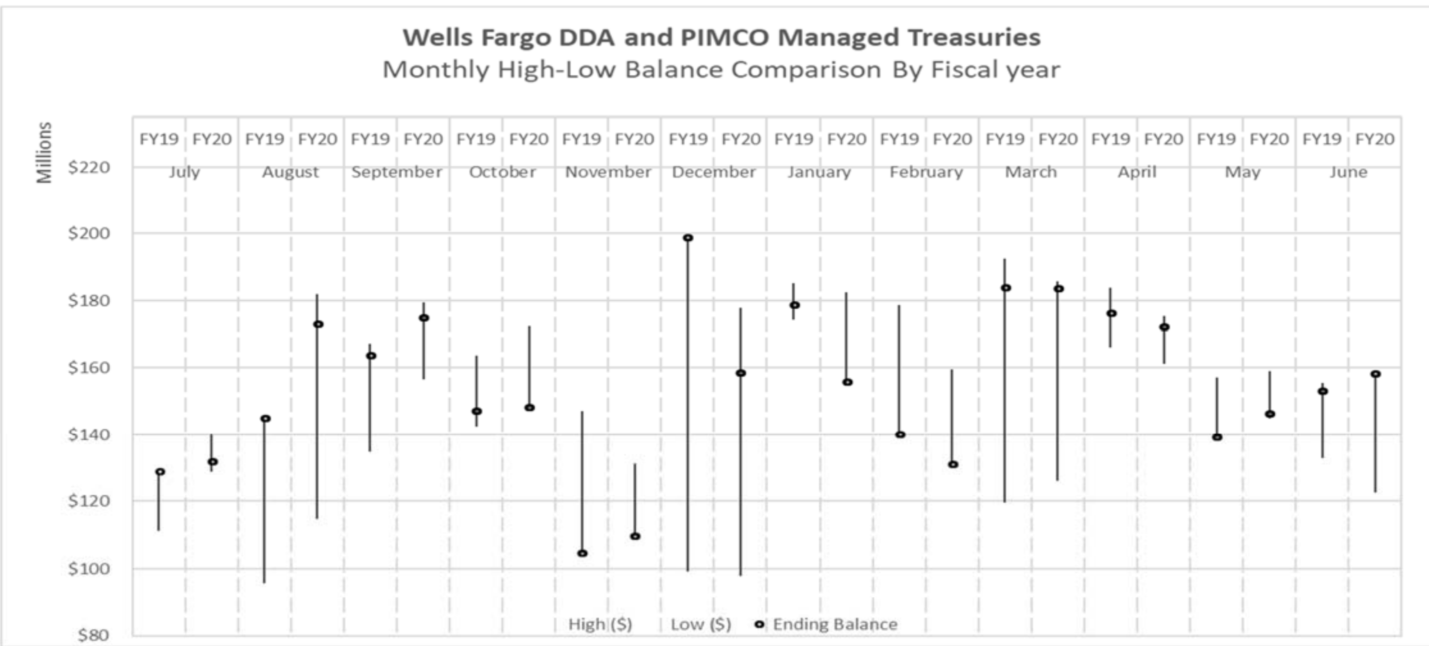
Management's Financial Review - Financial Overview (Unaudited)

Cash and Liquidity

The University's working capital consists of cash and short-term investments held by the operating fund. Working capital increased $1.9 million from June 30, 2019 to $147.4 million, equivalent to 107 days cash on hand.

On June 30, 2020, 54% of the University's working capital was held in cash at the University's corporate commercial bank. The remaining working capital funds were invested primarily in a short-term portfolio restricted to U.S. Treasuries and government agency instruments. Returns after fees on the short-term portfolio managed investments were 1.60% compared to 2.50% in the prior year primarily due to reduced interest rates.

The seasonality of high and low working capital cash and investment balances is predictably aligned with the collection of student tuition and fees. Generally, working capital balances are largest at the start of the academic quarters and lowest at the end of each quarter, before significant collections related to the next quarter are made. While there is a large seasonality to collections, disbursements are generally even throughout the fiscal year. The highest levels of working capital cash and investments are experienced just before the start of the winter and spring quarters. There is a less pronounced high point before the fall quarter since the fall quarter collections follow the summer when working capital balances have been drawn down.



In addition to working capital, the University analyzes unrestricted (quasi) endowment investments that are viewed as a source of liquidity by the University's rating agencies. Endowment investments that can be liquidated within one-year total $418.1 million at June 30, 2020. The liquidity related to the unrestricted endowment provides an additional 179 days of operating expense, resulting in a modified days cash on hand of 286 days covered by working capital and unrestricted endowment. The Educational Advisory Board (EAB) recommends maintaining days cash on hand of at least 90 - 120 days, suggesting a strong liquidity position for the University of Denver.

Operating Expenses

as of June 30, in Millions

		2020		2019		Increase / (Decrease) Amount	Percent
Salaries, wages, and benefits	$	322.6	$	306.0	$	16.6	5%
Service, supplies, and other		195.0		189.6		5.4	3%
Total	**$**	**517.6**	**$**	**495.6**	**$**	**22.0**	**4%**
Less depreciation and disposal		**(16.5)**		**(22.4)**		**5.9**	**-26%**
Cash operating expenses	**$**	**501.1**	**$**	**473.2**	**$**	**27.9**	**6%**

Operating expenses increased $22.0 million in FY20 over the previous year, compared to a $35.0 million increase in FY19 over FY18. The primary driver of the FY19 increase was a $16.6 million increase in salaries, wages, and benefits to $322.6 million in FY20. The salaries, wages, and benefits increases are in line with previous fiscal years, supporting the University's strategy to provide compensation to faculty and staff that are competitive with University of Denver Peer institutions.

FY19 operating expenses included $5.4 million related to the removal of net book value of demolished buildings. Adjusting for this and for other non-cash operating expense changes related to depreciation and disposal, cash operating expense increased by $27.9 million during FY20.

Contribution Revenue

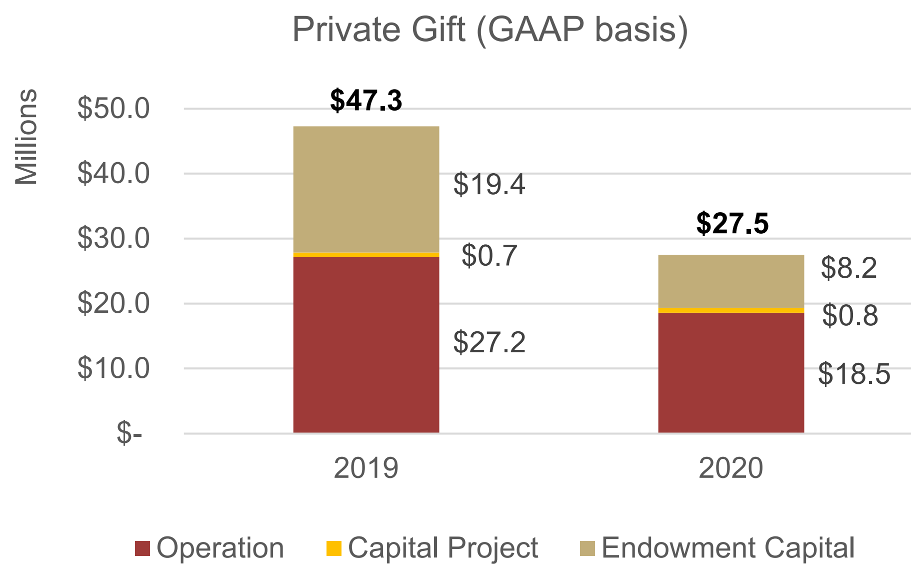
The University reports contribution revenue within the financial statements based on Generally Accepted Accounting Principles (GAAP). The objective under GAAP differs from the Annual Private Support reporting by the University's Advancement office.

GAAP to Advancement Private Support Reconciliation

July 1, 2019 - June 30, 2020, in Millions

GAAP contribution revenue	$	27.5
Discounting of new pledge agreements		0.7
Write off pledge		0.6
Testamentary agreement (TA)		11.6
Philanthropic grant gifts		6.3
Less payments on CP & TA		(1.9)
Other type of gifts and pledges		(0.7)
Subtotal	$	16.6
Advancement private support	$	44.1

On a GAAP basis, in FY20 the University recorded $27.5 million in contribution revenue, a decrease of $19.8 million from FY19. The FY20 contribution consists of $19.3 million in operational and capital projects gifts and $8.2 million in permanent endowment gifts. Similar to other higher education institutions, philanthropic support was adversely impacted by the COVID-19 pandemic.

