KPMG

METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audit

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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Section 2-3-103 (2) states in part:

> All reports shall be open to public inspection except for that portion of any report containing recommendations, comments, and any narrative statements, which is **released only upon the approval of a majority vote of the committee** (emphasis supplied).

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METROPOLITAN STATE COLLEGE OF DENVER

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METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audit

Report Summary

Year ended June 30, 2011

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Metropolitan State College of Denver (Metro or the College) for the year ended June 30, 2011. KPMG performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from May 2011 to October 2011.

The purpose and scope of our audit were to:

- Express an opinion on the basic financial statements of the College as of and for the year ended June 30, 2011. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the basic 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 College'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, 2011 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unqualified opinion on the College's basic financial statements as of and for the year ended June 30, 2011.

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

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

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audit

Report Summary

Year ended June 30, 2011

Summary of key Audit Findings

There were no findings or recommendations resulting from our fiscal year 2011 audit work that are required to be reported.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2010 included four recommendations. The disposition of these audit recommendations as of December 13, 2011 was as follows:

Implemented	3
To be evaluated in fiscal year 2013	1

Organization

Established in 1963 as Colorado's –College of Opportunity," Metropolitan State College of Denver (the College) is the third largest higher education institution in Colorado and one of the largest public four-year colleges 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 equivalency diploma (GED) high school equivalency certificate, or the equivalent to gain admission.

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

The College offers 55 major fields of study and 89 minors through its School of Business, School of Letters, Arts and Sciences, and School of Professional Studies. Degrees include Bachelor of Science, Bachelor of Arts, Bachelor of Fine Arts, and Bachelor of Music. Academic 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.

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

	Resident	Nonresident	Total
Fiscal year:			
2011	17,223	566	17,789
2010	16,775	546	17,321
2009	15,621	544	16,165

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

	Faculty	Staff	Total
Fiscal year:			
2011	901	332	1,233
2010	872	324	1,196
2009	843	330	1,173

METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audit

Findings and Recommendations

Year ended June 30, 2011

We have audited the basic financial statements of the Metropolitan State College of Denver (the College) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 13, 2011. In planning and performing our audit of the basic financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion of the College's internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated December 13, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since December 13, 2011. We did not audit the financial statements of the Metropolitan State College of Denver Foundation, Inc., a discretely presented component unit, discussed in note 1 to the basic financial statements. Those financial statements were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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

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

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

We noted an additional matter that we have reported to management of the College in a separate letter dated December 13, 2011.

METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2011

The following table presents the audit recommendations made for the year ended June 30, 2010 and their disposition as of December 13, 2011:

Recommendation	Disposition
Recommendation No. 1	
The College should: a) Implement controls within the Banner student module to restrict the removal of financial holds to approved individuals. b) Generate and maintain a user log to document which individual performed and approved the removal of the student account hold.	Implemented
Recommendation No. 2	
The College should strengthen its review controls over operating expenses transactions to ensure costs are properly expensed, deferred, or capitalized.	Implemented
Recommendation No. 3	
The College should institute a required periodic review by departments to evaluate current procurement card limits over purchases for each employee to determine their adequacy with departmental business needs. If an employee needs to procure an item in excess of their procurement card limit, set below $5,000, for a valid business purpose, require the department manager to approve the expenditure and specifically document their acknowledgment that the card limit was exceeded and that it was acceptable to do so.	Implemented
Recommendation No. 4	
The College should establish and maintain documented policies and procedures for preparing the Statement in compliance with NCAA regulations. In addition, athletic program transactions should be properly coded in the accounting system to enable management to determine how the transactions should be reported by sport program and activity.	To be evaluated during the fiscal year 2013 audit.

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Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Metropolitan State College of Denver (the College), a component unit of the State of Colorado, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. 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 College of Denver Foundation, Inc. (the Foundation), a discretely presented component unit, discussed in note 1 to the basic financial statements, which represents 14 percent and 100 percent of total assets, 80 percent and 100 percent of total revenues, and 108 percent and 100 percent of net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2011 and 2010, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they related to the amounts included for the Foundation, are based on the report of 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 of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Metropolitan State College of Denver as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 on our consideration of the College'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 8 to 17 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 13, 2011

This section of Metropolitan State College of Denver's (Metro State or the College) financial report presents management's discussion and analysis of the financial performance of Metro State during the years ended June 30, 2011 and 2010. This discussion focuses on current activities and known facts and provides an overview of Metro State'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*. This annual report consists of a series of financial statements: the statements of net assets; the statements of revenues, expenses, and changes in net assets; and the statements of cash flows. The presentation of financial information is in a format comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Hence, revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or services, without regard to the actual date of collection or payment.

