METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT

Years Ended June 30, 2017 and 2016

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METROPOLITAN STATE UNIVERSITY OF DENVER
TABLE OF CONTENTS

METROPOLITAN STATE UNIVERSITY OF DENVER
REPORT SUMMARY
YEARS ENDED JUNE 30, 2017 AND 2016

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged CliftonLarsonAllen LLP (CLA) to conduct a financial and compliance audit of the Metropolitan State University of Denver (formerly, the Metropolitan State College of Denver) (the University) for the year ended June 30, 2017. CLA performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June 2017 to October 2017.

The purpose and scope of our audit were to:

- Express opinion on the financial statements of the University as of and for the years ended June 30, 2017 and 2016. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.

- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.

- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2017 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2017 and 2016.

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

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

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

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2016 included three findings and recommendations. We noted that all three recommendations have been implemented and are not findings for Fiscal Year 2017. See summary at page 4.

Organization

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

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

The University offers 86 major fields of study and 87 minors, 32 certificates, and 33 licensure programs through its School of Business, School of Education, College of Letters, Arts and Sciences, and College of Professional Studies. Degrees include Bachelor of Science, Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Music, Bachelor of Music Education, and five Masters. Academic bachelor programs range from the traditional, such as English, art, history, biology, and psychology, to business related degrees in computer information systems, accounting and marketing, and professional directed programs in nursing, healthcare management, criminal justice, premedicine, prelaw, and preveterinary science. Master programs include art in teaching, social work, professional accountancy, health administration, and business administration.

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

Fiscal Year	Resident	Nonresident	Total
2017	14,771	528	15,299
2016	14,892	529	15,421
2015	15,528	583	16,111

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

Fiscal Year	Faculty	Staff	Total
2017	843	502	1,345
2016	839	487	1,325
2015	861	452	1,313

DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2017 AND 2016

The following table presents the recommendations from the June 30, 2016 audit, and their disposition as of June 30, 2017:

Recommendation No.	Disposition
Recommendation No. 1 – Metropolitan State University of Denver should ensure it complies with federal Title IV reporting requirements by instituting monitoring procedures over the National Student Clearinghouse to ensure it submits corrected error files to the National Student Loan Data System (NSLDS) within the required ten days. Alternatively, the University should develop its own internal process for ensuring the timely submission of error corrections to the NSLDS, without using a contractor.	Implemented
Recommendation No. 2 – Metropolitan State University of Denver should implement a process, including the creation of a standardized report, for identifying and tracking students who have not received the full amount of their federal Student Financial Assistance awards during payment periods. The standardized report should be reviewed by the University's Office of Financial Aid periodically throughout the payment period to ensure that all eligible aid is disbursed during the appropriate period.	Implemented
Recommendation No. 3 – Metropolitan State University of Denver should implement and establish internal controls to ensure it complies with federal Title IV Perkins Loan requirements related to repayment plans. This should include establishing a process and procedures requiring the University's Bursar's Office to track students who cease to be enrolled at least half-time, and to ensure that the University establishes and discloses a repayment plan to such students. This process should include the creation and implementation of a report showing all students who were disbursed Perkins funds who have dropped below half-time enrollment that is generated and reviewed periodically throughout the semester to ensure that the University has established and disbursed repayment plans for students, as appropriate. The University should maintain evidence of the process being performed and that repayment plans were established and disclosed to students.	Implemented

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Independent Auditors' Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Metropolitan State University of Denver Foundation, Inc. (the Foundation), a discretely presented component unit, discussed in note 1 to the financial statements, which represents 31% and 23% of total assets, 39% and 31% of total revenues, and 104% and 95% of net position of the aggregate discretely presented component units as of and for the years ended June 30, 2017 and 2016, respectively. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions
In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Metropolitan State University of Denver as of June 30, 2017 and 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-17 and the schedule of University's Proportionate Share of PERA Pension Liability and the schedule of University's Contributions to PERA Pension on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
The description of the Metropolitan State University of Denver on page 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 27, 2017

This section of Metropolitan State University of Denver's (MSU Denver, or the University) financial report presents management's discussion and analysis of the financial performance of MSU Denver during the years ended June 30, 2017 and 2016. This discussion focuses on current activities and known facts and provides an overview of MSU Denver's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Understanding the Comparative Financial Report

The financial statements adhere to Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. In fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This statement requires the University to record a liability equal to its proportionate share of the net pension liability of the Public Employees' Retirement Association (PERA). In fiscal year 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application.* This statement requires, among other things, that the University use appropriate and available valuation techniques to measure fair value. This statement establishes a hierarchy of inputs for valuation and requires the use of the highest level of observable inputs and minimizes the use of unobservable inputs.

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

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

Financial Highlights

MSU Denver's financial position, as a whole, decreased approximately $38.6 million during the year ended June 30, 2017. However, the reported decrease is caused by changes in the Public Employee's Retirement Association's (PERA) calculation of its unfunded pension liability. As required by GASB Statement No. 68 (GASB 68) the University is obligated to report its portion of the unfunded liability. If the results of GASB 68 were removed the University's net position would show an increase of $5.6 million. In fiscal year 2016 the combined net position increased $8.9 million over the previous year including GASB 68 or $13.2 million excluding GASB 68.

- In fiscal year 2017, the level of funding for MSU Denver's College Opportunity Fund (COF) stipends was set by the General Assembly at $75 per eligible credit hour, which is unchanged from fiscal year 2016.
- MSU Denver's June 30, 2017 current assets of $95.7 million were sufficient to cover current liabilities of $41.3 million. The current ratio of 2.32 (current assets/current liabilities) reflects the liquidity of MSU Denver's assets and the availability of funds for current operations. As of June 30, 2016, MSU Denver had $93.6 million in current assets and $34.2 million in current liabilities, resulting in a current ratio of 2.74.

- The University had outstanding bonds payable of $88.8 million and $91.5 million in fiscal year 2017 and 2016 respectively.
- MSU Denver's headcount had decreases in its undergraduate students of 6.3%, 1.2%, and 2.0% in the summer 2016, fall 2016, and spring 2017 terms, respectively, over the previous year's terms. Graduate level headcount experienced increases of 37.8%, 21.4%, and 9.4% in the summer 2016, fall 2016 terms and spring 2017 terms, respectively, over the previous year's term.

Statements of Net Position

The statements of net position report on assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position as of June 30, 2017 and 2016. Over time, increases or decreases in net position are one indicator of MSU Denver's financial health when considered in conjunction with nonfinancial facts such as student enrollment.

Condensed Statements of Net Position

		June 30	
	2017	2016	2015
		(In thousands)*	
Assets:			
Current assets	$ 95,717	93,634	85,400
Noncurrent assets	146,151	138,737	102,151
Total assets	$ 241,868	232,371	187,551
Deferred Outflows	85,700	18,278	6,587
Total Assets and Deferred Outflows	327,568	250,649	194,138
Liabilities:			
Current liabilities	$ 41,278	34,234	29,843
Noncurrent liabilities	369,252	258,457	219,766
Total liabilities	$ 410,530	292,691	249,609
Deferred Inflows	4,271	6,579	2,053
Total Liabilities and Deferred Inflows	414,801	299,270	251,662
Net position:			
Net Investment in Capital Assets	$ 36,374	32,174	23,376
Restricted for expendable purposes	9,450	9,482	9,256
Unrestricted	(133,057)	(90,277)	(90,156)
Total net position	$ (87,233)	(48,621)	(57,524)

* Amounts could differ slightly from the Statement of Net Position due to rounding.

At June 30, 2017 and 2016, MSU Denver's total assets and deferred outflows were $327.6 million and $250.7 million, respectively, which is an increase of $76.9 million and $56.5 million, respectively, when compared to the prior years.

At June 30, 2017 and 2016, MSU Denver's total liabilities and deferred inflows were $414.8 million and $299.3 million, respectively, which is an increase of $115.5 million and $47.6 million, respectively, when compared to the prior years.

An $18.0 million decrease in restricted cash, a $30.7 million increase in construction in progress, and a $67.4 million increase in deferred outflows were the primary reasons for the $76.9 million increase in total assets and deferred outflows in fiscal year 2017, which is discussed in greater detail below.

Restricted cash decreased $18.0 million due to payments made for work done on the Aerospace Engineering and Sciences (AES) building. Construction in progress increased $30.7 million primarily due to construction on the AES building which was funded with bonds as well as state capital construction funds. Deferred outflows increased $67.4 million primarily because of a change in assumptions used to calculate the PERA pension liability. When certain conditions exist PERA is required to blend their assumed investment rate with the municipal bond index rate to get the discount rate. This was true in fiscal year 2017, which resulted in a discount rate of 5.26%; however, in fiscal year 2016 they were able to simply use their assumed investment rate of 7.5%.

The change in assumptions noted above, as well as PERA retirees living longer and a reduced long term return expectation all contributed to the $113.9 million increase in the net pension liability. An additional $6.1 million increase of the total $115.5 million increase in liabilities and deferred inflows is primarily due to payables for the AES construction project. There was an offsetting $2.8 million decrease in bonds payable due to timely principal payments of the outstanding bonds.

A $36.4 million increase in the total of unrestricted cash and cash equivalents and restricted cash, a $12.3 million increase in construction in progress, and an $11.7 million increase in deferred outflows were the primary reasons for the $56.5 million increase in total assets and deferred outflows in fiscal year 2016, which is discussed in greater detail below.

Unrestricted cash and cash equivalents increased $6.4 million due to a $2 million timing issue related to receiving cash from the State for capital construction for a payable paid in fiscal year 2017, as well as reserves being built in the Summer Revenue funds as well as the Metro Bond fee. Restricted cash increased $30.0 million in fiscal year 2016 due to $30.0 million received from the Series 2016 bond issuance.

Construction in progress increased $12.3 million due to construction on the Aerospace Sciences and Engineering Building (AES) which was funded with State capital construction funds.

Deferred Outflows increased $11.7 million primarily due to MSU Denver's share of the net difference between projected and actual investment earnings by PERA.

Issuing the Series 2016 bond contributed $28.0 million towards the $47.6 million increase in total liabilities and deferred inflows. Another $16.0 million of that increase was due to the increase in the University's portion of the PERA liability and changes to PERA's related assumptions and other inputs. An additional $2.1 million is primarily due to payables for the AES construction project.

Of the total ($87.2) million in net position in fiscal year 2017, $36.4 million is net investment in capital assets, $9.4 million is restricted for expendable purposes for student loans, and ($133.1) million is unrestricted. Of the total ($48.6) million in net position in fiscal year 2016, $32.2 million is net investment in capital assets, $9.5 million is restricted for expendable purposes for student loans, and ($90.3) million is unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the results of operations during fiscal years 2017 and 2016. Activities are reported as either operating or nonoperating. Operating revenues and expenses generally result from providing services for instruction, public service, student services, and academic and institutional support to/from an individual or entity separate from MSU Denver. Nonoperating revenues and expenses are those other than operating and include but are not limited to investment and interest income, private grants and gifts, rental income, and Pell grants.

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

		June 30	
	2017	2016	2015
		(In thousands)*	
Operating revenues:			
Tuition and fees, net	$ 111,791	$ 102,572	$ 102,383
Fee for service	20,565	19,046	11,432
Sales and services	4,052	3,654	3,296
Grants and contracts	26,923	26,844	25,053
Other operating revenues	6,027	5,706	6,259
Total operating revenues	169,358	157,822	148,423
Operating expenses	242,356	190,524	178,935
Operating loss	(72,998)	(32,702)	(30,512)
Nonoperating revenues:			
Pell grants	27,278	28,106	31,130
Intergovernmental revenue	1,403	1,434	1,328
Investment and interest income	591	1,300	728
Interest expense on capital asset-related debt	(4,459)	(4,148)	(3,634)
Debt Issuance Cost	—	(262)	—
Loss on disposal of capital assets	(163)	(48)	(60)
Nonoperating gifts and donations	3,487	3,067	3,118
Other non operating revenue	247	181	130
Net nonoperating revenues	28,384	29,630	32,740
Income before other revenues	(44,614)	(3,072)	2,228
Other revenues			
Capital Contributions- State	6,002	11,975	2,023
Increase in net position	(38,612)	8,903	4,251
Net position at beginning of year	(48,621)	(57,524)	78,904
Restatement	—	—	(140,679)
Net position at beginning of year as restated	(48,621)	(57,524)	(61,775)
Net position at end of year	$ (87,233)	$ (48,621)	$ (57,524)

* Amount could differ slighly from Statements of Revenues, Expenses, and Changes in Net Position due to rounding.

Tuition and fees revenue, net, accounted for $111.8 million of the $169.4 million in operating revenue in fiscal year 2017. The tuition and fees revenue amount is net of scholarship allowances of $51.6 million and bad debt of $2.7 million. Scholarship allowances are defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students.

Net tuition and fee revenue increased $9.2 million, or 9%, from fiscal year 2016. There was a 9% increase in tuition rates in fiscal year 2017, but enrollment continued to see decreases, as noted in the financial highlights section above. Scholarship discounts and allowances decreased $1.3 million or 2.5% from fiscal year 2016 due to the decrease in enrollment and a slight reduction of Colorado Student Grants.