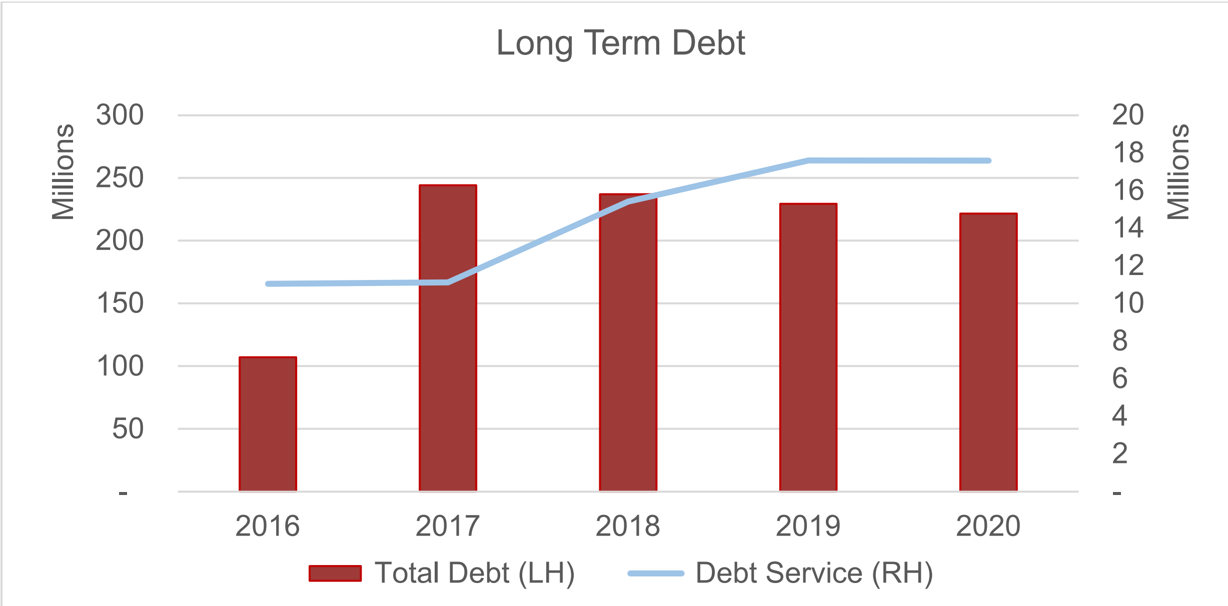


Debt

The University's had six debt issues outstanding at June 30, 2020 with a total principal balance of $221.6 million, a decrease of $7.8 million from June 30, 2019 as a result of scheduled principal payments made during the fiscal year. FY20 represented the last year where no principal was due on Series 2017A and 2017B bonds. The three Denver Advantage Projects (DAP) funded by these issuances were in the final phases of construction during the fiscal year; and, in light of the University's debt structure and advantageous long-term interest rates at the time of issuance, the retirement of principal was deferred until FY21. Interest expense of $6.3 million on Series 2017A and 2017B was funded primarily by capitalized interest borrowing. Of this $6.3 million in interest expense for these issues, $2.3 million was capitalized to the cost of the buildings and is reported in construction in process as of June 30, 2020. Interest expense on all other borrowings, totaling $3.5 million, was funded by University operations.

For the purposes of calculating financial leverage, spendable cash and investments is total cash and investments plus deposits with bond trustees less permanently restricted net assets. Deposits with bond trustees, and the drawdown of these funds during construction, will usually result in the financial leverage ratio declining over time. This was the case in FY20 when the financial leverage ratio decreased from 3.12 in FY19 to 2.56 in FY20 as the Denver Advantage Projects bond proceeds are converted to physical assets faster than increases in spendable cash and investments are realized.

The debt service coverage ratio measures net income available to pay debt service by comparing a modified operating margin to maximum annual debt service. This ratio decreased from 2.43 in FY19 to 1.95 in FY20 as a result of a decrease in net income available to pay debt service. Maximum annual debt service did not change and is $19.4 million in 2023. Under the existing debt structure, the University's annual debt service will not decrease significantly until 2028. Until that time, changes in the debt service coverage ratio will be directly related to the level of operating margins.



Endowment

During FY20, the fair market value of the endowment investments, which does not include endowment pledge receivables, decreased from $786.4 million to $772.1 million, or $14.3 million. Receipts of invested endowment gifts of $10.1 million, investment returns of $13.2 million and other transfers to endowment of $4.4 million were offset by distributions to operations for spending of $35.9 million and a $6.1 million distribution for the separation of the Barton Institute for Community Action, now an independent, unrelated not-for-profit organization.

For FY20, the University of Denver's endowment investments managed by Investure returned 1.37%. The decrease in endowment distributions to operations from $37.2 million in FY19 to $35.9 million in FY20 is attributed to an additional appropriation during FY19 from the endowment to a separate investment of funds held for the Institute for the Advancement of the American Legal System, a University of Denver institute, and the cessation of spending distributions from the endowment funds that were appropriated for the formation of the Barton Institute for Community Action. Approximately 92% of the FY20 spending distributions to operations were allocated to directly support the University's academic mission in the form of scholarships, fellowships, academic programs, faculty chairs and professorships with the remaining 8% supporting administrative functions and other institutional initiatives.

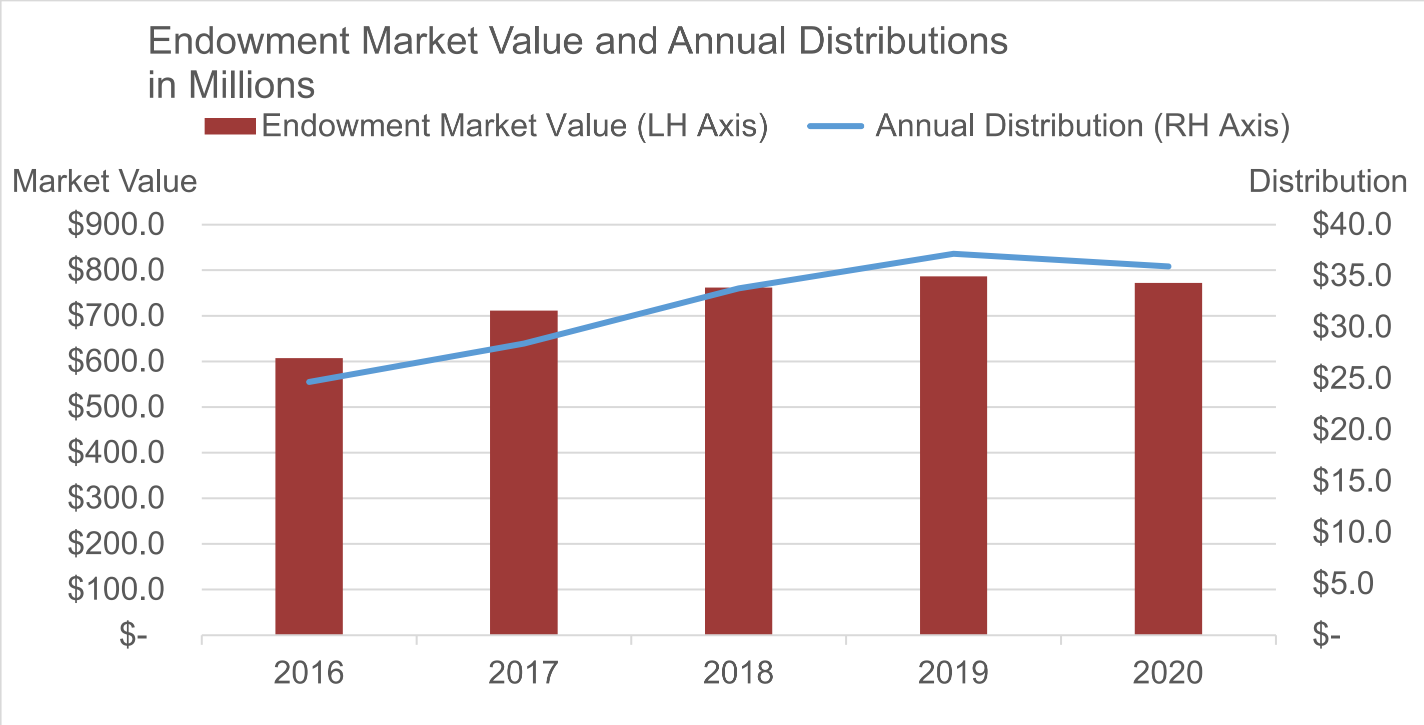
Endowment Asset Alloction

As of June 30, 2020 (% of portfolio)

	Allocation	Target	Maximum
Global equity	39.6%	30.0%	60.0%
Alternative equity	26.4%	30.0%	40.0%
Private equity	17.8%	30.0%	40.0%
Fixed income	6.2%	10.0%	10.0%
Other	10.0%		
	100.0%		

*The University will continue to increase the allocation to priviate equity over time.