The financial statements of the Metropolitan State College of Denver Foundation, Inc. (the Foundation) and the HLC @ Metro, Inc. are included in Metro State's financial statements as required by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Financial Highlights

- Metro State's financial position, as a whole, improved during the years ended June 30, 2011 and 2010. The combined net assets increased $11.5 million and $16.8 million, respectively, over the previous year.
- In fiscal year 2011, the level of funding for Metro State's College Opportunity Fund (COF) stipends was set by the General Assembly at $62 per eligible credit hour. The State of Colorado (the State) was able to maintain this level of funding throughout the fiscal year. In fiscal year 2010, the COF funding was $68 per eligible credit hour; however, due to poor economic conditions in fiscal year 2010, the State was only able to fund the stipend at $44 per eligible credit hour. This revenue is recorded in the tuition and fees line under operating revenue.
- The College received $1.4 million and $25.2 million in State Fiscal Stabilization Funds revenue from the American Recovery and Reinvestment Act (ARRA) to help offset the reduction in state funding in fiscal years 2011 and 2010, respectively. Fiscal year 2011 is the last year the College anticipates receiving State Fiscal Stabilization Funds.
- Metro State's June 30, 2011 current assets of $72.6 million were sufficient to cover current liabilities of $31.1 million. The current ratio of 2.33 (current assets/current liabilities) reflects the liquidity of Metro State's assets and the availability of funds for current operations.
- In fiscal year 2011, the College's outstanding bonds payable of $65.7 million were the same as in fiscal year 2010. The first principal payment is due in fiscal year 2012.
- Metro State's headcount had changes in the summer 2010, fall 2010, and spring 2011 terms with a 10.74%, 4.7%, and a 0.68% increase, respectively, over the previous year's terms.

Statements of Net Assets

The statements of net assets report on assets, liabilities, and net assets (net assets represent the excess of total assets over total liabilities) as of June 30, 2011 and 2010. Over time, increases or decreases in net assets are one indicator of Metro State's financial health when considered in conjunction with nonfinancial facts such as student enrollment.

Condensed Statements of Net Assets

		June 30, 2011	June 30, 2010	June 30, 2009
			(In thousands)	
Assets:				
Current assets	$	72,599	61,732	45,960
Noncurrent assets		97,936	91,885	22,208
Total assets	$	170,535	153,617	68,168
Liabilities:				
Current liabilities	$	31,095	23,838	20,652
Noncurrent liabilities		74,515	76,370	10,877
Total liabilities	$	105,610	100,208	31,529
Net assets:				
Invested in capital assets, net of related debt	$	9,858	9,381	6,864
Restricted for expendable purposes		9,412	9,344	9,247
Unrestricted		45,655	34,684	20,528
Total net assets	$	64,925	53,409	36,639

At June 30, 2011 and 2010, Metro State's total assets were $170.5 million and $153.6 million, respectively, which is an increase of $16.9 million and $85.4 million, respectively, when compared to the prior years. A $9.1 million increase in unrestricted cash and cash equivalents, an $18.1 million increase in construction in progress, and an $11 million decrease in restricted cash are the primary reasons for the $16.9 million increase in total assets in fiscal year 2011.

Unrestricted cash and cash equivalents increased $9.1 million in fiscal year 2011 primarily due to a 9% increase in tuition, a 10% increase in fees, a $6.85 per credit hour increase in the Student Bond Fee, as well as setting aside funds for future capital projects.

Construction in progress increased $18.1 million primarily due to expenditures on the Student Success Building (SSB) and related major remodeling projects. The $11 million decrease in restricted cash is due to using bond proceeds for the construction.

At June 30, 2010 and 2009, Metro State's total assets were $153.6 million and $68.2 million, respectively, which is an increase of $85.4 million and $14.3 million, respectively, when compared to the prior years. A $63.8 million increase in restricted cash, a $15.2 million increase in unrestricted cash and cash equivalents, a $10.8 million increase in leasehold improvements, and a $5.7 million decrease in construction in progress are the primary reasons for the $85.4 million increase in total assets in fiscal year 2010. In fiscal year 2010, the College issued $65.8 million in bonds for the construction of the Student Success Center and other major remodeling projects. As of June 30, 2010, $63.8 million of those bond proceeds were unspent and are the cause for the increase in restricted cash. Unrestricted cash and cash equivalents increased $15.2 million in fiscal year 2010 primarily due to cost saving initiatives, setting aside funds for future capital projects, the timing of payments, and the increase in overall revenues to the College. In fiscal year 2010, the new addition to the Science building was complete. This 200,000 square foot building is owned by the Auraria Higher Education Center (AHEC) and offers technologically advanced student labs to Metropolitan State College of Denver, the University of Colorado at Denver, and the Community College of Denver. The completion of this building increased leasehold improvements by $8.9 million. Lastly, the $5.7 million reduction in construction in progress is primarily due to the completion of the Science Building and related recording of Leasehold Improvements.