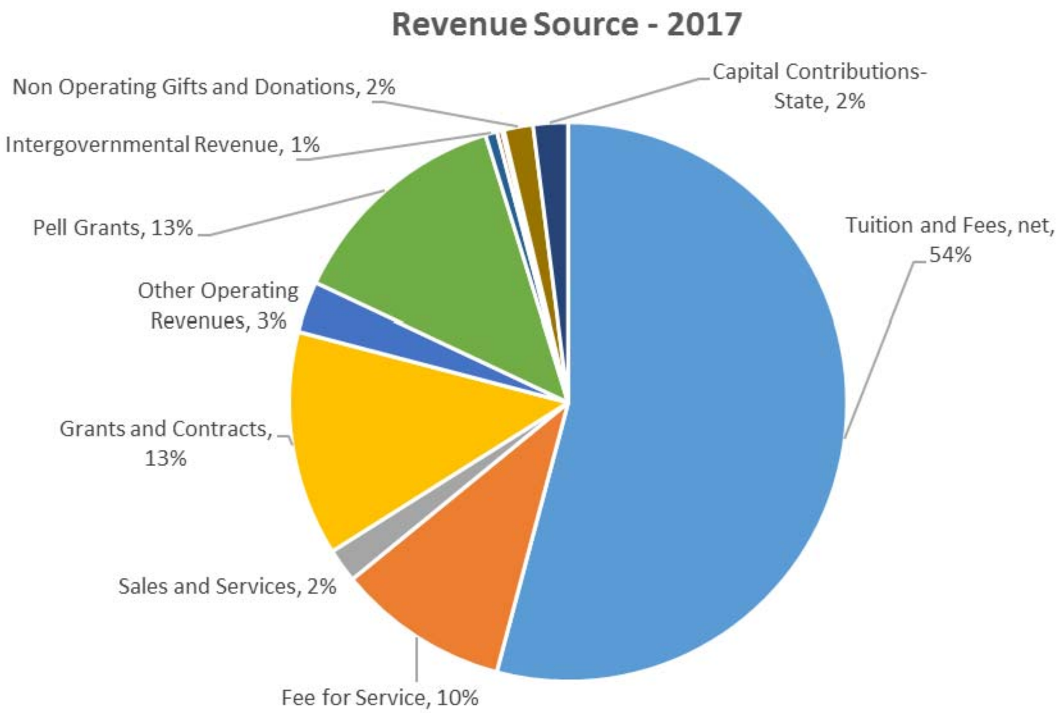
Fee for Service revenue increased $1.5 million from fiscal year 2016. The University had lower than expected enrollment in fiscal year 2017 so, as is customary, unearned College Opportunity Fund stipends were allowed to be converted to fee for service revenue.

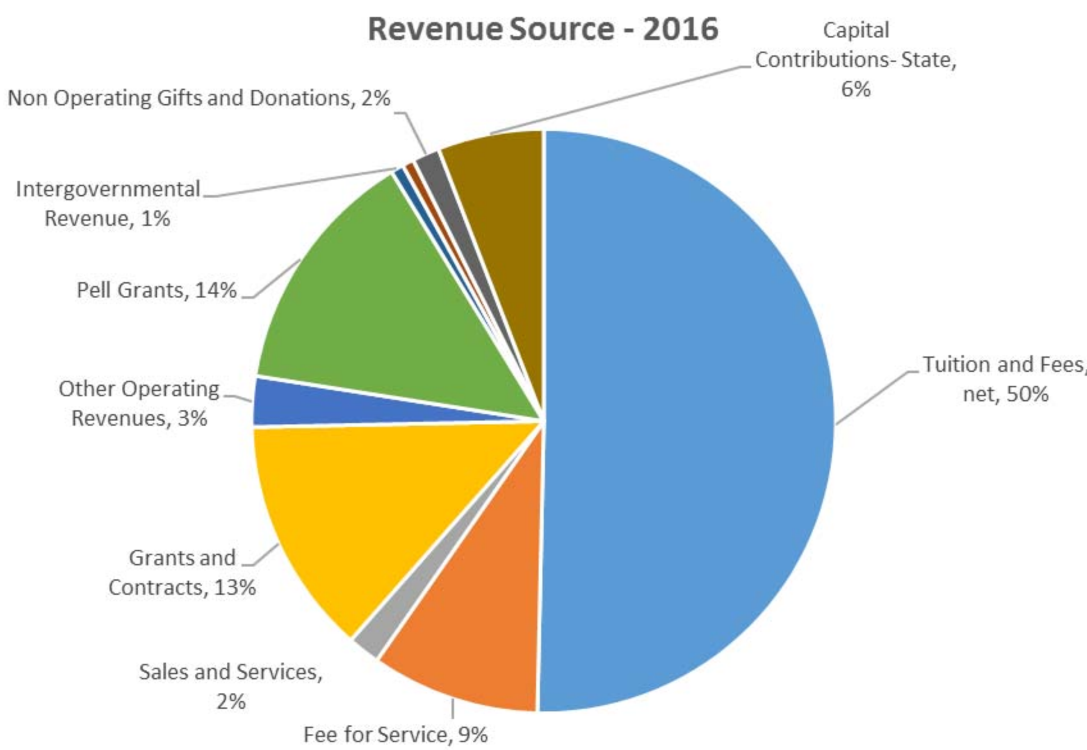
Tuition and fees revenue, net, accounted for $102.6 million of the $157.8 million in operating revenue in fiscal year 2016. The tuition and fees revenue amount is net of scholarship allowances of $52.9 million and bad debt of $2.7 million. Scholarship allowances are defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students.

Net tuition and fee revenue increased $190 thousand, or 0.19%, from fiscal year 2015. There was a 5% increase in tuition rates in fiscal year 2016, but enrollment continued to see decreases. Scholarship discounts and allowances decreased $1.8 million from fiscal year 2015 due to the decrease in enrollment.

Fee for Service revenue increased $7.6 million from fiscal year 2015. A new funding model approved in House Bill 14-1319 placed a higher emphasis on institutions that, in part, had a mission that provided support services for Pell-eligible, first generation and underserved undergraduate students. Given MSU Denver's commitment to providing access to underserved students the University began to see an increase in the fee for service revenue.

The following are graphic illustrations of total revenue (operating and nonoperating) by source for MSU Denver for fiscal years 2017 and 2016, respectively. Each major revenue component is displayed relative to its proportionate share of total revenue.


Revenue Source - 2017
Non Operating Gifts and Donations, 2%
Capital Contributions- State, 2%
Intergovernmental Revenue, 1%
Pell Grants, 13%
Tuition and Fees, net, 54%
Other Operating Revenues, 3%
Grants and Contracts, 13%
Sales and Services, 2%
Fee for Service, 10%


Revenue Source - 2016
Capital Contributions- State, 6%
Non Operating Gifts and Donations, 2%
Intergovernmental Revenue, 1%
Pell Grants, 14%
Tuition and Fees, net, 50%
Other Operating Revenues, 3%
Grants and Contracts, 13%
Sales and Services, 2%
Fee for Service, 9%

There was a $51.8 million increase in operating expenses over fiscal year 2016. $39.9 million of that increase was due to GASB 68 as discussed above. There was also a $7.4 million increase in salary and benefits expenses in fiscal year 2017. This increase resulted from a 2% increase for faculty and administrators, a one-time stipend of $1,600 for classified staff as well as increases in the College and University Processional Association (CUPA) average used to determine minimum pay. The University also increased the employer percentage of the health care contribution from 65% to 70% in January 2017. Another $3.2 million increase of the overall $51.8 million increase was due to increases in non-capital equipment and major remodeling primarily from the AES building and improvements made to the first floor of the Student Success Building. Lastly, there was a $2.2 million increase in materials and supplies, such as implementing a new phone system, and increases in subscriptions, advertising, legal, and contracted services.

In fiscal year 2016 overall operating expenses show an increase of $11.6 million over fiscal year 2015 due to several factors. There was a $6.0 million increase in salary and benefit expenses in fiscal year 2016. This increase resulted from a 1.5% pay increase for all faculty as well as a 1% pay increase for all Classified and Exempt staff. The University also increased the employer's percentage of the health care contribution to 65% from 60% beginning in January 2016, benefiting both Faculty and Administrative employees. There was a $3 million increase in materials, supplies, travel and equipment, primarily due to increases in maintenance, non- capitalized software, rent, and advertising. There was an additional $1.0 million increase for one time purchases for the neighborhood master plan, due diligence work on the proposed Colorado Heights donation, and last minute punch list items for the Regency Athletic Complex (RAC). Depreciation expense increased $819K primarily due the RAC being placed into service last year, and there was an increase of approximately $500K due to entries related to GASB 68 and the University's net proportionate share of the unfunded pension liability.

		2017	2016	2015
Operating expenses:				
Instruction	$	105,411,492	81,370,983	80,913,623
Research		34,651	20,025	15,055
Public service		1,761,680	1,346,198	1,144,621
Academic support		30,371,353	22,732,151	17,784,466
Student services		25,023,477	18,618,256	17,781,686
Institutional support		29,514,570	22,804,245	19,511,744
Operation of plant		15,142,179	12,214,269	11,248,050
Scholarships and fellowships, net		3,188,771	2,873,049	2,436,556
Auxiliary enterprise expenditures		24,762,001	21,362,994	21,736,555
Depreciation		7,145,994	7,181,222	6,362,145
Total operating expenses	$	242,356,168	190,523,392	178,934,501

Statements of Cash Flows

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

Condensed Statements of Cash Flows

		June 30		
		2017	**2016**	**2015**
			(In thousands)	
Net cash provided by (used in):				
Operating activities	$	(18,601)	(20,815)	(23,043)
Noncapital financing activities		30,969	31,879	34,149
Capital and related financing activities		(28,069)	24,094	(20,772)
Investing activities		461	1,218	655
Net (decrease) increase in cash		(15,240)	36,376	(9,011)
Cash and cash equivalents:				
Beginning of year		105,170	68,794	77,805
End of year	$	89,930	105,170	68,794

MSU Denver's cash and cash equivalents decreased by $15.2 million in fiscal year 2017 when compared to fiscal year 2016. Increases from tuition and fees were offset by decreases caused by the acquisition of capital assets. Fiscal year 2016 experienced a $36.4 million increase in cash and cash equivalents when compared to fiscal year 2015. The Series 2016 bonds were issued in fiscal year 2016, contributing to $30 million of this increase. The remaining $6 million is primarily due to summer tuition revenue exceeding the spending in those funds.

The major sources of unrestricted cash inflows in fiscal year 2017 and 2016 were $110.1 million and $101.3 million, respectively from tuition and fees, $20.6 million and $19.0 million, respectively, from fee for service revenue, $27.0 million and $27.0 million, respectively, from grants and contracts, and $27.3 million and $28.4 million, respectively, in Pell grants. In fiscal year 2016 the University also had $30.3 million of cash inflows from the proceeds of the sale of the Series 2016 bonds, as compared to fiscal year 2017 when no bonds were issued. The primary outflows are $131.3 million and $126.3 million, respectively, for payments to or for employees, $53.4 million and $48.1 million, respectively, for payments to suppliers and $28.0 million and $12.6 million, respectively, for the acquisition of capital assets.

Capital Assets

At June 30, 2017, the University had $125.5 million in property, plant, and equipment, net of accumulated depreciation of $42.3 million. Depreciation charges were $7.1 million for the current year compared to $7.2 million in fiscal year 2016 and $6.4 million in fiscal year 2015.

The $30.7 million increase in construction in progress is primarily due to the work on the Aerospace and Engineering Sciences Building.

Details of these assets are shown in the table below:

Capital Assets, Net of Depreciation at Year-End

		June 30	
	2017	2016	2015
		(In thousands)	
Construction in progress	$ 45,244	14,525	2,258
Land	1,005	1,005	1,005
Equipment	6,872	7,474	8,077
Buildings	42,739	44,898	47,056
Leasehold/land improvements	29,608	32,109	34,836
Total	$ 125,468	100,011	93,232

Debt

In November 2009, MSU Denver issued $55.2 million of Series 2009 Taxable Institutional Enterprise Revenue Bonds to finance the construction of the University's first brick and mortar building, the Student Success Building (SSB). The SSB added approximately 145,000 square feet of space for classrooms and faculty offices, specifically for MSU Denver students and professors. It also provides students with a central location for student support services. In June 2010, the University issued $10.6 million in Series 2010 Taxable Institutional Enterprise Revenue Bonds for various major remodeling projects as personnel moved to the SSB (see note 6 for more information on these obligations). These bonds will be paid off using proceeds from a student bond fee approved by the University's students. Both bond issuances are Revenue Zone Economic Development Bonds (RZEDBs) that make them eligible for a 45% bond interest subsidy from the federal government; however, in March 2013, the federal government enacted the Balanced Budget and Emergency Deficit Control Act, and President Obama issued a sequestration order that reduced the subsidy amount the University received on its Recovery Zone Economic Development Bonds (RZEDB). Before sequester, the subsidy paid MSU Denver 45% of the interest amount on both the series 2009 and 2010 bonds. Sequester is scheduled though 2024 with reductions spanning 5.5% to 7.1%. The table below shows MSU Denver's original subsidy payment amounts and the modified payments for each RZEDB.