Management's Financial Review - Financial Overview (Unaudited)



The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Colorado, went into effect on September 1, 2008 and provides a framework for investment decisions and endowment expenditures. The act applies only to true endowment funds.

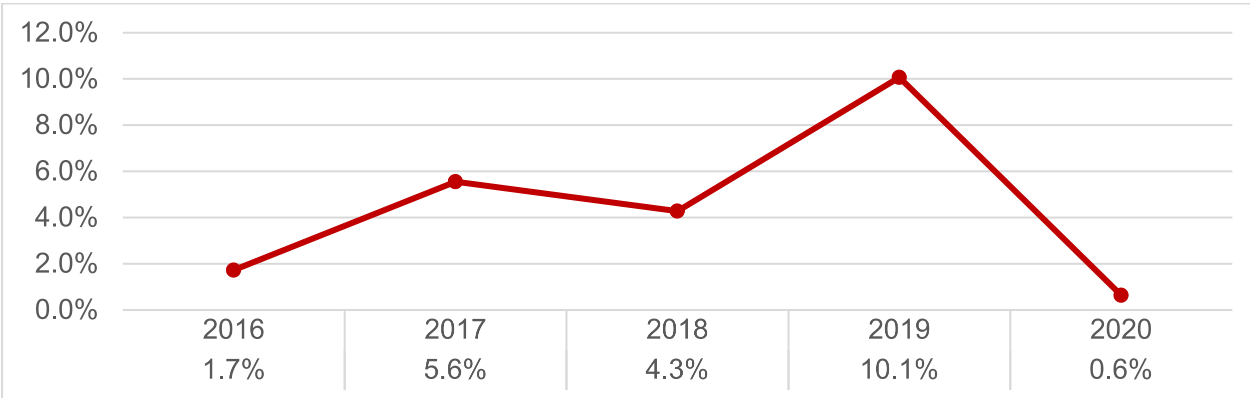
Under UPMIFA, the University considers preservation of purchasing power, general economic conditions and the possible effect of inflation and deflation, among other factors, when determining prudent spending from endowment funds. To evaluate these factors, the University compares the investment return after spending that has been maintained in the fund to the inflation-adjusted value of the historic dollar amount of the gift. The University uses several inflationary indices for this comparison.

The comparison of the current value of the gift to the inflation-adjusted value is highly sensitive to the date of the original investment. For this reason, the University tracks this comparison in separate "vintages" by each quarter since the adoption of the Act.

Through June 30, 2020, 47 "quarterly vintages" have been bought into the investment pool and depending on the inflationary index used in the comparison, has resulted in a negative spread of $57.8 million, to negative spread of $92.5 million as referenced in the table below.

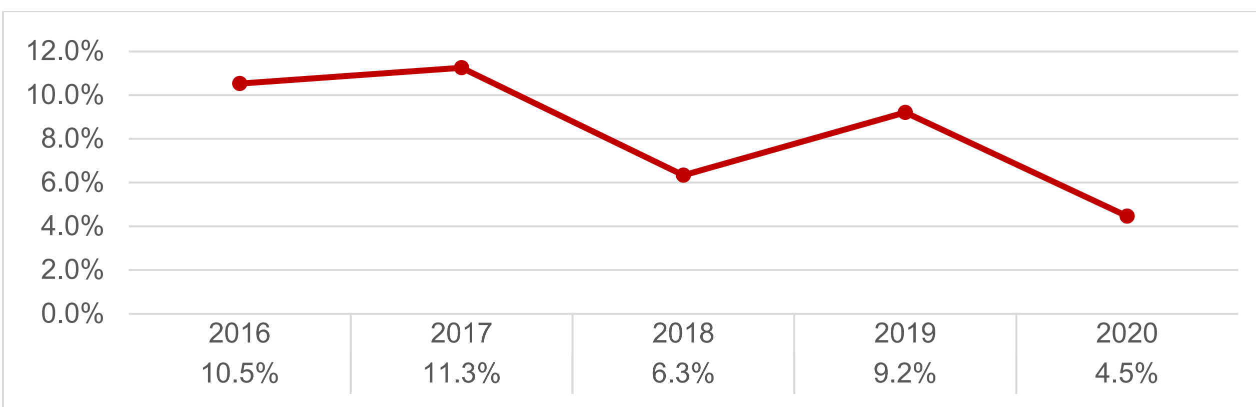
	UPMIFA		
	HEPI	**CPI**	**CPI + 1**
Spread - Index vs. Market (In Millions):	(74.6)	(57.8)	(92.5)
Positive Vintages:	0 out of 47	0 out of 47	0 out of 47

Annual Change in Operating Revenue



Increases to the annual change in operating revenue are an indicator of reputational strength and pricing power of the University and diversity of revenue sources. In FY20 total operating revenue increased 0.6% to $524.5 million up slightly from $521.2 million in FY19. Several sources of operating revenue decreased from the previous fiscal year due to the impacts of the COVID-19 pandemic, including revenue from housing, meal plans, athletics and performing arts events, parking, and conferencing. However, year-over-year revenue growth from net tution and fees was 8.5% and revenue growth from grants and contracts was 25.1% resulting in net positive overall change in operating revenue.

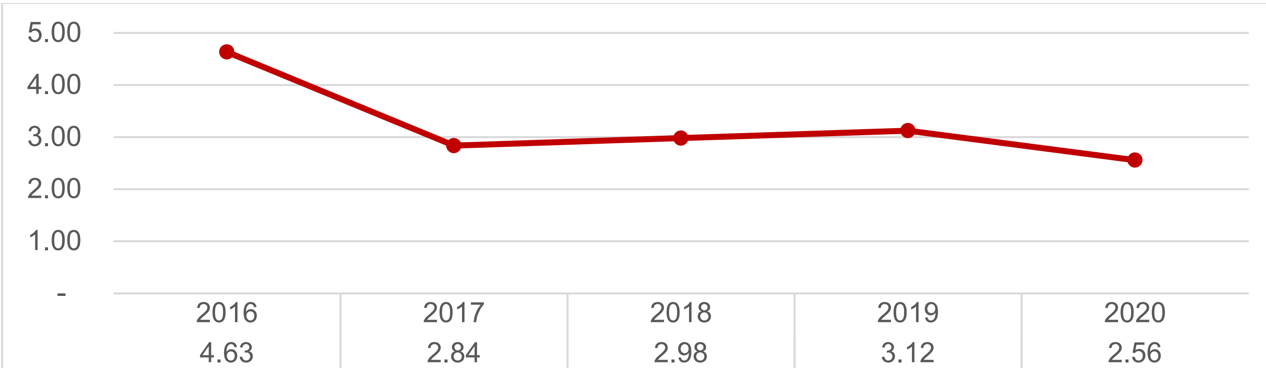
Operating Cash Flow Margin



Operating cash flow margin measures the cash from operating activities as a percentage of operating revenue and is an indicator of the University's efficiency in turning revenues to cash and providing current liquidity. FY20 saw a decrease in this ratio from 9.2% in FY19 to 4.5% in FY20, as revenues less cash expenses were diminished significantly as a result of the COVID-19 pandemic. Significant cost control measures implemented in mid-March, when the virus turned to pandemic proportions, insulated this ratio from falling further. Responsible budgeting and sound cost controls have contributed to strong operating cash flow margins at the University of Denver; however, constraints related to the cost of attendance increases will challenge the University's ability to improve the operating cash flow margin in the future.