Metro State's financial position improved during both fiscal years 2011 and 2010 as evidenced by the increase in net assets of $11.5 million and $16.8 million, respectively. Of the total $64.9 million in net assets in fiscal year 2011, $9.9 million is invested in capital assets, $9.4 million is restricted for expendable purposes for student loans, and $45.7 million is unrestricted and available for any lawful purpose of Metro State. In fiscal year 2010, total net assets comprised $9.4 million invested in capital assets, $9.3 million in restricted for expendable purposes for student loans, and $34.7 million was unrestricted and available for any lawful purpose of Metro State.

(Continued)

Statements of Revenues, Expenses, and Changes in Net Assets

The statements of revenues, expenses, and changes in net assets present the results of operations during fiscal years 2011 and 2010. 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 Metro State. Nonoperating revenues and expenses are those other than operating and include but are not limited to investment and interest income, private grants and gifts, state fiscal stabilization funds, and Pell grants.

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

		June 30, 2011	June 30, 2010	June 30, 2009
			(In thousands)	
Operating revenues:				
Tuition and fees, net	$	78,993	66,149	72,610
Fee for service		10,669	1,667	7,015
Sales and services		4,572	4,401	3,335
Grants and contracts		21,056	18,101	18,940
Other operating revenues		5,720	5,369	4,863
Total operating revenues		121,010	95,687	106,763
Operating expenses		149,568	138,187	134,634
Operating loss		(28,558)	(42,500)	(27,871)
Nonoperating revenues:				
State fiscal stabilization funds revenue		1,403	25,182	9,935
Pell grants		36,990	29,870	18,151
Federal interest subsidy		1,620	847	—
Investment and interest income		1,783	3,678	1,611
Interest expense on capital asset-related debt		(4,065)	(2,334)	—
Loss on disposal of capital assets		(29)	(21)	(6)
Other nonoperating revenues		2,372	2,048	2,003
Net nonoperating revenues		40,074	59,270	31,694
Increase in net assets		11,516	16,770	3,823
Net assets at beginning of year		53,409	36,639	32,816
Net assets at end of year	$	64,925	53,409	36,639

Tuition and fees revenue, net, accounted for $79 million of $121 million in operating revenue in fiscal year 2011. The tuition and fees revenue amount is net of scholarship allowances of $47.4 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. Tuition and fees revenue increased $12.8 million from fiscal year 2010 due to increases in tuition and fees and small increases in credit hour production. Scholarship discounts and allowances increased $9.1 million from fiscal year 2010 due to an increase in tuition, as well as enrollment increases and an overall increase in scholarships and fellowships, which is discussed below.

Tuition and fees revenue, net, accounted for $66.1 million of $95.7 million in operating revenue in fiscal year 2010. Tuition and fees, net, decreased $6.4 million from the previous year due to a reduction in the COF stipend funding. The tuition and fees revenue amount is net of scholarship allowances of $38.2 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. Scholarship discounts and allowances increased $8.8 million from the previous year due to an increase in tuition, as well as enrollment increases and an overall increase in scholarships and fellowships.

The $9.0 million increase in fee for service revenue in fiscal year 2011 and $5.3 million decrease in fiscal year 2010 are a result of changes to the fee for service contract the College has with the State.

In fiscal year 2010, the State implemented guidance provided in the 2008 Amendment of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, implementation guide regarding nonoperating presentation of Pell grants. Therefore, in fiscal year 2010, Pell revenue was recorded as nonoperating revenue, and for comparative purposes, fiscal year 2009 was reclassified as well. Pell grants increased $7.1 million in fiscal year 2011 while the increase was $11.7 million in fiscal year 2010. These increases are due to increased enrollment of Pell eligible students.

State Fiscal Stabilization Funds revenue decreased $23.8 million in fiscal year 2011. These are federal funds from the ARRA given to the College in response to the State's economic downturn. The College was allocated a total of $36.5 million over three years and in fiscal year 2010, the College drew a disproportionate share to help offset the reductions to COF and fee for service, leaving only $1.4 million to draw in fiscal year 2011. Fiscal year 2011 is the last year the College will receive these funds.

State Fiscal Stabilization Funds revenue increased $15.2 million in fiscal year 2010 as compared to fiscal year 2009 in response to the State's reduction of fiscal year 2010 COF stipend funding.

In fiscal year 2010, the College issued Recovery Zone Economic Development Bonds (RZEDB), which are eligible to receive a 45% interest rate subsidy from the federal government. The College earned $1.6 million in interest subsidy revenue in fiscal year 2011, which is $0.8 million more than in fiscal year 2010.