Series 2009 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Modified % of Subsidy Payments	Difference
2010	1,585,672	713,553	45%	713,553	45%	(0)
2011	3,052,632	1,373,684	45%	1,373,684	45%	(0)
2012	3,039,941	1,367,973	45%	1,367,973	45%	(0)
2013	3,010,744	1,354,835	45%	1,296,222	43%	(58,612)
2014	2,974,155	1,338,370	45%	1,242,007	42%	(96,363)
2015	2,930,379	1,318,671	45%	1,222,408	42%	(96,263)
2016	2,879,805	1,295,912	45%	1,207,790	42%	(88,122)
2017	2,822,365	1,270,064	45%	1,182,430	42%	(87,634)
		Total Reduction in Series 2009 Bond Subsidy Payments				**(426,994)**

Series 2010 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original Subsidy % of Interest Payment	Modified Interest Subsidy	Modified % of Subsidy Payments	Difference
2011	543,193	244,437	45%	244,437	45%	(0)
2012	568,015	255,607	45%	255,607	45%	(0)
2013	563,395	253,528	45%	242,549	43%	(10,979)
2014	557,629	250,933	45%	232,866	42%	(18,067)
2015	550,508	247,729	45%	229,644	42%	(18,085)
2016	542,258	244,016	45%	227,423	42%	(16,593)
2017	532,910	239,810	45%	223,263	42%	(16,547)
		Total Reduction in Series 2010 Bond Subsidy Payments				**(80,271)**

In June 2014, the University issued Series 2014 Institutional Enterprise Revenue Bonds not to exceed $4 million to help fund the construction of the RAC. These bonds worked like a line of credit, where the University drew funds on an as needed basis. As of June 30, 2015, the University drew the full $4 million. These bonds are paid with available cash funds and fundraising efforts by the University's Foundation.

On January 27, 2016, the University issued $27.5 million of Series 2016 Institutional Enterprise Revenue Bonds, bearing interest at 2.0% to 5.0%, for the purpose of financing a portion of the construction of a new Aerospace and Engineering Science building (AES). This new facility will house mechanical, electrical and civil engineering technologies; industrial design; and computer science to support an integrated curriculum, and promote collaborative research. The estimated completion date is fall 2017. These bonds are paid with the student bond fee discussed above.

At June 30, 2017, the University had $94.8 million in outstanding debt compared to $97.9 million at June 30, 2016 and $70.3 million at June 30, 2015. The table below summarizes these amounts by type of debt:

Outstanding Debt at Year-End

		June 30		
		2017	**2016**	**2015**
			(In thousands)	
Series 2009	$	47,125	48,530	49,905
Series 2010		9,059	9,314	9,563
Series 2014		3,013	3,378	4,000
Series 2016		29,552	30,236	—
Capital lease		6,038	6,436	6,815
Total	$	94,787	97,894	70,283

Economic Outlook and Metropolitan State University of Denver's Future

Dr. Janine Davidson became Metropolitan State University of Denver's ninth president as Dr. Stephen Jordan, retired on June 30, 2017. Her leadership extends Dr. Jordan's legacy by staying focused on student retention and graduation as well as continuing the efforts of earning the designation of an Hispanic Serving Institution (HSI) by, in part, growing the Latino student enrollment to 25 percent. This designation would make the University eligible for additional funding for student support programs and improved classroom technology. Dr. Davidson's vision also includes managing the continued declining resources while investing in the University's workforce. Her leadership is intentional and based on inclusivity, which is demonstrated, in part, by the development of five new councils that will examine the University's challenges and provide recommendations. The University and the community, as a whole, are excited to see how Dr. Davidson will help shape the future of MSU Denver.

Faculty were able to begin moving into the AES building in July, 2017; however, the build out of the 4th floor is still underway, with an estimated December 2017 completion. The fourth floor will be used as a space where we can partner with the Advanced Manufacturing industry to further the University's academic mission. As of June 30, 2017 the University drew the entire $20 million allocated by the state, and has begun using the series 2016 bond proceeds.

The MSU Denver Foundation had a record breaking year in fiscal year 2017. Net Assets for the Foundation were $22.7 million which was $6.9 million more than the prior year. Two million of that increase is due to a distribution from the HLC@Metro Inc. Successful operations of the Springhill Suites, which is the University's flag ship public-private partnership, allowed a distribution to the Foundation for scholarships and to assist in the development of new programs.

MSU Denver retained its Taxpayer's Bill of Rights (TABOR) enterprise status during fiscal year 2017 by receiving less than 10% in state funding. The COF stipend was set by the General Assembly for fiscal year 2017 at $75 per eligible credit hour for resident undergraduate students. The stipend was increased to $77 per eligible credit hour for fiscal year 2018, which is currently appropriated at $31.9 million, per the long bill. MSU Denver received $20.6 million in fee-for-service revenue in fiscal year 2017, and is budgeted to receive $19.7 million in fiscal year 2018.

In fiscal year 2017, MSU Denver raised tuition by 9% for undergraduate residents. The University will raise undergraduate tuition 6.5% in fiscal year 2018, but will still remain the most accessible institution of Higher Education in Colorado.

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

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

Assets		**2017**		**2016**
Current assets:				
Cash and cash equivalents	$	77,892,636		75,158,521
Accounts receivable – student (net of allowance for doubtful accounts of $3,073,026 and $3,442,411, respectively)		12,005,084		10,157,242
Accounts receivable – other		3,099,274		4,818,634
Loans receivable		946,794		1,038,209
Prepaid expense		1,733,573		2,461,730
Investments		40,005		—
Total current assets		**95,717,366**		**93,634,336**
Noncurrent assets:				
Restricted cash		12,037,681		30,011,946
Investments		550,682		459,876
Prepaid expense		202,251		250,557
Loans receivable (net of allowance for doubtful accounts $613,325 and $570,306, respectively)		7,892,429		8,004,800
Land		1,005,185		1,005,185
Construction in progress		45,243,767		14,525,258
Depreciable assets, net:				
Equipment		6,871,611		7,473,586
Buildings		42,739,476		44,897,704
Leasehold and land improvements		29,608,457		32,108,779
Total depreciable capital assets, net		79,219,544		84,480,069
Total noncurrent assets		**146,151,539**		**138,737,691**
Total assets		**241,868,905**		**232,372,027**
Deferred Outflows				
Deferred pension outflow		85,699,484		18,278,130
Total deferred outflows		**85,699,484**		**18,278,130**
Total assets and deferred outflows	**$**	**327,568,389**	**$**	**250,650,157**
Liabilities				
Current liabilities:				
Accounts payable	$	12,185,982	$	6,091,145
Accrued interest payable		423,653		433,760
Accrued payroll		13,298,411		13,188,697
Unearned revenue		7,823,211		7,710,087
Compensated absences		370,734		331,132
Bonds payable		2,605,000		2,550,000
Capital leases		417,291		397,207
Deposits held in custody and other current liabilities		4,153,346		3,532,222
Total current liabilities		**41,277,628**		**34,234,250**
Noncurrent liabilities:				
Net pension liability		274,136,264		160,234,301
Compensated absences		3,349,605		3,277,857
Bonds payable		86,145,181		88,907,253
Capital leases		5,621,063		6,038,354
Total noncurrent liabilities		**369,252,113**		**258,457,765**
Total liabilities		**410,529,741**		**292,692,015**
Deferred Inflows				
Deferred pension inflow		4,271,780		6,579,585
Total deferred inflows		**4,271,780**		**6,579,585**
Total liabilities and deferred inflows	**$**	**414,801,521**	**$**	**299,271,600**
Net position				
Net Investment in Capital Assets	$	36,373,811	$	32,174,419
Restricted for expendable purposes		9,449,980		9,481,686
Unrestricted		(133,056,923)		(90,277,548)
Total net position	**$**	**(87,233,132)**	**$**	**(48,621,443)**

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017			2016		
ASSETS	Metropolitan State University of Denver Foundation, Inc.	HLC @ Metro Inc.	Total	Metropolitan State University of Denver Foundation, Inc.	HLC @ Metro Inc.	Total
Cash and Cash Equivalents	$ 766,013	$ 164,257	$ 930,270	$ 751,431	$ 205,675	$ 957,106
Restricted Cash and						
Cash Equivalents	-	8,571,542	8,571,542	-	9,758,870	9,758,870
Promises to Give, Net	1,109,616	-	1,109,616	209,539	-	209,539
Accounts Receivable, Net	9,798	552,253	562,051	10,438	515,795	526,233
Use of Land	-	4,780,153	4,780,153	-	4,890,464	4,890,464
Beneficial Interest in Charitable						
Trusts Held by Others	118,403	-	118,403	112,570	-	112,570
Investments	7,807,942	-	7,807,942	5,724,057	-	5,724,057
Endowment						
Promises to Give, Net	2,507,454	-	2,507,454	972,419	-	972,419
Investments	9,453,414	-	9,453,414	7,113,321	-	7,113,321
Land and Building, Net	1,476,402	37,949,374	39,425,776	1,511,802	39,018,370	40,530,172
Furniture and Equipment, Net	-	467,794	467,794	-	375,085	375,085
Other Assets	38,741	166,034	204,775	32,270	201,902	234,172
Total Assets	$ 23,287,783	$ 52,651,407	$ 75,939,190	$ 16,437,847	$ 54,966,161	$ 71,404,008
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts Payable	$ 67,752	$ 254,338	$ 322,090	$ 72,107	$ 215,413	$ 287,520
Accounts Payable and Other	507,623	-	507,623	546,149	-	546,149
Interest Payable	-	1,058,074	1,058,074	-	1,066,324	1,066,324
Bonds Payable, Net	-	51,735,243	51,735,243	-	52,514,791	52,514,791
Other Current Liabilities	-	474,861	474,861	-	402,156	402,156
Total Liabilities	575,375	53,522,516	54,097,891	618,256	54,198,684	54,816,940
Net Assets:						
Unrestricted	5,017,445	(5,722,977)	(705,532)	2,396,423	(4,122,987)	(1,726,564)
Temporarily Restricted	11,213,398	4,851,868	16,065,266	10,030,094	4,890,464	14,920,558
Permanently Restricted	6,481,565	-	6,481,565	3,393,074	-	3,393,074
Total Net Assets	22,712,408	(871,109)	21,841,299	15,819,591	767,477	16,587,068
Total Liabilities and Net Assets	$ 23,287,783	$ 52,651,407	$ 75,939,190	$ 16,437,847	$ 54,966,161	$ 71,404,008

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $51,633,735 and $52,934,838, and bad debt expense of $2,694,572 and $2,735,725, respectively	$ 111,790,778	102,572,401
Fee for service	20,565,316	19,045,705
Sales and services of educational departments	122,479	134,302
Sales and services of auxiliary enterprises	3,929,669	3,519,631
Federal grants and contracts	6,906,013	6,639,825
State grants and contracts	19,770,931	20,028,272
Local grants and contracts	135,217	100,656
Private grants and contracts	110,962	75,286
Operating interest income	214,303	275,758
Other operating revenues	5,812,193	5,430,526
Total operating revenues	169,357,861	157,822,362
Operating expenses:		
Instruction	105,411,492	81,370,983
Research	34,651	20,025
Public service	1,761,680	1,346,198
Academic support	30,371,353	22,732,151
Student services	25,023,477	18,618,256
Institutional support	29,514,570	22,804,245
Operation of plant	15,142,179	12,214,269
Scholarships and fellowships	3,188,771	2,873,049
Auxiliary enterprise expenditures	24,762,001	21,362,994
Depreciation	7,145,994	7,181,222
Total operating expenses	242,356,168	190,523,392
Operating loss	(72,998,307)	(32,701,030)
Nonoperating revenues (expenses):		
Pell grants	27,278,049	28,105,647
Intergovernmental revenue	1,403,084	1,433,676
Investment and interest income	591,019	1,299,892
Interest expense on capital asset related debt	(4,458,624)	(4,148,314)
Loss on disposal of fixed assets	(162,968)	(48,109)
Nonoperating gifts and donations	3,487,700	3,066,766
Debt Issuance Costs	–	(262,478)
Other nonoperating	246,648	180,766
Net nonoperating revenue	28,384,908	29,627,846
Loss before other revenues	(44,613,399)	(3,073,184)
Other revenues		
Capital contributions from the state	6,001,710	11,975,213
(Decrease) increase in net position	(38,611,689)	8,902,029
Net position at beginning of year	(48,621,443)	(57,523,472)
Net position at end of year	$ (87,233,132)	(48,621,443)