Management’s Financial Review - Financial Ratios (Unaudited)

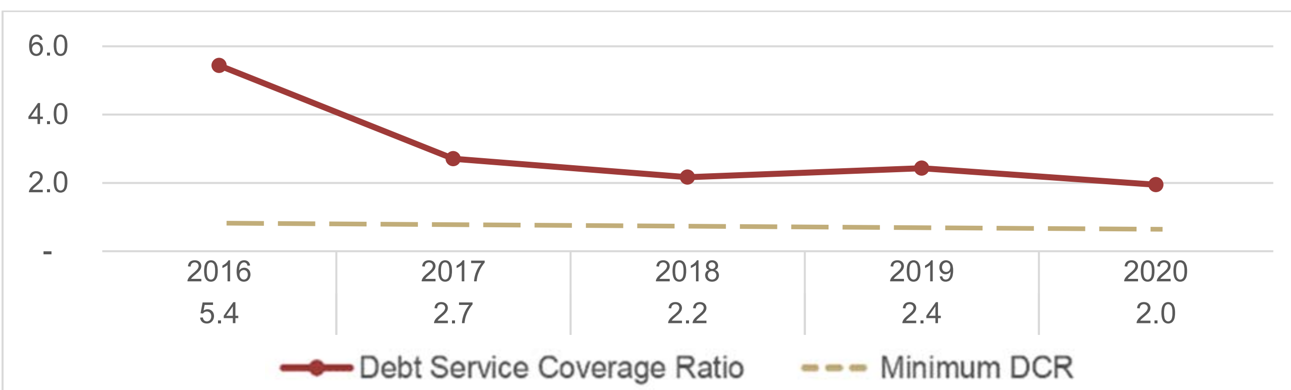
Financial Leverage



Financial leverage measures the University's ability to repay bondholders from funds that can be accessed over time. For purposes of the financial leverage calculation, spendable cash and investment is total cash and investment plus deposits with bond trustees less permanently restricted net assets.

Consistent with the table above, the University expects financial leverage to decrease during the construction phase of the Denver Advantage projects as proceeds with bond trustees are converted to physical assets faster than increases in spendable cash and investments are realized.

Debt Service Coverage Ratio



Net income available for debt service, and the resulting debt service coverage ratio shown above, is calculated by the method descibed in the University’s loan agreements. The loan agreements describe actions that must be taken before the University can issue additional debt if the debt service coverage ratio falls below 1.15.

The decrease in the debt service coverage ratio from 2.4 in FY19 to 2.0 in FY20 is the result of a decrease in net income provided by operations. Under the University’s current debt structure, annual debt service will not decrease significantly until 2028. Since the debt service coverage ratio is directly impacted by operating results, noticable improvements in this ratio are unlikely to occur until the University experiences a significant change in annual debt service.

Management's Financial Review - Opportunities and Challenges (Unaudited)

The University of Denver began FY20 prepared to build upon its academic strength, solid financial metrics and record-breaking research and fundraising accomplishments of the previous fiscal year. DU operated within its financial means during the fiscal year as evidenced by ending FY20 with a positive operating margin for the 29th consecutive year despite the challenges of the COVID-19 pandemic. University grant and contract revenue increased more than 14% over FY19, with 159 new awards received totaling more than $46 million. FY20 began with a strong financial foundation with resources identified to continue an upwards trajectory, but with the COVID-19 pandemic operations at all higher education institutions were, and continue to be, negatively impacted. The University of Denver is no exception.

DU managed the financial implications of the COVID-19 crisis by maintaining liquidity, with days cash on hand exceeding the EAB suggested benchmark of 90 to 120 days despite quickly refunding student room and board fees for the spring quarter. Student Accounts Receivable was also consistent with the prior year with forecasts exceeding plans through June 30, 2020 due to continuing strong spring enrollments and increased summer registrations for both undergraduate and graduate students. Immediate spring expenditure reduction measures enacted included a hiring freeze, reduction of non-benefitted employee work hours, reduction of discretionary spending, a travel freeze and the delay of many capital projects.

Pre-COVID-19 budget to actual variances were positive with an increase to the University's bottom line. Coupled with strong reserves, this enabled DU to complete the year in a financially stable position. On June 25 the Board adopted an operating budget for FY21 that effectively closed a $45 million gap in expected loss of revenue and new expenditures directly related to the COVID-19 response and reopening. The reduction strategy included strategic base budget cuts and one-time reductions implemented university-wide as well as targeted, unit-specific eliminations.

The University expects that the changing health and economic situation may lead to additional revenue loss driven by de-densification of classrooms and residence halls, social distancing, and state and local guidance. New expenses will arise due to testing, contact tracing, instructor support, increased classroom technology and enhanced cleaning protocols. The base budget in place relies on conservative enrollment modeling and limited expenditures but remains flexible to adapt to more severe financial realities as they may emerge. The Chancellor created a network of five University wide task forces and an overarching University Planning Steering Committee to navigate the complexities introduced by COVID-19 and to develop future budget scenarios should they become necessary if the instructional modality changes in any of the academic terms. The groups include members of the Board of Trustees, senior leadership, as well as faculty and staff who are collecting and analyzing data to make recommendations for financial solutions, digital and online strategies, academic program assessment and strategic opportunities.

Student enrollment for fall 2020 remains strong with projected end of term enrollment totaling 14,324, up 6.9% year-over-year. Undergraduate traditional enrollment decreased slightly while graduate "on-campus" increased slightly, pointing to graduate online and partnerships through University College as the drivers behind the strong FY21 enrollment growth. While enrollment remains strong, careful attention is taken with the analysis of the discount rate and with student fee payment activity. Additionally, an internal group of faculty and staff bolstered existing student retention efforts for the returning class cohorts and graduate program enrollment likely increased due to the inverse relationship between those enrollments and the economies of both Colorado and the nation.

Management’s Financial Review - Opportunities and Challenges (Unaudited)

The University partnered with National Jewish Health, which serves as the strategic health care partner for DU to together develop and refine monitoring, testing, isolation, quarantine and contact tracing protocols aimed at minimizing a COVID-19 outbreak on campus. The recommendations follow the guidance from public health officials and are mindful of those in the DU community who might have health complications with a return to campus. University leadership educated the community, listened to feedback, and adopted many of the suggestions provided creating a unified approach to the shared financial challenges. Multiple campus task forces comprised of DU faculty and staff worked for months planning for a safe return to face-to-face classes, and that work continues for the winter and spring quarters

The University welcomed several new individuals into executive management leadership positions during the last fiscal year, notably Provost and Executive Vice Chancellor Mary Clark and Senior Vice Chancellor for Advancement Val Otten. In the new fiscal year Vice Chancellor of Student Affairs Todd Adams and Emily Babb, Associate Vice Chancellor for Equal Opportunity and Title IX, have joined the administration.

The University’s Denver Advantage Projects (DAP) remained on budget and on schedule with the Dimond Family Residential Village and Burwell Center for Career Achievement opening and welcoming students for the first time as the fall quarter began. The Community Commons is nearing completion and will be open for business as students return to campus for the winter quarter in January 2021. The successful opening of these facilities is critical to following through on the University’s DU Impact 2025 Strategic Plan to create a more welcoming and vibrant campus community.

The University’s undergraduate unfunded discount rate increased year-over-year in FY21 as competition to enroll students during the COVID-19 crisis intensified. Importantly, however, the University of Denver’s discount rate lags peer institutions. The University implemented a 2.4% tuition and fee increase for FY21 in conjunction with a pricing study completed with an outside consultant. In October 2020, the Board of Trustees approved a 2.0% tuition and fee increase for FY22, continuing the commitment to keep the University of Denver affordable to students and their families. Maintaining the discount rate at comparable levels, coupled with tuition and fees increases to restore pre-COVID budgets and fund new initiatives, will be critically important in achieving a balanced budget and remaining competitive with peer institutions.

On the graduate enrollment side, changes to the perceived need and long-term value of advanced degrees pushes DU to expand its portfolio of certificate programs and differential tuition and fee rates. Affordable tuition and fee rates by program that align with job prospects and salaries will enhance the University’s value proposition and ensure steady enrollments, prudent financial planning and degree programs that are valued by students and employers. The University of Denver continues to advance with faculty provided excellent instruction across modalities while also growing the externally funded research base.

The University of Denver faces challenges familiar to higher education institutions across the United States but is fortunate to experience consistent enrollment levels, largely the result of offering a diverse set of undergraduate and graduate academic programs, cultivating a multi-regional student draw and providing student quality well above national averages. Additionally, as evidenced by the University’s proactive and successful approach to COVID-19, the University has demonstrated the ability to plan and execute complex strategic initiatives.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Denver
Denver, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of University of Denver (the University), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's financial statements. Management's Financial Review, which includes the Executive Summary, Statistics, Financial Overview, Financial Ratios, and Opportunities and Challenges (collectively referred to as Management's Financial Review), is presented for purposes of additional analysis and is not a required part of the financial statements.