Investment and interest income decreased $1.9 million in fiscal year 2011, but increased $2.1 million in fiscal year 2010. The decrease in fiscal year 2011 is primarily a result of a net unrealized loss on funds with the Colorado State Treasurer (the Treasurer), compared to a net unrealized gain in fiscal year 2010.

Interest expense on capital asset-related debt increased $1.7 million in fiscal year 2011 to total $4.1 million. This is primarily interest expense on the RZEDB bonds issued in fiscal year 2010.

For the fiscal years ended June 30, 2011 and 2010, operating expenses totaled $149.6 million and $138.2 million, respectively. Of the $149.6 million total in fiscal year 2011, $70.5 million was for instruction, $9.8 million for academic support, $14.9 million for student services, $15.8 million for institutional support, $7.6 million for operation of plant, and $21.1 million for auxiliary enterprises. The remaining $9.9 million was for scholarships and other miscellaneous operating expenses. Of the $138.2 million total in fiscal year 2010, $66.3 million was for instruction, $9.7 million was for academic support, $13.3 million was for student services, $14.7 million was

(Continued)

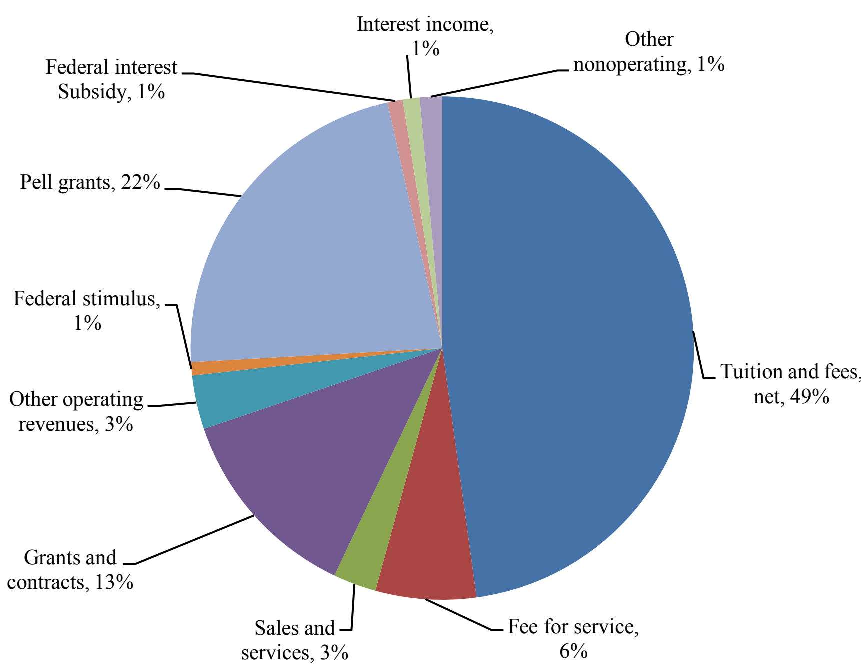
for institutional support, $5.4 million was for operation of plant, and $20.4 million was for auxiliary enterprises. The remaining $8.4 million was for scholarships and other miscellaneous operating expenses.

Overall operating expenses show an increase of $11.4 million over fiscal year 2010 and $3.6 million over 2009 due to a combination of several factors, including:

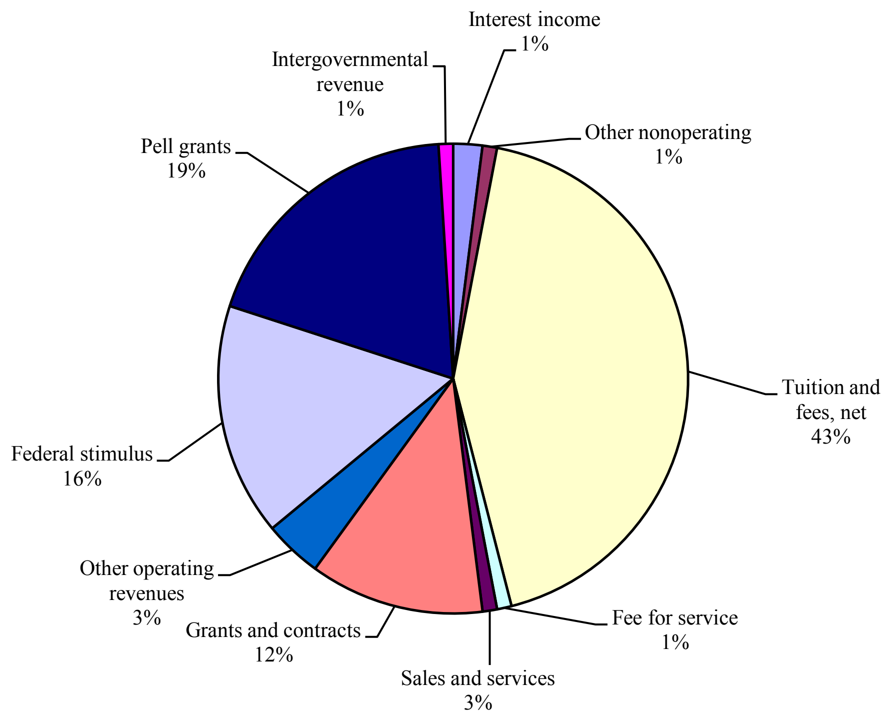
- Salary and benefit expenditures increased approximately $5.1 million in fiscal year 2011 resulting from a net increase of 29 faculty, and 8 administrative/classified employees.
- Scholarship expense increased in fiscal years 2011 and 2010 by $.8 million and $3.4 million, respectively, primarily due to increases in Pell grants.