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Metropolitan State University of Denver Foundation, Inc.	HLC@ Metro Inc.	Total	Metropolitan State University of Denver Foundation, Inc.	HLC@ Metro Inc.	Total
Change in Unrestricted Net Assets:						
Support, Revenue, and Gains:						
Contributions	$ 58,248	$ -	$ 58,248	$ 92,380	$ -	$ 92,380
In-kind Contributions	1,523,913	-	1,523,913	1,539,127	-	1,539,127
Endowment Management Fees	138,874	-	138,874	129,146	-	129,146
Total Support	1,721,035	-	1,721,035	1,760,653	-	1,760,653
Gross Special Events Revenue	68,905	-	68,905	-	-	-
Less Cost of Direct Benefits to Donors	(180,292)	-	(180,292)	-	-	-
Net Special Events to Revenue	(111,387)	-	(111,387)	-	-	-
Net Investment Gain	358,153	10,547	368,700	87,415	15,559	102,974
Change in Value of Split-Interest Agreements	-	-	-	(4,332)	-	(4,332)
Federal Interest Subsidy	-	991,486	991,486	-	991,486	991,486
Rooms Revenue	-	7,941,253	7,941,253	-	7,896,770	7,896,770
Food and Beverage Revenue	-	1,202,749	1,202,749	-	1,178,158	1,178,158
Parking, Telephone and Other Revenue	-	809,819	809,819	-	778,381	778,381
Rent - Center for Visual Arts (CVA)	592,255	-	592,255	122,390	-	122,390
Excess Revenue Transfer	-	(2,024,999)	(2,024,999)	-	-	-
Net Assets Released from Restrictions	3,265,073	114,889	3,379,962	2,949,591	197,295	3,146,886
Total Support, Revenue, and Gains	5,825,129	9,045,744	14,870,873	4,915,717	11,057,649	15,973,366
Expenses and Losses:						
Support Provided to the University	3,107,250	-	3,107,250	2,832,855	-	2,832,855
University Hospitality Learning Center Materials and Services	-	5,550,638	5,550,638	-	5,244,321	5,244,321
General and Administrative Costs	509,367	687,040	1,196,407	443,310	723,590	1,166,900
Depreciation Expenses	-	1,179,679	1,179,679	-	1,337,908	1,337,908
Donor Development Costs	1,523,913	4,578	1,528,491	1,539,127	6,320	1,545,447
Interest and Amortization	-	3,223,799	3,223,799	-	3,357,706	3,357,706
Operating Expenses for CVA	63,577	-	63,577	61,221	-	61,221
Total Expenses and Losses	5,204,107	10,645,734	15,849,841	4,876,513	10,669,845	15,546,358
Distributions from HLC@Metro	2,000,000		2,000,000	-	-	-
CHANGES IN UNRESTRICTED NET ASSETS	2,621,022	(1,599,990)	1,021,032	39,204	387,804	427,008

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Metropolitan State University of Denver Foundation, Inc.	HLC@ Metro Inc.	Total	Metropolitan State University of Denver Foundation, Inc.	HLC@ Metro Inc.	Total
Change in Temporarily Restricted Net Assets:						
Support, Revenue, and Gains:						
Contributions	3,805,106	76,293	3,881,399	2,721,515	52,670	2,774,185
In-Kind Contributions	-	-	-	95,135	-	95,135
Special Events Revenue, Net	73,123	-	73,123	565,152	-	565,152
Total Support	3,878,229	76,293	3,954,522	3,381,802	52,670	3,434,472
Net Investment Gain (Loss)	726,652	-	726,652	(187,795)	-	(187,795)
Change in Donor Restriction	(145,746)	-	(145,746)	-	-	-
Net Assets Released from Restrictions	(3,275,831)	(114,889)	(3,390,720)	(2,949,591)	(197,295)	(3,146,886)
Total Support, Revenue, and Gains	1,183,304	(38,596)	1,144,708	244,416	(144,625)	99,791
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	1,183,304	(38,596)	1,144,708	244,416	(144,625)	99,791
Change in Permanently Restricted Net Assets:						
Support, Revenue, and Gains:						
Contributions	2,693,893	-	2,693,893	144,117	-	144,117
Special Events Revenue, Net	232,261	-	232,261	75	-	75
Total Support	2,926,154	-	2,926,154	144,192	-	144,192
Change in Value of Beneficial Interest in Charitable Trust Held by Others	5,833	-	5,833	1,864	-	1,864
Change in Donor Restriction	145,746	-	145,746	-	-	-
Net Assets Released from Restrictions	10,758	-	10,758	-	-	-
Total Support, Revenue, and Gains	3,088,491	-	3,088,491	146,056	-	146,056
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	3,088,491	-	3,088,491	146,056	-	146,056
CHANGE IN NET ASSETS	6,892,817	(1,638,586)	5,254,231	429,676	243,179	672,855
Net Assets - Beginning of Year	15,819,591	767,477	16,587,068	15,389,915	524,298	15,914,213
NET ASSETS - END OF YEAR	$ 22,712,408	$ (871,109)	$ 21,841,299	$ 15,819,591	$ 767,477	$ 16,587,068

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 110,130,783	101,261,406
Fee for service	20,565,316	19,045,705
Sales and services	4,906,072	2,742,175
Grants and contracts	26,960,210	26,954,415
Student loans collected	2,041,315	2,276,733
Other operating receipts	6,590,845	6,181,656
Cash payments:		
Payments to or for employees	(131,327,933)	(126,337,040)
Payments to suppliers	(53,391,725)	(48,134,751)
Scholarships disbursed	(3,188,771)	(2,873,049)
Student loans disbursed	(1,887,568)	(1,932,442)
Net cash used in operating activities	(18,601,456)	(20,815,192)
Cash flows from noncapital financing activities:		
Nonoperating gifts and donations	3,085,929	3,236,819
Pell grants	27,272,867	28,369,451
Agency (direct lending inflows)	79,182,142	83,475,772
Agency (direct lending outflows)	(78,725,173)	(83,108,463)
Other agency (inflows)	9,895,882	9,934,579
Other agency (outflows)	(9,742,266)	(10,029,226)
Net cash provided by noncapital financing activities	30,969,381	31,878,932
Cash flows from capital and related financing activities:		
Interest subsidy	1,405,693	1,435,213
Debt issuance costs	–	(262,478)
Interest on capital asset related debt	(4,410,792)	(4,097,596)
Proceeds from bond sale		30,274,424
Principal paid on bonds	(2,707,072)	(2,247,460)
Principal paid on capital leases	(397,207)	(379,355)
State capital contributions	6,001,710	11,975,213
Acquisition of capital assets	(27,961,866)	(12,603,947)
Net cash (used in) provided by capital and related financing activities	(28,069,534)	24,094,014
Cash flows from investing activity:		
Investment earnings	591,019	1,299,891
Collection of loans	1,250	15,000
Purchase of investments	(130,810)	(96,512)
Net cash provided by investing activities	461,459	1,218,379
Net (decrease) increase in cash	(15,240,150)	36,376,133
Beginning cash balance	105,170,467	68,794,334
Ending cash balance	$ 89,930,317	105,170,467

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF CASH FLOWS (CONTINUED)
JUNE 30, 2017 AND 2016

		2017	2016
Reconciliation of net operating loss to net cash used in operating activities:			
Operating loss	$	(72,998,307)	(32,701,032)
Adjustment to reconcile:			
Depreciation expense		7,145,994	7,181,222
Provision for bad debt		3,642,010	3,763,229
Nonoperating revenue		246,649	180,766
Decrease (increase) in assets:			
Accounts receivable – student		(5,143,416)	(2,098,306)
Loans receivable		(61,681)	(71,276)
Prepaid expense		776,958	(1,188,608)
Accounts receivable – other		1,561,125	(2,824,086)
Increase in deferred outflows:			
Deferred pension outflow		(67,421,354)	(11,691,397)
Increase (decrease) in liabilities/deferred inflows:			
Net pension liability		113,901,963	11,460,274
Deferred pension inflow		(2,307,805)	4,526,346
Accounts payable		1,862,572	793,157
Accrued interest payable		(57,939)	(2,845)
Unearned revenue		107,400	83,454
Accrued payroll		109,714	1,433,525
Other liabilities		34,661	340,385
Net cash used in operating activities	$	(18,601,456)	(20,815,192)
Noncash transactions			
Retirement of capital assets	$	162,968	48,109
Donation of capital assets		505,154	21,572
Write-off of uncollectible accounts receivable		3,758,135	3,534,794
Write-off of uncollectible loans receivable		218,495	126,066

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

a) Governance

The accompanying financial statements reflect the financial activities of Metropolitan State University of Denver (the University or MSU Denver) for the fiscal years ended June 30, 2017 and 2016. Effective July 1, 2002, Colorado Revised Statute (C.R.S.) 23-54-102 established the Board of Trustees (Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are non-voting members. The Trustees have full authority and responsibility for the control and governance of the University, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the University to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

b) Reporting Entity

The State of Colorado (the State) is the primary governmental reporting entity for State financial reporting purposes. For financial reporting purposes, the University is included as part of the State's primary government. The financial statements of the University, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted (GAAP) in the United States of America. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in these state-wide financial statements. The accounting policies of the University conform to GAAP, as applicable to government units.

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

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

c) *Basis of Accounting*

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

The University applies all applicable GASB pronouncements.

Auraria Higher Education Center (AHEC): AHEC is a separate legal entity created by the State of Colorado under Article 70 of Title 23 of the Colorado Revised Statutes (CRS). AHEC plans, manages and operates the physical plant, facilities, buildings, and grounds of the Auraria campus on which MSU Denver, the University of Colorado at Denver (UCD), and the Community College of Denver (CCD) all reside.

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

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

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

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

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

Capital Assets: Equipment, buildings, construction in progress, and leasehold and land improvements are stated at their cost at the date of acquisition or fair market value at the date of donation. A physical inventory of all capital assets is taken annually with appropriate adjustments made to the financial records. The University follows the policy of capitalizing only those capital assets with an initial cost or fair value equal to or greater than $5,000.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specific to the project. Total interest capitalized during the years ended June 30, 2017 and 2016 was $226,000 and $15,000, respectively.

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

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

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 10 years for capitalized computers, 3 years for software, 2 to 50 years for other equipment, 12 years for modular buildings, 27 years for buildings, 2 to 27 years for leasehold/land improvements and 45 years for infrastructure.

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

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

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

Deferred Inflows of Resources: Acquisition of net assets by the University applicable to a future reporting period. Amortization of the University's change in proportionate share of PERA's unfunded pension liability results in a deferred inflow of resources as does the changes of assumptions or other inputs of the pension plan.

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

- *Net investment in capital assets* represents the total investment in capital assets, net of related debt.
- *Restricted for expendable purposes* represents net resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- *Unrestricted* represents net resources derived from student tuition and fees, fee-for-service contracts, and College Opportunity Fund (COF) stipends. These resources are used for transactions relating to the educational and general operations of the University to meet current expenses for any purpose. These resources also include those from auxiliary enterprises that are substantially self-supporting activities that provide services for students, faculty, and staff.

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

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

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

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

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

Income Taxes: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2017 or 2016.

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

(2) Cash and Cash Equivalents and Investments

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

		2017	
		Bank Balance	Carrying Amount
Cash on hand	$	—	31,696
Cash in checking and depository accounts at banks		1,378,688	2,971,425
Total cash on hand and in banks	$	1,378,688	3,003,121

		2016	
		Bank Balance	Carrying Amount
Cash on hand	$	—	33,052
Cash in checking and depository accounts at banks		1,478,069	633,815
Total cash on hand and in banks	$	1,478,069	666,867

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for any public entity's investments. GASB Statement No. 72, *Fair Value Measurement and Application*, requires investments to be recorded at fair value.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. To manage custodial credit risk, deposits with financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2017, $250,000 of the cash in checking and depository accounts was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the University's name, as required by the PDPA.

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed.

As of June 30, 2017 and 2016, the University had cash on deposit with the State Treasurer of $86,927,195 and $104,503,600, respectively, which represented approximately 1.3 percent of the total $6,770.2 million and 1.4 percent of the total $7,408.5 million of deposits in the State Treasurer's Pool (Pool). The $86,927,195 and $104,503,600 on deposit as of June 30, 2017 and 2016, respectively, includes $12,037,681 and $30,011,946 of restricted cash as of June 30, 2017 and 2016, respectively, which is the unspent proceeds of the Series 2016 bonds (see note 6 for further information).

On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

For the University's deposits with the State Treasury, the University had a net unrealized loss of $721,875 in fiscal year 2017 and a net unrealized gain of $460,221 in fiscal year 2016. These net unrealized gains and losses are included in cash and cash equivalents on the statements of net position.

Additional information on investments of the Pool may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2017.

a) Other Investments

1) As of June 30, 2017 and 2016, the University has invested $190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is a 2a7-like investment pool, and the University's investment is rated as AAAm by Standard and Poor's. COLOTRUST pooled investments are excluded from the custodial credit risk and interest rate risk disclosure requirements, and is exempt from the fair value requirements of GASB 72. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2017 and 2016, the fair value of the University's investment remained at $190,634.
2) The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of June 30, 2017, and 2016, the University has reoccurring fair value measurements of $400,053 and $269,242, respectively, invested in TIAA/CREF Lifecycle Mutual funds, known as 415(m) funds. This investment is valued using quoted market prices (Level 1 inputs).