Management's Financial Review has not been subjected to the auditing procedures applied in the audit of the 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 November 13, 2020, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
November 13, 2020

UNIVERSITY OF DENVER

Statement of Financial Position

At June 30, 2020 and 2019

Assets		2020	2019
Cash and cash equivalents	$	76,711,102	77,989,136
Short term investments		80,819,681	79,802,288
Accounts receivable, net		34,280,695	31,075,230
Pledges receivable, net		40,835,127	43,866,911
Inventories, prepaid expenses, and other assets		10,057,378	8,748,006
Long term investments		793,156,563	814,224,320
Loans to students, net		9,216,447	11,451,547
Deposits with bond trustees		41,812,984	132,450,425
Property, plant, and equipment, net of accumulated depreciation		764,190,156	671,025,728
Total assets	$	1,851,080,133	1,870,633,591
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	94,793,135	86,464,664
Deferred revenues		33,593,398	28,275,126
Other liabilities		1,169,082	663,877
Annuity obligations		8,282,318	8,661,912
Long-term debt		235,424,897	244,024,186
U.S. government grants refundable		10,596,780	14,640,915
Total liabilities		383,859,610	382,730,680
Net assets:			
Without donor restrictions:			
Undesignated		9,646,694	9,646,694
Board-designated endowments		245,218,576	250,458,767
Designated student loans		1,696,742	1,677,720
Other designated		32,674,827	41,231,847
Net investment in plant		560,607,444	549,396,846
Donor advised funds		3,343,894	9,520,000
Total without donor restrictions		853,188,177	861,931,874
With donor restrictions			
Gifts and distributed endowment income		46,141,886	45,236,968
Student loans		2,097,178	2,166,743
Annuity life income		12,713,376	14,508,413
Endowment subject to future appropriations		173,262,079	188,191,651
Perpetual endowment		379,817,827	375,867,262
Total with donor restrictions		614,032,346	625,971,037
Total net assets		1,467,220,523	1,487,902,911
Total liabilities and net assets	$	1,851,080,133	1,870,633,591

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2020

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

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2019

	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	$ 322,653,528	—	322,653,528
Private gifts	1,848,225	26,012,028	27,860,253
Grants and contracts	39,370,900	—	39,370,900
Endowment investment return appropriated for operations	11,427,473	25,724,320	37,151,793
Other investment income	4,817,954	134,808	4,952,762
Net realized and unrealized gains (losses) on other investment	3,049,197	331,696	3,380,893
Sales and services of educational activities	18,534,692	—	18,534,692
Sales and services of auxiliary enterprise	41,093,297	—	41,093,297
Other sources of operating revenue	26,181,689	—	26,181,689
Net assets released from restrictions	38,291,208	(38,291,208)	—
Total operating revenue	507,268,163	13,911,644	521,179,807
Operating expenses:			
Salaries and wages	247,568,596	—	247,568,596
Fringe benefits	58,424,881	—	58,424,881
Services and supplies	109,996,020	—	109,996,020
Ultilities and maintenance	13,118,782	—	13,118,782
Depreciation	16,946,472	—	16,946,472
Disposal of property, plant, and equipment	5,413,174	—	5,413,174
Interest on indebtedness	9,128,394	—	9,128,394
Other operating expenses	34,970,350	—	34,970,350
Total operating expenses	495,566,669	—	495,566,669
Increase (decrease) in net assets from operating activity	11,701,494	13,911,644	25,613,138
Non-operating activity			
Private gifts for endowment	—	19,420,897	19,420,897
Endowment investment return after amounts appropriated for operations	(222,758)	(1,719,671)	(1,942,429)
Change in value of split-interest agreements	—	656,433	656,433
Net assets released from restrictions	3,356,265	(3,356,265)	—
Reclassification of restricted net assets	(3,298,752)	3,298,752	—
Increase (decrease) in net assets from non-operating activity	(165,245)	18,300,146	18,134,901
Change in net assets	11,536,249	32,211,790	43,748,039
Net assets at beginning of year	850,395,625	593,759,247	1,444,154,872
Net assets at end of year	$ 861,931,874	625,971,037	1,487,902,911

UNIVERSITY OF DENVER

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (20,682,388)	43,748,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	16,467,771	16,946,472
Disposal of property, plant, and equipment	74,304	7,464,492
Amortization of premium and cost of issuance	(774,289)	(779,896)
(Increase) in accounts receivable	(3,205,465)	(6,986,574)
(Increase) decrease in pledges receivable	3,031,784	(1,850,619)
Increase in inventories, prepaid expenses, and other assets	(1,309,372)	(857,397)
Increase in accounts payable and accrued liabilities	2,927,164	15,355,331
Increase in deferred revenues	5,318,272	5,024,422
Increase in other liabilities	505,205	3,966
Actuarial adjustment for annuity obligation	(463,551)	(634,952)
Contributions restricted for long term investment	(8,152,375)	(19,420,897)
Net realized and unrealized gains on investments	(10,252,529)	(36,859,596)
Net cash provided (used) by operating activities	(16,515,469)	21,152,791
Cash flows from investing activities:		
Proceeds from sale of investments	452,793,945	236,376,129
Purchases of investments	(422,407,095)	(225,160,858)
Purchases of property, plant, and equipment	(104,305,196)	(38,542,340)
Repayment of Perkins and University loans to students	2,235,100	2,909,381
(Increase) decrease in deposits with bond trustees	90,637,441	15,199,323
Net cash provided (used) in investing activities	18,954,195	(9,218,365)
Cash flows from financing activities:		
Proceeds from contributions restricted for long term investment	8,152,375	19,420,897
Payments of bonds payable	(7,825,000)	(7,610,000)
Decrease in refundable government loan funds, net	(4,044,135)	139,485
Net cash provided (used) in financing activities	(3,716,760)	11,950,382
Net increase (decrease) in cash and cash equivalents	(1,278,034)	23,884,808
Cash and cash equivalents at beginning of year	77,989,136	54,104,328
Cash and cash equivalents at end of year	$ 76,711,102	77,989,136

See accompanying notes to the financial statements

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity

The University of Denver (the University) is an accredited, independent, coeducational institution located in Denver, Colorado. The University was founded as Colorado Seminary in 1864. In 1880, following the reorganization of the Colorado Seminary, the University was established as the degree-granting body. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 12,500 students of which approximately 5,500 are undergraduates. The University is primarily supported by tuition and fees, private gifts, and grants and contracts.

(b) Basis of Presentation

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

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

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

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

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

During 2016, the Barton Institute for Philanthropy and Social Enterprise at the University of Denver was established with an endowed gift and pledge agreement. It was subsequently agreed to that an independent not-for-profit organization would be created with the endowed and operating funds held by the University of Denver. The Barton Institute for Community Action was formed during 2019. During fiscal year 2020, the University of Denver transferred approximately $6,180,000 of endowed funds and $747,000 of operating funds to the newly established institute. This transfer of funds is reported on the Statement of Activities as other non-operating changes with donor restrictions.

(c) Cash and Cash Equivalents

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

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

(d) Accounts Receivable

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

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

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

Account receivables are net of allowances for uncollectible accounts of $2,341,000 and $2,337,000 as of June 30, 2020 and 2019, respectively.

(e) Investments

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

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

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

(f) Pledges Receivable and Contribution Revenue

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

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

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

(g) Inventories

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

(h) Deposits with Bond Trustees

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

(i) Property, Plant, and Equipment

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

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

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

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

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

(j) Revenue Recognition

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

The University recognizes revenue from student tuition and fees ratably over the academic term in which the related courses and programs are delivered. Registered students are generally billed on the first day of the month preceding the month in which classes begin and payment is due during the third week of that month. During terms for which classes begin late in the month, registered students are billed on the first of the month in which classes begin and payment is due during the third week of that month. Summer session tuition and fee revenue that is not earned as of year-end is deferred and reported as Deferred Revenues on the Statement of Financial Position. Deferred tuition and fee revenue is recognized as revenue in the following fiscal year. Summer session deferred tuition and fee revenue totaled approximately $33,593,000 and $28,275,000 on June 30, 2020 and 2019, respectively. The allowance for doubtful student accounts was approximately $2,123,000 and $2,145,000 at June 30, 2020 and 2019, respectively.