The following is a graphic illustration of total revenue (operating and nonoperating) by source for Metro State. Each major revenue component is displayed relative to its proportionate share of total revenue.

Revenue by Source - Fiscal year 2011



Revenue by Source – Fiscal year 2010



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 Metro State's ability to generate cash flows and meet financial obligations as they mature.

Condensed Statements of Cash Flows

		June 30, 2011	June 30, 2010	June 30, 2009
			(In thousands)	
Net cash provided by (used in):				
Operating activities	$	(26,464)	(39,625)	(23,653)
Noncapital financing activities		39,882	57,355	30,168
Capital and related financing activities		(17,021)	57,503	(2,015)
Investing activities		1,783	3,678	1,724
Net increase (decrease) in cash		(1,820)	78,911	6,224
Cash and cash equivalents:				
Beginning of year		115,231	36,320	30,096
End of year	$	113,411	115,231	36,320

Metro State's cash and cash equivalents decreased by $1.8 million in fiscal year 2011; whereas, fiscal year 2010 had an increase of $78.9 million. The overall decrease in 2011 is a result of the net effect of a $9.1 million increase in unrestricted cash and an $11.0 decrease in restricted cash. The major sources of unrestricted cash inflows in fiscal year 2011 were $76.1 million from tuition and fees, $20.5 million from grants and contracts, $10.7 million from fee for service, and $37.0 million in Pell grants. The primary outflows are $101.0 million for payments to or for employees, $14.3 million for acquisition of capital assets, and $36.2 million for payments to suppliers.

The major sources of cash inflows in fiscal year 2010 were $64.4 million from tuition and fees, $18.1 million from grants and contracts, $25.2 million from federal stimulus, $29.9 million in Pell grants, and $65.7 million from bonds. The primary outflows are $94.9 million for payments to or for employees and $32.7 million for payments to suppliers.

(Continued)

Capital Assets

At June 30, 2011, the College had $36.0 million in property, plant, and equipment, net of accumulated depreciation of $13.9 million. Depreciation charges were $3.1 million for the current year compared to $2.5 million in fiscal year 2010 and $1.7 million in fiscal year 2009. Details of these assets are shown in the table below:

Capital Assets, Net of Depreciation at Year-End

		June 30, 2011	June 30, 2010	June 30, 2009
			(In thousands)	
Construction in progress	$	19,955	1,889	7,598
Equipment		4,824	4,906	5,522
Buildings		1,155	1,284	1,019
Leasehold improvements		10,046	10,838	—
Total	$	35,980	18,917	14,139

Debt

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

At June 30, 2011, the College had $73.9 million in outstanding debt compared to $74.2 million at June 30, 2010 and $8.7 at June 30, 2009. The table below summarizes these amounts by type of debt:

Outstanding Debt at Year-End

		June 30, 2011	June 30, 2010	June 30, 2009
			(In thousands)	
Series 2009	$	55,190	55,190	—
Series 2010		10,532	10,530	—
Capital lease		8,158	8,455	8,736
Total	$	73,880	74,175	8,736

Economic Outlook and Metropolitan State College of Denver's Future

Metro State retained its enterprise status during fiscal year 2011 by receiving less than 10% in state funding. The COF stipend was set by the General Assembly for fiscal year 2011 at $62 per eligible credit hour, for resident undergraduate students, and was not cut during the year. The stipend is set to remain at $62 per eligible credit hour for fiscal year 2012, which is currently appropriated at $33.5 million, per the long bill. Metro State received $10.7 million in fee for service revenue in fiscal year 2011 but is only budgeted to receive $3.4 million in fiscal year 2012.