All mutual funds are subject to market risk, including possible loss of principal. The Lifecycle funds target allocation is 52.5% equity, 45% fixed income, and 2.5% real estate funds; however, the fund may deviate from these target allocations by 10% depending on current market conditions. As of June 30, 2017 the allocation was a 54%, 44%, 2% mix, respectively. As of June 30, 2016 the equity to fixed income allocation was 56%, 44%, and 0%, respectively. The specific allocations as of June 30, 2017 and 2016 are reflected in the table below:

Current Asset Allocation		
	06/30/17	06/30/16
US Equity	37.38%	38.58%
Fixed Income	34.94%	34.76%
International Equity	16.46%	17.80%
Inflation-Protected Assets	4.96%	4.38%
Short-Term Fixed Income	4.12%	4.36%
Direct Real Estate	2.06%	0%
Short-Term Investments, Other Assets & Liabilities, Net	0.08%	0.12%
	100.00%	**100.00%**

(a) Custodial Credit Risk

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

(b) Credit Quality Risk

The Morningstar Rating is a quantitative assessment of a fund's past performance for both return and risk, as measured from one to five stars. It uses focused comparison groups to better measure fund manager skill. Morningstar rating has ranked this fund four out of five stars for the Retirement category and five out of five stars for both the Premier and Institutional categories. This investment is not rated by a different rating agency other than Morningstar.

(c) Foreign Currency Risk

The TIAA/CREF Lifecycle Mutual fund has 16.5% in international equities. It may also invest up to 20% of its bond assets in fixed income securities of foreign issuers, including emerging markets.

(3) Capital Assets

The following tables, present changes in capital assets and accumulated depreciation for the years ended June 30, 2017 and 2016:

	Balance, June 30, 2016	Additions	CIP transfers	Retirements	Balance, June 30, 2017
Land	$ 1,005,185	—	—	—	1,005,185
Construction in progress	14,525,258	31,202,440	(439,523)	(44,408)	45,243,767
Depreciable capital assets:					
Equipment	21,717,290	1,254,905	229,124	(1,347,572)	21,853,747
Building	53,832,734	—	—	—	53,832,734
Leasehold improvements	45,368,218	309,601	210,399	(91,453)	45,796,765
Less accumulated depreciation:					
Equipment	(14,243,705)	(1,967,443)	—	1,229,012	(14,982,136)
Buildings	(8,935,030)	(2,158,228)	—	—	(11,093,258)
Leasehold improvements	(13,259,438)	(3,020,322)	—	91,452	(16,188,308)
Net depreciable capital assets	$ 84,480,069	(5,581,487)	439,523	(118,561)	79,219,544
Total capital assets, net	$ 100,010,512	25,620,953	—	(162,969)	125,468,496

	Balance, June 30, 2015	Additions	CIP transfers	Retirements	Balance, June 30, 2016
Land	$ 1,005,185	—	—	—	1,005,185
Construction in progress	2,258,245	12,458,871	(191,858)	—	14,525,258
Depreciable capital assets:					
Equipment	21,657,250	1,339,417	132,193	(1,411,570)	21,717,290
Building	53,832,734	—	—	—	53,832,734
Leasehold improvements	45,099,226	209,327	59,665	—	45,368,218
Less accumulated depreciation:					
Equipment	(13,579,865)	(2,027,301)	—	1,363,461	(14,243,705)
Buildings	(6,776,802)	(2,158,228)	—	—	(8,935,030)
Leasehold improvements	(10,263,743)	(2,995,695)	—	—	(13,259,438)
Net depreciable capital assets	$ 89,968,800	(5,632,480)	191,858	(48,109)	84,480,069
Total capital assets, net	$ 93,232,230	6,826,391	—	(48,109)	100,010,512

(4) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017	Amounts due within one year
Bonds payable	$ 91,457,253	—	(2,707,072)	88,750,181	2,605,000
Capital lease payable	6,435,561	—	(397,207)	6,038,354	417,291
Compensated absences	3,608,989	120,868	(9,518)	3,720,339	370,734
Total noncurrent liabilities	$ 101,501,803	120,868	(3,113,797)	98,508,874	3,393,025

A summary of the changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016	Amounts due within one year
Bonds payable	$ 63,467,615	30,237,098	(2,247,460)	91,457,253	2,550,000
Capital lease payable	6,814,916	—	(379,355)	6,435,561	397,207
Compensated absences	3,366,092	250,293	(7,396)	3,608,989	331,132
Total noncurrent liabilities	$ 73,648,623	30,487,391	(2,634,211)	101,501,803	3,278,339

(5) Lease Obligations

Operating Leases

The University leases building space, land, copiers, computers, and small off-site storage units under operating lease agreements with AHEC and with private organizations. The University has three ground leases with AHEC totaling $3.00 for the ground where the HLC, and the Student Success Building (SSB) are built, as well as where the Aerospace Building is being built. Total rental expense for the years ended June 30, 2017 and 2016 under all agreements was $2,642,324 and $2,338,206, respectively. As of June 30, 2017, minimum future rentals required by these agreements are as follows:

Fiscal year(s) ending:	
2018	$ 2,421,764
2019	1,906,345
2020	1,649,720
2021	1,023,368
2022	895,732
2023 – 2027	3,931,527
Total	$ 11,828,456

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

Capital Leases

During fiscal year 2009, the University entered into a capital lease with AHEC in the amount of $8,986,165 to finance the construction and acquisition of leasehold improvements for the new Science building on the Auraria Campus. The lease requires annual principal payments and semiannual interest payments. In fiscal years 2017 and 2016, the principal payments totaled $397,207 and $379,355, respectively, and interest payments equaled $337,704 and $356,170 respectively.

The following is a schedule of future minimum capital lease payments as of June 30, 2017:

		Principal	Interest	Total
Fiscal year(s) ending June 30:				
2018	$	417,291	317,342	734,633
2019		439,604	294,820	734,424
2020		466,384	269,905	736,289
2021		490,930	244,193	735,123
2022		517,708	217,716	735,424
2023 - 2027		3,045,998	631,258	3,677,256
2027 - 2028		660,439	19,699	680,138
Total	$	6,038,354	1,994,933	8,033,287

(6) Bond Obligations

Total outstanding bonds are summarized below:

Issue	Date issued	Amount issued	June 30 2017	June 30 2016
2009 Taxable Institutional Enterprise Revenue Bonds	11/17/09	$ 55,190,000	$ 47,125,000	48,530,000
2010 Taxable Institutional Enterprise Revenue Bonds	6/11/10	10,575,000	9,095,000	9,350,000
Less discount on 2010 Bonds, net of amortization			(34,394)	(35,889)
2014 Institutional Enterprise Revenue Bonds	6/13/2014	4,000,000	3,012,540	3,377,540
2016 Institutional Enterprise Revenue Bonds	1/27/2016	27,450,000	26,925,000	27,450,000
Plus premium on 2016 Bonds, net of amortization			2,627,035	2,785,602
Total			$ 88,750,181	91,457,253

Principal and interest requirements on all outstanding bonds at June 30, 2017 are summarized in the table below. All debt has a fixed interest rate except the Series 2014, which has a variable interest rate that is calculated as 65.001% of LIBOR, plus a tax free loan margin of 0.99% per annum. For purposes of this table the rate used to calculate future interest owed on the Series 2014 was the rate that was in effect as of June 30, 2017.

Fiscal year		Principal		Interest	Total
2018	$	2,605,000		4,431,628	7,036,628
2019		2,675,000		4,329,320	7,004,320
2020		2,750,000		4,220,401	6,970,401
2021		2,820,000		4,105,364	6,925,364
2022		2,905,000		3,982,403	6,887,403
2023 – 2027		14,682,540		17,819,908	32,502,448
2028 – 2032		16,250,000		13,615,992	29,865,992
2033 – 2037		19,320,000		8,659,860	27,979,860
2038 – 2042		16,335,000		3,167,711	19,502,711
2043 – 2047		5,815,000		599,124	6,414,124
		86,157,540	$	64,931,711	151,089,251
Unamortized discount, net		(34,394)			
Unamortized premium, net		2,627,035			
	$	88,750,181			

a) Series 2009

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

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from $1,295,000 to $2,875,000 through December 1, 2039. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order which reduced the amount of the subsidy. As of June 30, 2017, the University received $426,994 less in subsidy payments than what was expected before sequester. As of June 30, 2017 and 2016, the University has received $9,606,068 and $8,423,637, respectively, in subsidy payments since the bond’s inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

b) Series 2010

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

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from $240,000 to $535,000 through December 1, 2040. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order which reduced the amount of the subsidy. As of June 30, 2017 the University received $80,271 less in subsidy payments than what was expected before sequester. As of June 30, 2017 and 2016, the University has received $1,655,788 and $1,432,525, respectively, in subsidy payments since the bond’s inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

The Series 2010 bonds are shown net of unamortized discount of $34,394.

c) *Series 2014*

On June 13, 2014, the University issued Series 2014 Institutional Enterprise Revenue Bonds not to exceed $4,000,000, at a variable interest rate equal to 65.001% of LIBOR plus a tax free loan margin of .99% per annum. The purpose of these bonds is to provide funding for the completion of the new athletic fields, which are 12.5 acres that will have eight tennis courts, a soccer stadium, and baseball and softball diamonds. These bonds work like a line of credit, where the University can draw funds on an as needed basis. The outstanding principal amount is equal to the amount the University draws down. At the end of fiscal year 2017, the University drew the full $4 million. Principal payments became due beginning in fiscal year 2016. The maturity date of these bonds is September 1, 2024. These bonds are not subject to the bond subsidy payments from the federal government.

d) *Series 2016*

On January 27, 2016, the University issued $27,450,000 of Series 2016 Institutional Enterprise Revenue Bonds, bearing interest at 2.0% to 5.0%, for the purpose of financing a portion of the construction of a new Aerospace and Engineering Science building (AES). This new facility will house mechanical, electrical and civil engineering technologies; industrial design; and computer science to support an integrated curriculum, and promote collaborative research. The estimated completion date is fall 2017.

The bonds are due in semiannual installments beginning in fiscal year 2017 with annual principal payments ranging from $525,000 to $1,560,000 through December 1, 2045. These bonds are not subject to the bond subsidy payments from the federal government. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

The Series 2016 bonds are shown net of unamortized premium of $2,627,035.

(7) Pledged Revenue

The University has pledged future revenues to repay $86,157,540 in outstanding revenue bonds. Pledged revenue includes 10% of resident and nonresident tuition, all revenues derived from the facilities construction fee, all revenues derived from indirect cost recoveries (overhead) payable to research contracts and grants performed within the University's facilities, all revenues derived from mandatory fees for the provision of student and faculty services at the University, all revenues, net of operation and maintenance expenses, for the provision of continuing education services at the University, interest income, and federal interest subsidy payments received in connection with the bonds.

Proceeds from the bonds provided financing for the construction of the SSB, the Regency Athletic Complex (RAC), the AES and various major remodeling projects. The total remaining principal and interest payments, (excluding the federal subsidy payments) are expected to be $151,089,251 payable through fiscal year 2046. The total revenue pledged was $30,698,161 and $29,686,874 for June 30, 2017 and 2016, respectively.

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

The following table shows information for pledged revenues for fiscal years 2017 and 2016:

	2017	2016
Tuition	$ 14,384,757	13,642,213
Mandatory Fees	7,458,786	7,232,145
Facility fee	6,450,502	6,456,178
Unrestricted Net Income	545,402	472,635
Net Continuing Education	—	51,522
Federal Subsidy	1,403,084	1,433,676
Indirect cost recovery	455,630	398,505
	$ 30,698,161	29,686,874

(8) Compensated Absences

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public University and Universities*, require that compensated absences be broken out into current and noncurrent liabilities. Employees may accrue annual and sick leave based on the length of service and, subject to certain limitations regarding the amount, will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2017 and 2016 are $370,734 and $331,132, respectively.

The estimated costs of noncurrent compensated absences for which employees are vested for the years ended June 30, 2017 and 2016 are $3,349,605 and $3,277,857, respectively. Fiscal years 2017 and 2016 operating expenses include an increase of $111,350 in fiscal year 2017 and an increase of $242,898 in fiscal year 2016, for the estimated compensated absence liability.

(9) Defined Contribution Pension Plan

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

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

The University's contributions to the ORP for the fiscal year ended June 30, 2017, and 2016 were $6,517,532 and $5,779,624, respectively. These contributions were equal to the required contributions. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and investment decisions made by participants for their individual accounts.

(10) Defined Benefit Pension Plan

i) Summary of Significant Accounting Policies

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

ii) General Information about the Pension Plan

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S.

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

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

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

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)[1]	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF[1]	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $8,111,165 and $7,426,630 for the years ended June 30, 2017 and 2016 respectively.

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

At June 30, 2017 and 2016, MSU Denver reported a liability of $274,136,264 and $160,234,301, respectively for its proportionate share of the net pension liability. The net pension liability as of June 30, 2017 and 2016 was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016 and 2015. MSU Denver's proportion of the net pension liability was based on MSU Denver's contributions to the SDTF for the calendar year 2016 and 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016 and 2015, MSU Denver's proportion was 1.49 percent and 1.52 percent, respectively, which was a decrease of 3 basis points.