Institutional scholarships and non-institutional scholarships represent the difference between the stated charge for tuition and fees and the amount that is billed to the student. Non-institutional scholarships are those scholarships which are funded by gifts, endowment distribution, and research funds.

The following table shows the University's tuition and fee revenue and scholarship support for the years ended June 30, 2020 and 2019:

		2020	2019
Undergraduate tuition	$	290,046,424	283,359,996
Graduate tuition		240,185,280	212,542,021
Other tuition		11,697,645	10,055,712
Student fees		3,697,066	4,564,507
Tuition and fees		545,626,415	510,522,236
Less: institutional scholarships		(172,210,967)	(164,744,272)
Less: noninstitutional scholarships		(23,245,159)	(23,124,436)
Net tuition and fees	$	350,170,289	322,653,528

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2020 and 2019:

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

Balance at June 30, 2018	$	23,250,704
Tuition and fee revenue recognized		(23,250,704)
Revenue deferred for future performance obligations		28,275,126
Balance at June 30, 2019	$	28,275,126

Grants and Contracts Revenue

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

Grants and contract revenue from governmental sources totaled approximately $37,304,000 and $31,528,000 during fiscal years ended June 30, 2020 and 2019, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

Sales and Services of Auxiliary Enterprise

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

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

		2020	2019
Housing	$	12,519,498	18,747,755
Meal plans		8,297,955	12,343,825
Health and counseling services		4,251,590	5,466,675
Conferencing events		2,254,667	2,216,991
Performing arts events		1,177,899	2,064,832
Other sales and services of auxilary enterprises		214,000	253,219
Total sales and services of auxiliary enterprises		28,715,609	41,093,297

During the Spring quarter of fiscal year 2020 in response to the COVID-19 pandemic, the University temporarily suspended substantially all housing and dining operations and refunded related fees. Student fees refunded during 2020 totaled approximately $13,257,000.

(k) Compensated Absences

Eligible University employees earn paid vacation each month based upon their years of service with the University. Vacation time accrues and vests proportionately between July 1 and June 30 of the current year and employees can carry a maximum of 22 days to the next fiscal year. An accrual has been made for earned vacation time in the amount of $5,806,000 and $4,465,000 as of June 30, 2020 and 2019, respectively, and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

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

(l) Annuity Obligations

Annuity obligations represent the actuarially determined present value of future payments due to beneficiaries under split-interest agreements, primarily charitable remainder trusts, based on the beneficiaries' life expectancies from actuarial tables published by the Internal Revenue Service, using the prevailing interest rate as of the date of each agreement. The University's agreements are tied to interest rates that range from 4.9% to 9.5%. Annuity obligations are adjusted annually for these factors.

(m) Taxes

The University is recognized as an organization generally exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) and a public charity, and not as a private foundation, under Section 509(a)(1). However, income generated from activities unrelated to the University's exempt purpose is subject to tax under Section 511 of the Code. The University had no material amounts of unrelated business income for the years ended June 30, 2020 and 2019.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes*. FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2020 and 2019.

(n) Net Asset Reclassifications

In 2011, the University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated $66 million of the University's strategic reserves to match commitments to new and existing scholarship endowments. For the years ended June 30, 2020 and 2019, the University matched commitments to the matching program in the amount of approximately $652,000 and $3,299,000, respectively.

(o) Use of Estimates

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

(p) Endowment Funds

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

(q) Subsequent Events

FASB ASC Topic 855-10, *Subsequent Events*, establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2020 and through November 13, 2020.

(r) Reclassifications

Certain 2019 amounts have been reclassified to conform to the current year presentation.

(2) Financial Assets for General Expenditure

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

	2020	2019
Financial Assets:		
Cash and cash equivalents - operating	$ 66,876,701	$ 66,137,451
Short-term investments - operating	80,344,681	79,312,298
Long-term investment - operating	175,647	52,087
Working capital	147,397,029	145,501,836
Accounts receiveable, net	34,280,695	31,075,230
Pledges receiveable due within one year	12,496,917	13,611,766
Board-designated endowments	245,218,576	250,458,767
Financial assets available at year end	439,393,217	440,647,599
Liquidity resources		
Endowment distribution in the follow year	33,009,000	33,072,000
	$ 472,402,217	$ 473,719,599

In addition to the financial assets on the table above, the University has available a line of credit of $50 million with a financial institution. See Note 14 for further discussion.

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

(3) Short and Long Term Investments

Investments at June 30 consist of the following:

	2020		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	$ 72,504,671	29,724	72,534,395
Mutual funds	8,081,229	(508,695)	7,572,534
Real estate	475,000	—	475,000
Other	237,752	—	237,752
	81,298,652	(478,971)	80,819,681
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	5,408,558	—	5,408,558
U.S. Government Securities	54,268,394	4,028,195	58,296,589
Alternative Investments	167,361,014	68,496,037	235,857,051
Global Equities	255,412,773	51,155,035	306,567,808
Mutual Funds	23,168,633	1,005,612	24,174,245
Real Estate	22,266,874	25,387,860	47,654,734
Private Equities	94,437,057	10,633,246	105,070,303
Beneficial Trust Interest	8,301,484	1,650,144	9,951,628
Other	175,647	—	175,647
	630,800,434	162,356,129	793,156,563
Total all funds	$ 712,099,086	161,877,158	873,976,244

	2019		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	$ 71,185,908	69,192	71,255,100
Mutual funds	7,357,969	461,475	7,819,444
Real estate	475,000	—	475,000
Other	252,744	—	252,744
	79,271,621	530,667	79,802,288
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	6,094,983	—	6,094,983
U.S. Government Securities	34,125,560	11,362,786	45,488,346
Alternative Investments	186,014,476	48,680,799	234,695,275
Global Equities	291,266,219	72,591,661	363,857,880
Mutual Funds	24,500,015	2,213,062	26,713,077
Real Estate	22,373,843	25,387,860	47,761,703
Private Equities	69,047,998	9,346,148	78,394,146
Beneficial Trust Interest	9,274,285	1,892,538	11,166,823
Other	52,087	—	52,087
	642,749,466	171,474,854	814,224,320
Total all funds	$ 722,021,087	172,005,521	894,026,608

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

Individual endowments own shares in the pool, the value per share being determined by the pool's aggregate fair value, and the number of shares outstanding at the time contributions are made. The pool is valued on a quarterly basis for this purpose. At June 30, 2020, the pool had 136,066,935 shares outstanding, with a fair value of approximately $726,351,431. The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. The distribution for spending in 2020 was $0.24 per share, which represented spending of realized and unrealized gains. At June 30, 2019, the pool had 135,557,003 shares outstanding, with a fair value of approximately $752,610,800. The distribution for spending in 2019 was $0.24 per share, which represented spending of realized and unrealized gains.

The investment pool consisted of 1,338 individual endowments at June 30, 2020. Of these endowments, 18 are considered to be "under water" as the fair value of the underlying investments is less than the original gift value. At June 30, 2020 the fair value of the underlying investment related to these 18 endowments totaled approximately $2,616,000 while the original gift value was approximately $2,634,000.

The investment pool consisted of 1,308 individual endowments at June 30, 2019. Of these endowments, 21 are considered to be "under water" as the fair value of the underlying investments is less than the original gift value. At June 30, 2019 the fair value of the underlying investment related to these 21 endowments totaled approximately $3,619,000 while the original gift value was approximately $3,627,000. See additional discussion in note 5(b).

The University has the following split-interest agreements, which are included in long term investments and are classified as net assets with donor restrictions at June 30, 2020 and 2019:

	2020	
	Number of agreements	**Market Value**
Perpetual trusts held by third party	2	$ 7,557,475
Charitable Remainder Trusts:		
University named trustee	19	14,343,113
Third-party named trustee	5	2,394,152
Charitable Annuity Agreements	50	4,515,781
	76	$ 28,810,521

	2019		
	Number of agreements		**Market Value**
Perpetual trusts held by third party	2	$	7,997,152
Charitable Remainder Trusts:			
University named trustee	20		15,361,135
Third-party named trustee	7		3,434,493
Charitable Annuity Agreements	50		4,645,073
	79	$	31,437,853

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

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

Contribution revenue recognized for new split-interest agreements in 2020 and 2019 was approximately $123,000 and $217,000, respectively.