In an effort to offset some of the reductions to the College's state funding, Metro State implemented a $370.60 tuition and fee increase for resident, undergraduate students taking 15 credit hours per semester beginning in the fall of 2011. The increase was in accordance with the College's Financial Accountability Plan (FAP) that was submitted and approved by the Colorado Commission on Higher Education (CCHE) in November 2010. The College submitted its plans in compliance with Senate Bill 10-003 (aka the Tuition Flexibility Bill), which allows colleges to raise undergraduate tuition up to 9% per year for the next five years and above 9% with CCHE approval of a FAP. The CCHE found that Metro State's FAP complied with all the necessary requirements and demonstrated strategic vision as well as affordability and access for middle- and lower-income students.

Metro State is making significant strides in achieving its goal of becoming a federally designated Hispanic Serving Institution (HSI), which is based on at least 25% of our undergraduate student body being Latino or Hispanic. In 2010, Metro State was recognized as an emerging HSI by Excelencia in Education, located in Washington D.C. By spring 2011, Latino undergraduate student enrollment had reached 16.5% compared to 12.9% for spring 2010. If enrollment of Latinos or Hispanic students continues to grow at its current rate, the College will achieve HSI status within the next decade. The HSI designation brings benefits to all students and faculty, with funding available for projects that range from student support programs to classroom technology.

The construction on the Hotel and Hospitality Learning Center (HLC) began in March 2011 and is scheduled to be completed in August 2012. The hotel will include 150 hotel rooms, as well as conference facilities. The HLC will offer more than 28,000 square feet of academic space, including classrooms, specialty learning labs, and faculty offices. The hotel will be run by the professional hotel management firm, Sage Hospitality, and will provide hands-on training opportunities for students in Metro State's Hospitality, Tourism, and Events Department.

The construction on the SSB is well underway and is expected to be completed by March 2012, which is a month ahead of schedule. The related remodeling projects have also begun with 40,000 square feet of space already remodeled. An additional 110,000 square feet will be remodeled after people vacate their current space in March 2012. These projects, in addition to the HLC, will offer a 25% increase in space for classrooms, faculty offices, and labs.

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

METROPOLITAN STATE COLLEGE OF DENVER

Business-Type Activity

Statements of Net Assets

June 30, 2011 and 2010

Assets		**2011**	**2010**
Current assets:			
Cash and cash equivalents	$	60,603,406	51,471,960
Accounts receivable, student (net of allowance for doubtful accounts of $1,918,856 and $1,703,422, respectively)		8,136,479	7,138,102
Accounts receivable, other		1,926,170	1,401,909
Loans receivable, net		1,007,462	941,594
Prepaid expenses		925,494	778,387
Total current assets		72,599,011	61,731,952
Noncurrent assets:			
Restricted cash		52,807,406	63,759,284
Investments		190,634	190,634
Loans receivable (net of allowance for doubtful accounts of $580,468 and $701,013, respectively)		8,226,044	8,263,166
Deferred debt issuance costs (net of amortization of $51,774 and $25,817, respectively)		732,112	754,802
Construction in progress		19,955,406	1,888,689
Depreciable capital assets, net:			
Equipment		4,823,810	4,905,740
Buildings		1,154,552	1,284,239
Leasehold improvements		10,046,034	10,838,589
Total depreciable capital assets, net		16,024,396	17,028,568
Total noncurrent assets		97,935,998	91,885,143
Total assets	$	170,535,009	153,617,095
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	8,535,595	3,102,661
Accrued payroll		9,755,674	9,901,847
Deferred revenue		6,788,006	6,675,418
Compensated absences liability, current portion		264,768	247,912
Bonds payable		1,535,000	—
Capital leases payable, current portion		310,179	296,790
Deposits held in custody and other current liabilities		3,906,231	3,613,346
Total current liabilities		31,095,453	23,837,974
Noncurrent liabilities:			
Compensated absences liability		2,479,766	2,491,179
Bonds payable		64,186,634	65,720,138
Capital leases payable		7,848,100	8,158,279
Total noncurrent liabilities		74,514,500	76,369,596
Total liabilities	$	105,609,953	100,207,570
Net assets:			
Invested in capital assets, net of related debt	$	9,858,090	9,380,936
Restricted for expendable purposes		9,411,920	9,344,141
Unrestricted		45,655,046	34,684,448
Total net assets	$	64,925,056	53,409,525

See accompanying notes to basic financial statements.