For the year ended June 30, 2017, and 2016, MSU Denver recognized pension expense of $52,283,969 and $11,740,105, respectively. At June 30, 2017 and 2016, MSU Denver reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30 2017		June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,724,941	-	2,333,280	5,125
Changes of assumptions or other inputs	69,742,034	843,805	-	1,896,715
Net difference between projected and actual earnings on pension plan investments	9,087,833	-	12,159,918	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	3,427,975	-	4,677,734
Contributions subsequent to the measurement date	4,144,676	N/A	3,784,945	N/A
Total	$ 85,699,484	4,271,780	18,278,130	6,579,585

$4,144,676 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 40,094,119
2019	32,644,993
2020	2,271,958
2021	2,271,958

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of MSU Denver's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability as of June 30, 2017 and 2016, calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

As of June 30, 2017	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 339,534,728	$ 274,136,264	$ 220,406,387

As of June 30, 2016	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 202,433,517	$ 160,234,301	$ 124,936,063

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

iv) Payables to the pension plan

MSU Denver had a $726,401 and $586,383 payable to the SDTF as of June 30, 2017 and 2016, respectively, which was comprised entirely of the June contributions legally required to be made to the plan. Colorado Revised Statute 24-50-104 changed the pay date for salaries earned in the month of June to be paid on the first day of July, which moved all payments related to the June payroll into July, effectively creating this payable each year.

(11) Other Retirement Plans

i) 401(k) Defined Contribution Plan

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

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

ii) Deferred Compensation Plan

a) The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants.

In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2016, for total contributions of $24,000. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($36,000 in 2015, 2016, and 2107), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

For the years ending June 30, 2017 and 2016, the University's contributions to the Deferred Compensation plan were $388,336 and $394,534, respectively.

b) On July 1, 2013, the University also established a TIAA/CREF Lifecycle Excess Benefit 415(m) plan. The assets of this plan are owned and controlled by the University and are subject to the claims of the University's creditors; however, given that they are held in trust for the exclusive benefit of the participants and their beneficiaries, the employees have a vested interest. The excess benefits in this plan are not available to employees until termination, retirement, death or unforeseeable emergency. See note 2 for details of this plans' assets. As of June 30, 2017 the 415(m) plan had one participant.

(12) Other Post-Employment Benefits

i) Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

University faculty and exempt administrative staff receive health insurance through the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool.

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

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

ii) Health Care Trust Fund

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

Funding Policy – MSU Denver is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for MSU Denver are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the University's contributions to the HCTF were $426,779, $417,198, and $422,571 respectively, equal to their required contributions for each year.

iii) Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of C.R.S. 24-54.6-101, and a provided in Section 403(b) of the IRC, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees taking fewer than six hours each semester are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan for the University for the fiscal years ended June 30, 2017 and 2016 was $2,239,101 and $2,060,427, respectively. Employee contributions for the fiscal years ended June 30, 2017 and 2016 were 7.5% of the covered payroll in the amount of $167,901 and $154,536, respectively.

(13) Commitments and Contingent Liabilities

The University entered into a non-exchange financial guarantee with the HLC@Metro Inc. This guarantee is a legal, valid, and binding obligation. As described in note 1b, the HLC@Metro Inc. is a discretely presented component unit of the University. The HLC@Metro Inc. was created as a special purpose corporation to manage the Hospitality Learning Center. This guarantee agreement dated October 1, 2010 with HLC@Metro, Inc., absolutely and unconditionally guarantees to Wells Fargo, HLC@Metro, Inc.'s trustee, the timely payment of all HLC@Metro, Inc.'s debt service payments on its Series 2010 bonds on a gross basis (without netting of any federal subsidy payments received or to be received). The guaranteed amounts are payable solely from available pledged revenues of the University, as discussed in note 7. This guarantee will remain in effect until there are no more outstanding payables on the HLC@Metro Inc.'s series 2010 bonds. Should the University have to step in and make any payments on behalf of the HLC@Metro Inc., the HLC@Metro Inc. is obligated to repay all the payments made on its behalf. As of June 30, 2017, the University has not had to pay any of these payments.

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

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

The State, including the University, is self-insured in regard to its general and automobile liability exposures. The University also participates in a State commercial insurance policy covering loss or damage to University property. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, nor have there been any significant reductions in insurance coverage from the prior year.

(14) Campus Shared Controlled Costs

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

		Year ended June 30	
		2017	2016
Administration of Auraria Higher Education Center and operation and maintenance of plant	$	9,944,134	9,587,005
Controlled Maintenance		834,846	966,150
Library and Media Center		4,410,340	4,352,340
Total	$	15,189,320	14,905,495

The University's existing and future commitments to AHEC are established within the Senate Bill 10-1301. The University's ability to fulfill existing and future commitments is contingent upon funds being appropriated for such purposes. For the year ending June 30, 2018, the University's portion of shared costs is estimated to be $15,522,995 (unaudited).

(15) Legislative Appropriations

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill (Long Bill). The Long Bill appropriated funds include re-appropriated funds from the State's College Opportunity Fund as well as cash funds from the student's share of tuition.

For the years ended June 30, 2017 and 2016, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2017 and 2016, the University had a total re-appropriation of $51,415,001 and $50,153,399, respectively. For years ended June 30, 2017 and 2016, the University's appropriated funds consisted of $30,849,685 and $31,107,694, respectively, received from students that qualified for stipends from the College Opportunity Fund and $20,565,316 and $19,045,705, respectively, as fee-for-service contract revenue. As of June 30, 2017 the University's total appropriation of cash funds for the student's share of tuition was $107,230,227. In fiscal year 2016, these amounts were not appropriated. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds student fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

(16) Component Unit Disclosures

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

The Foundation is a not-for-profit corporation formed to promote the welfare, development, growth, and well-being of the University. The Foundation is a separate legal entity, which is fully independent from the University, is not financially dependent upon the University, has a separately elected board of directors, and as such, has substantial autonomy and separate government entity characteristics.

The financial statements of the Foundation are prepared on the accrual basis and follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

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

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

(17) Related-Party Transactions

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

The University leased office space to the Foundation for $8,274 for each of the fiscal years ending June 30, 2017 and 2016. During the years ended June 30, 2017 and 2016, the Foundation provided $2,821,689 and $2,677,604, respectively, of funding to the University for various purposes, such as scholarships, departmental funding, and other programs.

The University provides employees on a reimbursement basis to the Foundation. For the years ended June 30, 2017 and 2016, these expenses were $348,420 and $268,771, respectively. In addition, the University donates development and certain personnel costs to the Foundation, which totaled $1,523,913 and $1,539,127 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, the University had receivables of $437,206 and $544,302, respectively, due from the Foundation. As of June 30, 2017 and 2016, the University had payable balances of $0 and $10,438, respectively, due to the Foundation.

At June 30, 2017 and 2016, the University had no payables due to the HLC@Metro Inc. As of June 30, 2017 and 2016, there were no receivables due from the HLC@Metro Inc.

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017 AND 2016

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

Ten Year Schedule

	Pension Plan's Fiscal Year Ending December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Employer % of collective net pension liability	1.4924559492%	1.5215440022%	1.5816063970%	1.6167918453%	N/A
Employer share of collective net pension liability	274,136,264	160,234,301	148,774,027	144,023,349	N/A
Employer's covered-employee payroll	46,482,958	43,884,297	44,178,569	43,104,113	N/A
Employer's share of the collective net pension liabiltiy as a percentage of employer's covered-employee payroll	589.76%	365.13%	336.76%	334.13%	N/A
Pension plan's fiduciary net position as a % of total pension liability	42.59%	56.11%	59.84%	61.08%	N/A

Ten Year Schedule

	MSU Denver's Fiscal Year Ending June 30,					
	2017		**2016**		**2015**	
	Jan-June 2017	July-Dec 2016	Jan-June 2016	July-Dec 2015	Jan-June 2015	July-Dec 2014
Required employer base contribution	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*
Net required employer base contribution apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Required employer Amortization Equalization Disbursement contribution	5.00%	4.60%	4.60%	4.20%	4.20%	3.80%
Required employer Supplimental Amortization Equalization Disbursement contribution	5.00%	4.50%	4.50%	4.00%	4.00%	3.50%
Total Required PERA contribution to the SDTF	**19.13%**	**18.23%**	**18.23%**	**17.33%**	**17.33%**	**16.43%**

	2017	**2016**	**2015**
	July 1, 2016- June 30, 2017	**July 1, 2015- June 30, 2016**	**July 1, 2014- June 30, 2015**
Contributions recognized by PERA (not including HCTF)	$ 8,111,165	$ 7,443,386	$ 7,203,967
Difference between required contributions and those recognized by PERA	$ -	$ -	$ -
Employer's covered-empoyee payroll	$ 47,521,306	$ 43,503,821	$ 44,356,828
Percent of contributions recognized by pension plan of employers covered payroll	17%	17%	16%

Note 1 – Principal Activity and Significant Accounting Policies

Organization

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

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

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

Cash and Cash Equivalents

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

Promises to Give

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

Property and Equipment

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

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2017 and 2016.

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

Beneficial Interest in Charitable Trust Held by Others

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

Investments

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

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for particular uses (Note 8).

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

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

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

Revenue Recognition

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

Donated Professional Services and In-kind Contributions

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

Functional Allocation of Expenses

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

Income Taxes

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

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation's Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2013.

Estimates

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

Financial Instruments and Credit Risk

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

Subsequent Events

The Foundation has evaluated subsequent events through October 10, 2017, the date the financial statements were available to be issued.

Note 2 – Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

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

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

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

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds and investment trusts with readily determinable fair values based on daily redemption values. The fair value of the Foundation's beneficial interest in a charitable trust held by others is based on the fair value of the trust investments as reported by the trustee. The investment in private equity is not readily marketable and is reported at fair value utilizing the most current information provided by the investee. These are considered to be Level 3 measurements.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair value of a limited partnership, which does not have a readily determinable fair value. The investment, which is valued at NAV, is classified within Level 2 because we have the ability to redeem the investment at NAV per share.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2017:

		Fair value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 694,515	$ -	$ -	$ -
Fixed income mutual funds				
U.S. Government securities	1,555,176	1,555,176	-	-
Bond	1,061,402	1,061,402	-	-
High-yield bond	314,503	314,503	-	-
Equity and other mutual funds				
U.S. common stock	1,563,594	1,563,594	-	-
Small to mid-cap equity	931,036	931,036	-	-
International equity	599,330	599,330	-	-
Emerging markets	307,799	307,799	-	-
Future and commodity	568,212	568,212	-	-
Preferred stocks	18,046	18,046	-	-
Real estate investment trusts	107,386	107,386	-	-
Private equity	86,943	-	-	86,943
	$ 7,807,942	$ 7,026,484	$ -	$ 86,943

		Fair value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 598,879		$ -	$ -
Fixed income mutual funds				
U.S. Government securites	115,932	115,932	-	-
Bond	1,628,057	1,628,057	-	-
High-yield bond	520,519	520,519	-	-
Equity and other mutual funds				
U.S. common stock	2,653,610	2,653,610	-	-
Small to mid-cap equity	1,323,481	1,323,481	-	-
International equity	944,490	944,490	-	-
Emerging markets	489,181	489,181	-	-
Futures and commodity	703,905	703,905	-	-
Preferred stocks	29,099	29,099	-	-
Real estate investment trusts	167,737	167,737	-	-
Limited partnership	278,524	-	278,524	-
	$ 9,453,414	$ 8,576,011	$ 278,524	$ -
Beneficial interest in				
Charitable trust held by others	$ 118,403	$ -	$ -	$ 118,403

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as identified below, at June 30, 2016:

		Fair value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	$ 232,985		$ -	$ -
Fixed income mutual funds				
U.S. Government securites	2,510,224	2,510,224	-	-
Bond	1,396,101	1,396,101	-	-
Equity mutual funds				
U.S. common stock	1,280,064	1,280,064	-	-
Preferred stocks	158,366	158,366	-	-
Real estate investment trusts	46,317	46,317	-	-
Private equity	100,000	-	-	100,000
	$ 5,724,057	$ 5,391,072	$ -	$ 100,000

		Fair value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment Investments				
Fixed income mutual funds				
U.S. Government securities	$ 76,689	$ 76,689	$ -	$ -
Bond	1,614,985	1,614,985	-	-
High-yield bond	130,113	130,113	-	-
Equity and other mutual funds				
U.S. common stock	2,171,838	2,171,838	-	-
Small to mid-cap equity	955,524	955,524	-	-
International equity	959,649	959,649	-	-
Emerging markets	265,013	265,013	-	-
Futures and commodity	446,896	446,896	-	-
Preferred stocks	60,303	60,303	-	-
Real estate investment trusts	175,357	175,357	-	-
Limited partnership	256,954	-	256,954	-
	$ 7,113,321	$ 6,856,367	$ 256,954	$ -
Beneficial interest in Charitable trust held by others	$ 112,570	$ -	$ -	$ 112,570

Below is a reconciliation of the beginning and ending balances of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
Year ended June 30, 2017	Beneficial interest in charitable trust	Private Equity
Balance, beginning of year	$ 112,570	$ 100,000
Net realized and unrealized gain (loss)	5,833	(13,057)
Balance, end of year	$ 118,403	$ 86,943
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at June 30, 2017	$ 5,833	$ (13,057)

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
Year ended June 30, 2016	Beneficial interest in charitable trust	Private Equity
Balance, beginning of year	$ 110,706	$ -
Purchases/contributions of investments	-	100,000
Net realized and unrealized gain (loss)	1,864	-
Balance, end of year	$ 112,570	$ 100,000
Unrealized gain included in net investment return in the statement of activities relating to assets still held at June 30, 2016	$ 1,864	$ -

The Foundation has an investment in an entity that calculates NAV per share with the fair value of $278,524 and $256,954 at June 30, 2017 and 2016, respectively. Redemptions are permitted monthly and quarterly with a 90 day redemption notice. The Foundation has no unfunded commitments as of June 30, 2017. The investment's objective is to provide exposure to European and U.S. sub-investment grade corporate debt while seeking to achieve total returns with modest volatility and focusing on capital preservation and risk mitigation.