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

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

(a) Investments

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

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

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

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

(b) Fair Value Hierarchy Table

The following tables summarize the University’s short and long term investments in the fair value hierarchy as of June 30, 2020 and 2019, as well as liquidity of the investments. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the short term investments and long term investments amounts presented in the statement of position.

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

Investment/liquidity	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	$ 130,600,984	—	—	—	130,600,984
Monthly	—	230,000	—	—	230,000
Total	130,600,984	230,000	—	—	130,830,984
Alternative investments:					
Quarterly	—	—	—	168,882,951	168,882,951
Illiquid	—	—	—	66,974,100	66,974,100
Total	—	—	—	235,857,051	235,857,051
Mutual funds:					
Daily	31,746,779	—	—	—	31,746,779
Total	31,746,779	—	—	—	31,746,779
Global equities:					
Daily	6,683,640	—	—	—	6,683,640
Monthly	—	—	—	298,899,202	298,899,202
Quarterly	449,145	—	—	—	449,145
Illiquid	—	—	—	535,821	535,821
Total	7,132,785	—	—	299,435,023	306,567,808
Trustee cash and cash equivalents:					
Daily	5,408,558	—	—	—	5,408,558
Total	5,408,558	—	—	—	5,408,558
Real estate:					
Semiannually	—	47,654,733	—	—	47,654,733
Locked-up 1	—	475,001	—	—	475,001
Total	—	48,129,734	—	—	48,129,734
Private equities:					
Illiquid	—	—	—	105,070,303	105,070,303
Total	—	—	—	105,070,303	105,070,303
Beneficial trust interest:					
Locked-up 1	8,055,285	1,050,000	846,343	—	9,951,628
Total	8,055,285	1,050,000	846,343	—	9,951,628
Other:					
Daily	275,647	—	—	—	275,647
Illiquid	—	—	137,752	—	137,752
Total	275,647	—	137,752	—	413,399
Grand total	$ 183,220,038	49,409,734	984,095	640,362,377	873,976,244

Investment/liquidity	June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	$ 116,513,446	—	—	—	116,513,446
Monthly	—	230,000	—	—	230,000
Total	116,513,446	230,000	—	—	116,743,446
Alternative investments:					
Quarterly	—	—	—	169,629,059	169,629,059
Illiquid	—	—	—	65,066,216	65,066,216
Total	—	—	—	234,695,275	234,695,275
Mutual funds:					
Daily	34,532,521	—	—	—	34,532,521
Total	34,532,521	—	—	—	34,532,521
Global equities:					
Daily	6,374,740	—	—	—	6,374,740
Monthly	—	—	—	344,926,040	344,926,040
Quarterly	513,626	—	—	—	513,626
Illiquid	—	—	—	12,043,474	12,043,474
Total	6,888,366	—	—	356,969,514	363,857,880
Trustee cash and cash equivalents:					
Daily	6,094,983	—	—	—	6,094,983
Total	6,094,983	—	—	—	6,094,983
Real estate:					
Semiannually	—	47,761,702	—	—	47,761,702
Locked-up 1	—	475,001	—	—	475,001
Total	—	48,236,703	—	—	48,236,703
Private equities:					
Illiquid	—	—	—	78,394,146	78,394,146
Total	—	—	—	78,394,146	78,394,146
Beneficial trust interest:					
Locked-up 1	9,197,095	1,050,000	919,728	—	11,166,823
Total	9,197,095	1,050,000	919,728	—	11,166,823
Other:					
Daily	152,089	—	—	—	152,089
Illiquid	—	—	152,742	—	152,742
Total	152,089	—	152,742	—	304,831
Grand total	$ 173,378,500	49,516,703	1,072,470	670,058,935	894,026,608

The following table includes a rollforward of the amounts for the years ended June 30, 2020 and 2019 for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Fair value measurement using Level 3 inputs:

	Beneficial Trust Interest	Other	Total
Balances at June 30, 2019	$ 919,728	152,742	1,072,470
Donated	—	—	—
Purchases	—	—	—
Sales	(257,178)	—	(257,178)
Unrealized gains (losses)	183,793	(14,990)	168,803
Balances at June 30, 2020	$ 846,343	137,752	984,095

	Beneficial Trust Interest	Other	Total
Balances at June 30, 2018	$ 1,223,711	302,742	1,526,453
Donated	—	—	—
Purchases	254,000	—	254,000
Sales	(473,544)	(150,000)	(623,544)
Unrealized gains (losses)	(84,439)	—	(84,439)
Balances at June 30, 2019	$ 919,728	152,742	1,072,470

All unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities. There have been no transfers into or out of Level 3 investments during the years ended June 30, 2020 and June 30, 2019.

(5) Endowments

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

The University’s endowments consist of 1,338 and 1,308 individual funds as of June 30, 2020 and 2019, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

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

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020:			
Board-designated endowment funds	$ 245,218,576	—	245,218,576
Donor-restricted endowment funds	—	553,079,906	553,079,906
	$ 245,218,576	553,079,906	798,298,482

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019:			
Board-designated endowment funds	$ 250,458,767	—	250,458,767
Donor-restricted endowment funds	—	564,058,913	564,058,913
	$ 250,458,767	564,058,913	814,517,680

The changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	$ 252,889,606	536,120,273	789,009,879
Investment return:			
Investment income	281,409	1,449,252	1,730,661
Net realized and unrealized gains	10,925,894	22,562,067	33,487,961
Total investment return	11,207,303	24,011,319	35,218,622
Private gifts	7,751	25,035,028	25,042,779
Appropriation of endowment assets for expenditures	(11,427,473)	(25,724,320)	(37,151,793)
Present value adjustment	—	120,796	120,796
Reinvested income	503,471	1,398,216	1,901,687
Transfer to board-designated endowments	375,710	—	375,710
Reclassification of restricted net assets	(3,097,601)	3,097,601	—
Changes	(2,430,839)	27,938,640	25,507,801
Endowment net assets, June 30, 2019	$ 250,458,767	564,058,913	814,517,680

During the year-ended June 30, 2019, private gifts for endowment with donor restrictions includes a $1,000,000 non-endowed gift received prior to the fiscal year and $4,355,000 in non-endowed gifts received during the year-ended June 30, 2019 that have been re-purposed to the endowment.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level of the book value (underwater). The University had 18 funds considered underwater with a deficiency of approximately $18,000 at June 30, 2020. The University had 21 funds considered underwater with a deficiency of approximately $8,000 at June 30, 2019. The deficiency is recorded as net unrealized losses on endowment in the increase in net assets with donor restrictions within the statement of activities.

(c) Return Objectives and Risk Parameters

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

(d) *Strategies Employed for Achieving Objectives*

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

(e) Spending Policy

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2020, and 2019, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

(6) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 12,496,917	13,611,766
One to five years	19,103,247	20,394,755
Greater than five years	36,627,608	38,330,048
	68,227,772	72,336,569
Less allowance for uncollectible pledges	(6,822,779)	(7,233,658)
Less present value discount (4.75% - 8.0%)	(20,569,866)	(21,236,000)
Net pledges receivable	$ 40,835,127	43,866,911

Included in pledges receivable is the present value of approximately $9,573,000 and $11,216,000 as of June 30, 2020 and 2019, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2020 and 2019, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm's length.

(7) Property, Plant, and Equipment

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

	2020	2019
Land	$ 9,174,417	9,174,417
Land improvements	35,321,432	33,887,000
Buildings and improvements	741,809,801	737,912,159
Equipment	62,717,294	63,011,238
Library books	9,397,679	9,326,630
Construction in progress	139,197,526	36,748,118
	997,618,149	890,059,562
Less accumulated depreciation	(233,427,993)	(219,033,834)
	$ 764,190,156	671,025,728

The University had approximately $16,468,000 and $16,946,000 of depreciation expense for the years ended June 30, 2020 and 2019, respectively. In addition, the University had approximately $5,413,000 in disposal expense equal to the remaining net book value of several buildings which were demolished during the year ended June 30, 2019. Capitalized interest costs related to construction in progress during the years ending June 30, 2020 and June 30, 2019 was approximately $2,269,000 and $275,000, respectively.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2020 and 2019, respectively, an asset retirement obligation of approximately $8,349,000 and $8,026,000 is included in accounts payable and accrued liabilities.

(8) Operating Leases

The University has leased apartments in four buildings under operating leases in order to provide housing for students. Rent expense on the leases for the years ended June 30, 2020 and 2019 was approximately $1,523,000 and $1,467,000, respectively.