METROPOLITAN STATE COLLEGE OF DENVER

Aggregate Discretely Presented Component Units

Statements of Financial Position

June 30, 2011 and 2010

	2011			2010		
Assets	**Metropolitan State College of Denver Foundation, Inc.**	**HLC @ Metro, Inc.**	**Total**	**Metropolitan State College of Denver Foundation, Inc.**	**HLC @ Metro, Inc.**	**Total**
Cash and cash equivalents	$ 3,703,391	—	3,703,391	3,510,354	—	3,510,354
Restricted cash	—	44,110,438	44,110,438	—	—	—
Promises to give, net	731,897	—	731,897	183,593	—	183,593
Accounts receivable	—	403,156	403,156	—	—	—
Other receivable – College	45,394	—	45,394	97,338	—	97,338
Beneficial interest in charitable trusts administered by others	95,819	—	95,819	78,576	—	78,576
Investments restricted to endowments	4,388,687	—	4,388,687	3,648,242	—	3,648,242
Land and building, net	1,467,392	—	1,467,392	1,481,509	—	1,481,509
Construction in progress	—	14,112,007	14,112,007	—	—	—
Deferred debt issuance costs (net of amortization of $172,388)	—	1,783,266	1,783,266	—	—	—
Other assets	38,950	—	38,950	38,950	—	38,950
Total assets	$ 10,471,530	60,408,867	70,880,397	9,038,562	—	9,038,562
Liabilities and Net Assets						
Liabilities:						
Accounts payable	$ 24,172	4,607,232	4,631,404	1,346	—	1,346
Accounts payable and other – College	295,753	—	295,753	286,101	—	286,101
Retainage payable	—	742,696	742,696	—	—	—
Interest payable	—	1,075,377	1,075,377	—	—	—
Environmental cleanup costs	—	170,140	170,140	—	—	—
Bonds payable	—	54,640,273	54,640,273	—	—	—
Liabilities under charitable gift annuities	55,201	—	55,201	46,967	—	46,967
Total liabilities	375,126	61,235,718	61,610,844	334,414	—	334,414
Net assets:						
Unrestricted	1,597,425	(826,851)	770,574	869,732	—	869,732
Temporarily restricted	4,041,865	—	4,041,865	4,279,651	—	4,279,651
Permanently restricted	4,457,114	—	4,457,114	3,554,765	—	3,554,765
Total net assets	10,096,404	(826,851)	9,269,553	8,704,148	—	8,704,148
Total liabilities and net assets	$ 10,471,530	60,408,867	70,880,397	9,038,562	—	9,038,562

See accompanying notes to basic financial statements.

METROPOLITAN STATE COLLEGE OF DENVER

Business-Type Activity

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

		2011	2010
Operating revenues:			
Student tuition and fees, net of scholarship allowances of $47,371,316 and $38,235,267, respectively	$	78,993,116	66,149,095
Fee for service		10,669,306	1,667,055
Sales and services of educational departments		1,335,843	1,255,141
Sales and services of auxiliary enterprises		3,235,789	3,145,684
Federal grants and contracts		8,109,563	7,006,040
State grants and contracts		12,793,756	10,966,665
Local grants and contracts		62,916	119,347
Private grants and contracts		89,700	8,566
Operating interest income		131,824	118,378
Other operating revenues		5,587,838	5,251,009
Total operating revenues		121,009,651	95,686,980
Operating expenses:			
Instruction		70,519,841	66,316,986
Public service		262,689	266,961
Academic support		9,814,762	9,687,612
Student services		14,910,402	13,315,210
Institutional support		15,782,608	14,714,941
Operation and maintenance of plant		7,591,650	5,347,053
Scholarships and fellowships		6,481,120	5,631,153
Auxiliary enterprises		21,123,074	20,350,782
Depreciation		3,082,024	2,523,165
Other operating expenses		—	32,963
Total operating expenses		149,568,170	138,186,826
Operating loss		(28,558,519)	(42,499,846)
Nonoperating revenues (expenses):			
State fiscal stabilization funds revenue		1,402,605	25,182,337
Pell grants		36,989,514	29,869,427
Intergovernmental revenue		1,620,140	847,386
Investment and interest income		1,783,221	3,678,334
Interest expense on capital asset-related debt		(4,064,583)	(2,333,991)
Loss on disposal of capital assets		(28,766)	(21,414)
Nonoperating gifts and donations		2,371,919	2,048,262
Net nonoperating revenues		40,074,050	59,270,341
Increase in net assets		11,515,531	16,770,495
Net assets, beginning of year		53,409,525	36,639,030
Net assets, end of year	$	64,925,056	53,409,525

See accompanying notes to basic financial statements.