Note 3 – Net Investment Return

Net investment return consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Investments		
Interest and dividend income	$ 108,621	$ 111,786
Net realized and unrealized gain	274,206	8,530
Less investment management and custodial fees	(26,286)	(23,719)
	356,541	96,597
Endowment investments		
Interest and dividend income	160,914	144,264
Net realized and unrealized gain (loss)	740,637	(180,251)
Less investment management and custodial fees	(173,287)	(160,990)
	728,264	(196,977)
	$ 1,084,805	$ (100,380)

Note 4 – Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017 and 2016:

	2017	2016
Within one year	$ 1,118,186	$ 818,285
In one to five years	2,804,086	425,226
In more than five years	6,384	12,768
	3,928,656	1,256,279
Less discount to net present value (3.5% - 4.25%)	(272,586)	(44,321)
Less allowance for uncollectable promises to give	(39,000)	(30,000)
	$ 3,617,070	$ 1,181,958

Promises to give appear as follows in the consolidated statement of financial position:

	2017	2016
Promises to give, net	$ 1,109,616	$ 209,539
Endowment promises to give, net	2,507,454	972,419
	$ 3,617,070	$ 1,181,958

At June 30, 2017 and 2016, three and one donors accounted for 71% and 72% of total promises to give, respectively.

During the year ended June 30, 2017, the Foundation received an intention to give totaling $2,000,000 for the Endowed Scholarship and Capital Improvement Funds. The donors retain the right to extend the time frame of payments and intend to fulfill the gift from the remainder of their estate, the future value of which is not determinable; therefore the intention has not been recognized.

Note 5 – Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Center for Visual Arts		
Land	$ 456,400	$ 456,400
Building	1,023,472	1,023,472
	1,479,872	1,479,872
Less accumulated depreciation	(265,420)	(230,020)
	1,214,452	1,249,852
Nondepreciated artwork	261,950	261,950
	$ 1,476,402	$ 1,511,802

Note 6 – Leases

During the year ended June 30, 2010, the LLC purchased a commercial building at 965 Santa Fe Drive to house the operations of the CVA. Effective March 1, 2010, the LLC and the University entered into a three-year non-cancellable lease which has since been renewed through June 30, 2021. Under the agreement the University paid annual rent for the years ended June 30, 2017 and 2016 in the amount of $100,000. In addition to the annual minimum rent, the University reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which approximate $35,000 per year.

Note 7 – Endowment

The Foundation's endowment (Endowment) is composed of 48 individual permanent endowment funds (Permanent Endowment) and 127 purpose-restricted quasi-endowment funds (Quasi-Endowment). The funds were established by donors primarily to provide scholarships to eligible students of the University, and to support academic departments, student activities, and other purposes of the University. Permanent Endowment funds are permanent charitable funds whose principal must be preserved in perpetuity as a condition imposed by the donor. Quasi-Endowment funds are purpose-restricted board-designated gifts whose principal is intended to be maintained in perpetuity, but which may be expended in accordance with the University's spending-rate policy, with no requirement that any such expenditure be replenished. The Foundation's Board of Directors has not designated any of the Foundation's unrestricted net assets to function as endowment. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair values of original Permanent Endowment gifts, as of each gift date, absent explicit donor instructions to the contrary. At June 30, 2017 and 2016, there were no contrary donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts to the Permanent Endowment, (b) the original value of subsequent gifts to the Permanent Endowment, and (c) accumulations to the Permanent Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

As of June 30, 2017 and 2016, the Foundation had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Premanently Restricted	Total
June 30, 2017				
Purpose-restricted quasi-endowment	$ -	$ 5,367,885	$ -	$ 5,367,885
Donor-restricted permanent endowment	(902)	230,723	6,363,162	6,592,983
	$ (902)	$ 5,598,608	$ 6,363,162	$ 11,960,868
June 30, 2016				
Purpose-restricted quasi-endowment	$ -	$ 4,784,867	$ -	$ 4,784,867
Donor-restricted permanent endowment	(21,993)	42,362	3,280,504	3,300,873
	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740

At June 30, 2017 and 2016, certain Permanent Endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $902 and $21,993 have been reported in unrestricted net assets on those dates, respectively. The deficiencies resulted from unfavorable market fluctuations. The Foundation has suspended distributions from these funds until such time as the deficiencies are recovered via market returns; however, there is no legal obligation for the Foundation to fund the deficiencies.

Investment and Spending Policies

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

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

Changes in Endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Premanently Restricted	Total
June 30, 2017				
Endowment net assets, beginning of year	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740
Net investment return				
Investment income, net of fees	-	(12,373)	-	(12,373)
Net realized and unrealized gain	21,091	719,546	-	740,637
Total net investment return	21,091	707,173	-	728,264
Contributions	-	269,269	2,926,154	3,195,423
Matching pursuant to donor agreements	-	14,050	10,758	24,808
Distributions pursuant to endowment spending-rate formula	-	(257,992)	-	- (257,992)
Change in donor intent	-	38,879	145,746	184,625
Endowment net assets, end of year	$ (902)	$ 5,598,608	$ 6,363,162	$ 11,960,868
June 30, 2016				
Endowment net assets, beginning of year	$ (5,685)	$ 4,936,429	$ 3,136,312	$ 8,067,056
Net investment return				
Investment income, net of fees	-	(16,726)	-	(16,726)
Net realized and unrealized gain	(16,308)	(163,943)	-	(180,251)
Total net investment return	(16,308)	(180,669)	-	(196,977)
Contributions	-	275,808	144,192	420,000
Distributions pursuant to endowment spending-rate formula	-	(204,339)	-	- (204,339)
Endowment net assets, end of year	$ (21,993)	$ 4,827,229	$ 3,280,504	$ 8,085,740

Note 8 – Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, consist of:

	2017	2016
Restricted by donors for		
Scholarships	$ 2,456,257	$ 1,828,534
Academic, student and other activities	3,023,342	3,277,511
University capital projects	135,191	96,820
Purpose-restricted quasi-endowments		
Scholarships	5,016,251	4,419,056
Academic and other departments	351,634	365,811
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	230,723	42,362
	$ 11,213,398	$ 10,030,094

Net assets were released from (added to) restrictions as follows during the years ended June 30, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Scholarships	$ 1,344,918	$ 1,292,189
Academic, student and other activities	1,815,709	1,263,973
University capital projects	213,254	393,429
Extension of donor restrictions under endowment challenge match		
Scholarships (temporarily restricted)	(98,050)	-
Scholarships (permanently restricted)	(10,758)	-
	$ 3,265,073	$ 2,949,591

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

Permanently restricted net asset balances, categorized by the nature of the restrictions on their earnings, are as follows at June 30, 2017 and 2016:

	2017	2016
Restricted by donors for		
Scholarships	$ 4,346,903	$ 1,801,366
Academic, student and other activities	2,134,662	1,591,708
	$ 6,481,565	$ 3,393,074

Board-designated net assets at June 30, 2017 consist of:

	2017	2016
University program	$ 1,000,000	$ -
Matching	891,192	-
	$ 1,891,192	$ -

HLC@Metro transferred excess revenues of $2,000,000 to the Foundation during the year ended June 30, 2017 (Note 11). The Board of Directors designated $1,000,000 as reserve funding for the establishment of a new School within the University. The remaining $1,000,000 was designated for scholarships and applied to creating matching opportunities for gifts from new or lapsed donors, or stimulating increased levels of support from current donors. During the year ended June 30, 2017, $108,808 of the funds were undesignated and used to satisfy the extension of donor restrictions under the endowment challenge match program.

Note 9 – Donated Professional Services and In-kind Contributions

The Foundation received donated professional services and materials as follows during the years ended June 30, 2017 and 2016:

	2017	2016
Program services		
Materials (related to special events in 2017)	$ 27,196	$ 95,135
Donor development		
Development office compensation - University	1,523,913	1,539,127
	$ 1,551,109	$ 1,634,262

Note 10 – Functionalized Expenses

Total expenses by function were as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Program services expense	$ 3,170,827	$ 2,894,076
General and administrative costs (includes investment management fees of $199,573 and $184,709, respectively)	708,940	628,019
Donor development costs	1,523,913	1,539,127
Cost of direct benefits to donors	180,292	101,641
Total functionalized expenses	$ 5,583,972	$ 5,162,863

Note 11 – Commitments and Contingencies

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

The agreements also require HLC@Metro to transfer excess revenues, after paying expenses and funding certain reserves, to the Foundation. The Foundation may use the funds distributed from HLC@Metro's excess revenues to further the general academic objectives and priorities of the University so long as at least 50% of such funds are used for scholarships.

Note 12 – Related Party Transactions

Transactions with the University consist of the following during the years ended June 30, 2017 and 2016:

	2017	2016
Funding provided to the University	$ 3,107,250	$ 2,832,855
Payable to the University	507,623	546,149
Payments for salaries and benefits to the University	348,420	268,771
Payments for rent to the University	8,274	8,274
Professional services donated by the University	1,523,913	1,539,127
Support provided by University for Summer Soiree	56,345	101,641
HLC@Metro distribution	2,000,000	-
Due from University	9,798	10,438
Reimbursement for CVA operating expenses	27,547	25,119
Reimbursement for CVA rent expense	100,000	100,000

NOTE 1 ORGANIZATION

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The accompanying financial statements include accounts of the HLC, which is a discretely presented component unit of the University. The University board of trustees gives the final approval in the appointment process of the HLC board of directors. As of June 30, 2017, one of the nine members is a University director or officer. Typically, this number would be three members; however, due to turnover in the positions of General Counsel and Vice President of University Advancement, these positions are currently vacant. It is anticipated that replacements will be in place by fall semester 2017.

(b) Basis of Accounting

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Cash and Cash Equivalents

The HLC considers all highly liquid investments, including deposits with the State Treasury, as cash and cash equivalents. At June 30, 2017 and 2016, cash and cash equivalents in banks consisted of the following:

	2017	2016
Cash in Bank Accounts with Trustee (Wells Fargo)	$ 7,473,222	$ 8,654,244
Cash and Cash Equivalents Invested with State Treasury	1,098,320	1,104,626
Cash for Hotel Operations (Sage)	164,257	205,675
Total Cash and Cash Equivalents	$ 8,735,799	$ 9,964,545

(d) Cash Invested with State Treasury and Related Unrealized Gains

HLC deposits part of its cash with the State Treasury. The Treasurer pools these deposits and invests them in securities approved by Section 24 75 601.1 of the Colorado Revised Statute (the Pool). Money deposited with the Treasurer is invested until the cash is needed. Earnings are allocated in proportion to the daily cash balance for all participants in the Pool. At June 30, 2017 and 2016, the HLC had cash on deposit with the State Treasurer of $1,098,320 and $1,104,626, respectively, which represented .016% of the total $6,770 million and .015% of the total $7,354 million, respectively, in deposits in the State Treasurer's Pool. At June 30, 2017 and 2016, the HLC had earned interest receivable of $2,390 and $1,692 in relation to the cash on deposit balance with the State Treasurer. These amounts are expected to be received by the custodian in the month following year end.

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

For the HLC's deposits with the State Treasury, the net unrealized loss for fiscal year 2017 was $7,709 and the net unrealized gain for fiscal year 2016 was $3,632. This net unrealized gain and loss is included in cash and cash equivalents on the statement of financial position.

(e) Capital Assets

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To the extent applicable, the HLC follows MSU Denver's accounting policies, including the policy of the "half-year" depreciation convention. The HLC recognized $1,179,679 and $1,337,908 in building, equipment, furniture, and software depreciation expense in fiscal years 2017 and 2016, respectively.

(f) Accounts Receivable

A summary of accounts receivable balances is as follows:

	2017	2016
BABS Subsidy	$ 330,791	$ 330,791
Due from the Foundation	71,715	-
Receivables of Hotel	149,747	186,210
State Treasury Interest	-	1,935
Less Allowance for Doubtful Accounts	-	(3,141)
Total Accounts Receivable	$ 552,253	$ 515,795

As of June 30, 2017 and 2016, the total balance included $71,715 and $-0-, respectively, due from the Metropolitan State University of Denver Foundation (the Foundation) and represents the amount that it has fundraised for the HLC. Additionally, interest receivable from the federal government for the Series 2010A bonds interest subsidy of $330,971 was included in the total balance as of both June 30, 2017 and 2016.

As of June 30, 2017, $149,747 is due to the Hotel from external sources related to its operations. Of this balance, $87,082 is from a travel agency, and the remaining balance is from outstanding corporate and personal accounts. As of June 30, 2016, $186,210 is due to the Hotel from external sources related to its operations. Of this balance, $104,511 is from a travel agency, and the remaining balance is from outstanding corporate and personal accounts. The hotel does not have any receivable balances that are greater than 90 days past due.

An allowance for uncollectible accounts is determined based on a specific review of outstanding balances. As of June 30, 2017 the allowance for doubtful accounts was $-0-. For 2016, allowance for doubtful accounts was $3,141.