Future minimum lease payments under the operating leases as of June 30, 2020 through the years ending June 30, 2022 are:

2021	$ 5,195,237
2022	921,877
	$ 6,117,114

(9) Long Term Debt

Bonds payable at June 30 consist of the following:

	2020	2019
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017A	$ 119,480,000	119,480,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017B	24,535,000	24,535,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014A	12,810,000	18,970,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014B	7,040,000	7,145,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	17,765,000	19,325,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	39,920,000	39,920,000
	221,550,000	229,375,000
Unamortized bond premium	14,983,954	15,814,205
Unamortized bond cost of issuance	(1,109,057)	(1,165,019)
Total long-term debt	235,424,897	244,024,186
Less current installments	9,605,000	7,825,000
Long-term debt, excluding current installments	$ 225,819,897	236,199,186

The University had approximately $6,641,000 and $9,128,000 of interest expense net of amortization of bond premium and deferred cost of issuance for the years ended June 30, 2020 and 2019, respectively. Amortization of bond premium and deferred cost of issuance was approximately $774,000 and $780,000 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the University capitalized interest incurred to the cost of construction in progress of approximately $2,269,000 and $275,000, respectively. Interest of approximately $9,764,000 and $9,984,000 was paid in cash during the years ended June 30, 2020 and 2019, respectively.

(a) Issuance of Series 2017 Bonds

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

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

(b) Issuance of Series 2014A Bonds

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

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

(c) Issuance of Series 2014B Bonds

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

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

(d) Issuance of Series 2013 Bonds

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

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

(e) Issuance of Series 2007 Bonds

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

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

(f) Aggregate Annual Maturities of Bonds Payable

At June 30, 2020, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2021	$	9,605,000
2022		9,955,000
2023		10,370,000
2024		9,525,000
2025		10,050,000
Thereafter		172,045,000
	$	221,550,000

(g) Restrictive Bond Covenants

The University is required by bond covenants to maintain expendable resources (as defined by the Loan Agreement) of at least 75% of the outstanding principal of its long term debt and maintain a debt service coverage ratio (as defined by the Loan Agreement) of at least 1.15. The University is also required to comply with various other covenants while the bonds are outstanding. Management believes the University is in compliance with the bond covenants.

(h) Security for the Bonds

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

(10) Retirement Plan

Full-time employees, including part-time employees who work at least 20 hours per week for at least six months, of the University are eligible to participate in a contributory tax-deferred annuity retirement plan (the Retirement Plan) under Section 403(b) of the Code. Administrators, faculty members, and staff-appointed employees are eligible to participate in the Retirement Plan after one year of service. Participating employees may elect to defer up to 90% of their base pay, limited by the Code to $19,500 per employee. If they contribute at least 4% of their base pay, they will receive a matching contribution from the University. Beginning July 1, 2020, the matching contribution from the University is fully discretionary. For fiscal years ending June 30, 2020 and June 30, 2019, participating employees who contributed at least 4% of their base pay received a matching contribution equal to 8% of their base pay. For fiscal year ending June 30, 2021, the University plans to provide a matching contribution equal to 4% of the base pay for participating employees who contribute at least 4% of their base pay. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately $14,165,000 and $13,412,000 for the years ended June 30, 2020 and 2019, respectively, which were charged to operations expenses.

(11) Postretirement Benefits Other than Pensions

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

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive $60 per month toward the cost of their postretirement medical costs. At June 30, 2020, the Healthcare Plan covered 247 retirees with an additional 2,664 active employees potentially eligible for coverage. At June 30, 2019, the Healthcare Plan covered 227 retirees with an additional 2,609 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

		2020	2019
Acrued postretirement benefit obligation (APBO), beginning of year	$	3,125,970	2,796,938
Service cost		67,232	55,500
Interest cost		99,773	108,178
Actuarial loss (gain)		43,047	320,514
Benefits paid		(182,022)	(155,160)
APBO (all unfunded), end of year	$	3,154,000	3,125,970

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

		2020	2019
Service cost	$	67,232	55,500
Interest cost		99,773	108,178
Amortization of prior service cost		11,125	11,125
Recognized net actuarial gain		—	(20,551)
Net periodic postretirement benefit cost	$	178,130	154,252

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 2.27% and 3.29% for June 30, 2020 and 2019, respectively. It is the University's policy to fund the benefit cost with current cash balances. Under the Healthcare Plan, the University paid benefits of approximately $182,000 and $155,000 for the years ended June 30, 2020 and 2019, respectively, which were charged to operating expenses.

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

2021	$	193,000
2022		190,000
2023		189,000
2024		185,000
2025		184,000
2026 – 2030		849,000
Total	$	1,790,000

For the years ended June 30, 2020 and 2019, all medical premiums were greater than the amount subsidized by the University. Therefore, a healthcare trend was not used as all retirees receiving the subsidy received the full $60.

The measurement date for the Healthcare Plan was June 30, 2020.

(12) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2020 and 2019. Prior to 2005, contributions to the Perkins programs were funded 75% by the federal government with the University providing the remaining 25%; yet for fiscal years 2020 and 2019, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

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

At June 30, 2020 and 2019, the allowance for possible loan losses of Perkins approximated $750,000; however, due to federal regulations, no loans of Perkins have been written off since the inception of Perkins.

The University has other loan funds obtained primarily through gifts and grants from individuals, corporations, and foundations. At June 30, 2020 and 2019, the allowance for possible loan losses of these funds was $153,000.

(13) Expenses

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

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

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

The table below shows the composition of the expenses of the University for the year ended June 30, 2019 by functional category and natural class:

	Instruction	Research	Public service	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and wages	112,797,158	9,947,533	7,616,868	42,640,255	25,134,488	39,633,101	9,799,193	247,568,596
Fringe benefits	27,179,038	1,771,791	1,621,003	9,774,277	5,804,538	9,822,956	2,451,279	58,424,882
Services, supplies, and other	36,124,631	6,176,308	9,183,529	34,318,410	24,708,167	15,416,534	19,038,790	144,966,369
Utilities and maintenance	2,422,718	455,985	60,772	2,023,966	1,885,400	705,522	5,564,419	13,118,782
Depreciation	6,917,037	388,173	329	1,122,053	2,561,577	1,991,873	3,965,430	16,946,472
Disposal of property, plant, and equipment	12,794	6,130	–	18,286	4,321,257	353,983	700,724	5,413,174
Interest on indebtedness	482,306	–	–	378,108	739,309	26,426	7,502,245	9,128,394
Total	185,935,682	18,745,920	18,482,501	90,275,355	65,154,736	67,950,395	49,022,080	495,566,669

The University had fund-raising expenses of approximately $19,216,000 and $23,051,000 in 2020 and 2019, respectively, which were recognized in institutional support in the accompanying statements of activities.

(14) Line of Credit

The University of Denver has a line of credit of $50 million with a financial institution for operational needs. The line of credit expires on March 31, 2021. As of June 30, 2020, there was no outstanding draw on this line of credit.

(15) Commitments and Contingencies

At June 30, 2020 and 2019, the University had outstanding commitments totaling approximately $21,687,000 and $114,672,000, respectively, for contracts related to various construction projects on campus.

During the 2020 fiscal year, the University invested approximately $34,823,000 in 20 long term partnerships, 20 of which were formed prior to the 2020 fiscal year, bringing its cumulative contributions to the partnerships to approximately $224,219,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2020, the University's remaining commitments to 18 partnerships total approximately $192,532,000.

During the 2019 fiscal year, the University invested approximately $29,360,000 in 19 long term partnerships, 19 of which were formed prior to the 2019 fiscal year, bringing its cumulative contributions to the partnerships to approximately $193,992,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2019, the University's remaining commitments to 18 partnerships total approximately $125,792,000.

(16) Risks and Uncertainties

During the fiscal year, the University received $4,626,269 in funding from the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. As required by law, fifty percent of the funding, or $2,313,135, was made directly available for students under the Emergency Financial Aid Grants to Students, and the second fifty percent, or $2,313,134, was used to offset the reimbursement of room and board and fee refunds to students in the Spring quarter of the 2020 fiscal year. The University issued room and board and fee refunds to students related to operational changes due to the Coronavirus Disease (COVID-19) totaling $13,256,736. All funding received from the CARES Act was fully utilized by the University by June 30, 2020.

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

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

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