(g) Use of Land

As noted in note 7, the University leased land under an operating lease agreement with AHEC totaling $1.00 for the ground where the HLC hotel is built. This land was, in turn, subleased by the University to HLC for a period of 50 years for $1.00 beginning on October 28, 2010. In accordance with generally accepted accounting principles for not-for-profit organizations, the use of the land below fair market was recorded as an asset at the inception of the lease. Each year, rent expense is recognized at estimated fair market value, reducing the value of the use of land asset. Rent expense for both fiscal years 2017 and 2016 was $110,311 for each year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2017	2016
Use of Land Asset - Beginning of Year	$ 4,890,464	$ 5,000,775
Lease Expense Related to Use of Land Asset	(110,311)	(110,311)
Use of Land Asset - End of Year	$ 4,780,153	$ 4,890,464

(h) Accounts Payable

As of June 30, 2017, accounts payable of $254,338 includes $229,338 from Hotel operations due to numerous vendors with small balances, and $4,465 of deposits held in custody for payment to the Foundation.

As of June 30, 2016, accounts payable of $215,413 includes $210,948 from Hotel operations due to numerous vendors with small balances, and $226 of deposits held in custody for payment to the Foundation.

(i) Bond Issuance Costs

Bond issuance costs are deferred and are being amortized on a straight-line basis over the life of the bonds. Total amortization expense of bond issuance costs for the years ended June 30, 2017 and 2016 were $62,273 and $172,381. As noted in note 2(n), bond issuance costs is presented as a direct reduction of Bonds Payable.

(j) Revenue Recognition

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

(k) Expenses

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

(l) Net Assets

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

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

The HLC has no permanently restricted net assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Use of Estimates

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

(n) Recently Issued and Adopted Accounting Policies

In April of 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2015-03, Interest-Imputation of Interest (Subtopic 836-30) Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). To simplify presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. HLC implemented this ASU during the year ended June 30, 2017, and applied it retrospectively. As a result, debt issuance costs have been presented in the statement of financial position as a direct deduction of mortgage and notes payable.

NOTE 3 FAIR VALUE MEASUREMENTS

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

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

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

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

At June 30, 2017 and 2016, all of the HLC's deposits within the Treasurer's Pool are a part of an internal investment pool and are considered to be cash and cash equivalents.

Additional information on the State Treasurer's pooled cash and investments may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2017.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

At June 30, 2017 and 2016, none of the financial instruments listed below are required to be leveled in the fair value hierarchy.

(a) Fair Value of Financial Instruments

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

Cash and cash equivalents – Fair value for cash and cash equivalents, excluding funds held by the State Treasury, is estimated to be the same as the carrying (book) value because of its short maturity. Fair value of the cash equivalents pooled with the State Treasury is HLC's percentage ownership of the pooled investments, of which most are determined from quoted market prices except for money market investments that are reported at amortized cost (which approximates market). Restricted cash and cash equivalents are composed of balances maintained in escrow accounts as required by Series 2010 bonds loan and trust agreement.

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

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

Bonds payable – Fair value is determined by computing the present value of future payments discounted at the prevailing interest rate for comparable debt instruments at year-end. At June 30, 2017 and 2016, the fair value of bonds payable is $60,789,396 and $67,452,539, respectively.

NOTE 4 BOND OBLIGATIONS

Total outstanding bonds at June 30 are summarized below:

	Date of Issue	Amount Issued	2017	2016
2010(A) Taxable Revenue Bonds (Build America Bonds)	10/28/2010	$ 49,640,000	$ 49,640,000	$ 49,640,000
2010(B) Tax-Exempt Revenue Bonds	10/28/2010	4,500,000	3,300,000	4,125,000
Discount on 2010 Series Bonds, Net of Amortization			(345,659)	(328,838)
Bond Issuance Costs, Net of Amortization			(859,098)	(921,371)
			$ 51,735,243	$ 52,514,791

NOTE 4 BOND OBLIGATIONS (CONTINUED)

Principal and interest requirements for all Series 2010 bonds, which are due semiannually every March and September, are summarized as follows at June 30, 2017.

Fiscal Year	Principal	Interest	Total
2018	$ 1,075,000	$ 3,138,390	$ 4,213,390
2019	1,250,000	3,089,556	4,339,556
2020	1,300,000	3,037,787	4,337,787
2021	1,350,000	2,980,860	4,330,860
2022	1,385,000	2,919,990	4,304,990
2023-2027	7,650,000	13,399,207	21,049,207
2028-2032	9,220,000	10,856,557	20,076,557
2033-2037	11,275,000	7,573,958	18,848,958
2038-2042	13,840,000	3,489,558	17,329,558
2043	4,595,000	49,396	4,644,396
	$ 52,940,000	$ 50,535,259	$ 103,475,259

Series 2010 Bonds

The RRRAFA issued Series 2010 bonds on October 28, 2010 for the purpose of constructing the Hotel and Hospitality Learning Center. The proceeds of the bonds and its obligations were transferred to the HLC in fiscal year 2011. MSU Denver has entered into a guarantee agreement dated October 1, 2010 with the HLC. Per this agreement, MSU Denver absolutely and unconditionally guarantees to Wells Fargo, the HLC's trustee, the timely payments of all debt service payments on the Series 2010 bonds on a gross basis (without netting of any federal subsidy payments received or to be received) while said bonds are outstanding in the event HLC does not make the required debt service payments. The guaranteed amounts are payable solely from available pledged revenues of MSU Denver. For the years ended June 30, 2017 and 2016, MSU Denver was not required to, and did not make, any debt service payments on behalf of the HLC.

a) Series 2010A

On October 28, 2010, Series 2010A taxable revenue BABS were issued for $49,640,000, bearing interest rates from 4.04% to 6.45%. The principal and interest are due on a semiannual basis with a maturity date of September 1, 2042. These payments range from $1,039,426 to $4,743,189. The bonds are qualified to receive a 35% interest subsidy from the federal government, which was expected to be $24,742,234 over the life of the bonds. However, due to a government sequester, the subsidy was reduced by 8.7% in March 2013. The subsidy was subsequently increased by 1.5% to a total reduction of 7.2% in October 2013, but then decreased by 0.10% to a total reduction of 7.3% in March 2015. The government sequester is anticipated to reduce the total subsidy received by $1,579,472 over the life of the bonds. A total of $6,397,719 and $5,406,233 had been earned as of June 30, 2017 and 2016, respectively. A receivable of $330,791 was recorded as of June 30, 2017 and 2016.

b) Series 2010B

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

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

The Metropolitan State University of Denver Foundation receives contributions from various corporations, organizations and individuals on behalf of the HLC, which are temporarily restricted. At June 30, 2017 and 2016, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose and land held for use, as described in Note 1 (g) as follows:

	2017	2016
Land Held for Use	$ 4,780,153	$ 4,890,464
Time Restrictions for Debt Service Payments	71,715	-
Total	$ 4,851,868	$ 4,890,464

NOTE 6 METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION CONTRIBUTIONS

The Foundation exists for the purpose of soliciting and investing donations for MSU Denver. On September 21, 2010, the Foundation's board of directors adopted the Foundation Resolution providing a plan to use its best effort to raise approximately $12 million in donations, sufficient to retire a portion of the HLC 2010 bonds. However, due to the difficulty of raising the remaining portion of the agreed upon $12 million, the agreement was amended to include a more attainable fundraising goal of $3.5 million. For the years ended June 30, 2017 and 2016, the Foundation contributed a total of $76,293 and $52,690, respectively, to the HLC. All amounts contributed by the Foundation for the years ended June 30, 2017 and 2016 were cash contributions to be used for the HLC's debt service requirements. The memorandum of understanding (MOU) between the HLC and Foundation calls for the HLC to distribute excess revenue, as defined by the official statement of the 2010 series bonds, derived from the operation of HLC to the Foundation. As of June 30, 2017 and 2016 HLC disbursed a total of $2,000,000 and $-0-, respectively, of excess revenue to the Foundation.

NOTE 7 GROUND LEASE

As of June 30, 2017 and 2016, the HLC has no lease obligations. Trustees of the University have leased the HLC land from the Auraria Higher Education Center for a period of fifty (50) years in the amount of one dollar ($1.00) for the term of the lease. This lease is specifically for the purpose of construction and operation of the Hotel and Hospitality Learning Center. See Note 2 (g) for more information on how the use of this land is recorded on the financial statements.

NOTE 8 INCOME TAX STATUS

The income of the HLC is derived from the exercise of essential government functions and, as such, is excluded from federal income tax under Section 115 of the Code; however, it would be subject to tax on any unrelated business income under Section 511(a)(2)(B). HLC believes that there was no unrelated business income for the years ended June 30, 2017 and 2016.

NOTE 8 INCOME TAX STATUS (CONTINUED)

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

NOTE 9 SUBSEQUENT EVENTS

HLC has evaluated its subsequent events as of November 27, 2017, the date that the financial statements were available to be issued. No events were identified requiring disclosure.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan University of Denver Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Metropolitan State University of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
November 27, 2017

CliftonLarsonAllen LLP
CLAconnect.com

November 27, 2017

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

Ladies and Gentlemen:

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2017, and have issued our report thereon dated of November 27, 2017. Our report includes reference to other auditors. Other auditors audited the financial statements of the Metropolitan State University of Denver Foundation, Inc. (the Foundation), a discretely presented component unit, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards.* We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

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

Accounting estimates

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

- Accounts and loans receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses. Individual accounts are written off against the allowance when collection of the account appears doubtful.
- Capital assets are depreciated using the straight-line method and monthly convention over the estimated useful lives of the assets. Estimated useful lives range from 3 to 50 years.

- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service.
- Summer tuition revenue and fees are recognized based on an estimate that fifty percent of summer courses occur during the fiscal year and the other fifty percent deferred for the courses that occur in the subsequent fiscal year.
- Management's estimate of the net pension liability related to its pension plan is based on actuarial assumptions and other inputs as described in Note 9 to the financial statements.

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated November 27, 2017.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Audits of group financial statements

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

Quality of component auditor's work

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

Limitations on the group audit

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

Other information in documents containing audited financial statements

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
November 27, 2017

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
INTRODUCTION
YEAR ENDED JUNE 30, 2017

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

Our financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2017 was directed toward the objectives and criteria set forth in the 2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2017.

State-Funded Student Financial Assistance Programs

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

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

The total state-funded student financial assistance programs expenditures made by the University were approximately $19.22 million during the year ended June 30, 2017.

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

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2017. The University also obtained authorizations for federal student financial aid funds as follows:

Pell Grants	$ 27,317,604
Direct Lending	73,475,580
Supplemental Educational Opportunity Grant	794,515
College Work-Study	525,614
Teacher Education Assistance for College and Higher Education Grant	47,066

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
REPORT SUMMARY
YEAR ENDED JUNE 30, 2017

Report Summary

Purpose and Scope of Audit

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of *Government Auditing Standards* issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program allocations, expenditures, and reversions for the fiscal year ending June 30, 2017 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Governing Board directives which were set forth in the handbook.

Our examination included:

- Expressing an opinion on the statement of student aid program allocations, expenditures and reversions.
- Evaluation of the policies, procedures, and practices used to administer these programs.
- Determination of compliance with applicable sections of Colorado Revised Statutes 23-3.3 et. seq. and approved Governing Board policies.

Summary of Current Year Comments

The audit covered the period July 1, 2016 through June 30, 2017 and field work was performed during the period June 2017 through October 2017 at the campus Business and Student Financial Aid offices.

The audit report for the year ended June 30, 2017, contained no findings or recommendations related to state-funded assistance programs.

Summary of Progress in Implementing Prior Comments

The audit report for the year ended June 30, 2015, contained no findings or recommendations related to state-funded assistance programs.

Independent Auditors' Report on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State of Colorado State-Funded Student Assistance Programs

Members of the Legislative Audit Committee:

Report on the Statement

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2017, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the format as set forth in the *2016-2017 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the University for the year ended June 30, 2017, in accordance with the format as set forth in the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Regents of the University described in Note 1 to the Statement.

Basis of Accounting

As described in Note 2 to the Statement, the Statement prepared by the University was prepared in accordance with the *2016-2017 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. As described in Note 2 to the Statement, the Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. In addition, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The introduction and report summary on pages 79 and 80, respectively, have not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we do not express an opinion or prove any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Restriction on Use

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 27, 2017

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
YEAR ENDED JUNE 30, 2017

	Total Financial Aid	Colorado Need-Based Grants	Colorado Work-Study	Colorado Merit
Appropriations:				
Original official allocation notice	$ 19,042,430	15,946,293	2,514,929	581,208
Additional funds reallocated by CCHE	175,000	175,000	-	-
Funds released to CCHE	-	-	-	-
Total appropriations	19,217,430	16,121,293	2,514,929	581,208
Total expenditures	19,217,430	16,121,293	2,514,929	581,208
Reversions	$ -	-	-	-

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

(1) Basis of Presentation

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2016-2017 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, *Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Metropolitan State University of Denver. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2017.

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

(2) Basis of Accounting

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

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

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State of Colorado State-Funded Student Assistance Programs Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of the Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2017, and the related notes to the Statement, and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 27, 2017