METROPOLITAN STATE COLLEGE OF DENVER

Aggregate Discretely Presented Component Units

Statements of Activities

Years ended June 30, 2011 and 2010

	2011			2010		
	Metropolitan State College of Denver Foundation, Inc.	**HLC @ Metro, Inc.**	**Total**	**Metropolitan State College of Denver Foundation, Inc.**	**HLC @ Metro, Inc.**	**Total**
Change in unrestricted net assets:						
Support, revenue, and gains:						
Contributions	$ 81,756	—	81,756	68,164	—	68,164
In-kind contributions	1,214,867	—	1,214,867	964,831	—	964,831
College program fees	—	—	—	1,147	—	1,147
Total support	1,296,623	—	1,296,623	1,034,142	—	1,034,142
Net investment gain	32,327	—	32,327	54,294	—	54,294
Rent and other income – Center for Visual Arts (CVA)	127,310	—	127,310	46,814	—	46,814
Net assets released from restrictions	3,040,219	1,629,602	4,669,821	2,054,861	—	2,054,861
Other reclassifications of net assets	69,685	—	69,685	82,287	—	82,287
Total support, revenue, and gains	4,566,164	1,629,602	6,195,766	3,272,398	—	3,272,398
Expenses and losses:						
Support provided to the College	2,218,052	—	2,218,052	1,955,783	—	1,955,783
General and administrative costs	327,527	123,248	450,775	309,124	—	309,124
Donor development costs	1,214,867	—	1,214,867	915,815	—	915,815
Interest and amortization	—	2,333,205	2,333,205	—	—	—
Operating expenses for CVA	78,025	—	78,025	38,490	—	38,490
Total expenses	3,838,471	2,456,453	6,294,924	3,219,212	—	3,219,212
Loss on forfeited deposit	—	—	—	25,000	—	25,000
Total expenses and losses	3,838,471	2,456,453	6,294,924	3,244,212	—	3,244,212
Change in unrestricted net assets	727,693	(826,851)	(99,158)	28,186	—	28,186
Change in temporarily restricted net assets:						
Support, revenue, and gains:						
Contributions	2,104,090	—	2,104,090	1,925,740	—	1,925,740
In-kind contributions	156,744	—	156,744	162,084	—	162,084
College program fees	481,028	—	481,028	338,807	—	338,807
Federal interest subsidy	—	718,726	718,726	—	—	—
Interest income	—	360,798	360,798	—	—	—
Total support	2,741,862	1,079,524	3,821,386	2,426,631	—	2,426,631
Net investment gain	—	550,078	550,078	286	—	286
Net assets released from restrictions	(3,040,219)	(1,629,602)	(4,669,821)	(2,054,861)	—	(2,054,861)
Other reclassifications of net assets	70,571	—	70,571	108,702	—	108,702
Total support, revenue, and gains	(227,786)	—	(227,786)	480,758	—	480,758
Losses:						
Uncollectible pledge loss	10,000	—	10,000	111	—	111
Total losses	10,000	—	10,000	111	—	111
Change in temporarily restricted net assets	(237,786)	—	(237,786)	480,647	—	480,647
Change in permanently restricted net assets:						
Support, revenue, and gains:						
Contributions	512,795	—	512,795	226,680	—	226,680
College program fees	4,275	—	4,275	26,637	—	26,637
Total support	517,070	—	517,070	253,317	—	253,317
Net investment gain	525,535	—	525,535	406,223	—	406,223
Other reclassifications of net assets	(140,256)	—	(140,256)	(190,989)	—	(190,989)
Change in permanently restricted net assets	902,349	—	902,349	468,551	—	468,551
Change in net assets	1,392,256	(826,851)	565,405	977,384	—	977,384
Net assets, beginning of year	8,704,148	—	8,704,148	7,726,764	—	7,726,764
Net assets, end of year	$ 10,096,404	(826,851)	9,269,553	8,704,148	—	8,704,148

See accompanying notes to basic financial statements.

METROPOLITAN STATE COLLEGE OF DENVER

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 76,086,205	64,417,931
Student loans collected	1,195,359	1,027,491
Sales and services	4,512,877	4,426,915
Fee for service	10,669,306	1,667,055
Grants, contracts, and gifts	20,473,448	18,077,194
Other operating receipts	5,426,710	4,996,312
Cash payments:		
Scholarships disbursed	(6,481,120)	(5,631,153)
Student loans disbursed	(1,154,221)	(1,007,216)
Payments for employees	(101,018,357)	(94,873,915)
Payments to suppliers	(36,174,328)	(32,725,772)
Net cash used in operating activities	(26,464,121)	(39,625,158)
Cash flows from noncapital financing activities:		
State fiscal stabilization revenue	1,402,605	25,182,337
Gifts and donations	2,238,731	2,077,642
Pell grants	36,989,514	29,869,427
Agency (direct lending inflows)	103,859,350	98,253,319
Agency (direct lending outflows)	(104,295,789)	(98,818,135)
Other agency (inflows)	8,588,135	7,310,081
Other agency (outflows)	(8,900,502)	(6,519,056)
Net cash provided by noncapital financing activities	39,882,044	57,355,615
Cash flows from capital and related financing activities:		
Proceeds from bond sale	—	65,718,643
Interest subsidy	1,618,121	713,553
Insurance proceeds	—	14,763
Interest expense on capital asset-related debt	(4,035,910)	(2,789,889)
Acquisition and construction of capital assets	(14,306,997)	(5,873,394)
Principal paid on capital lease arrangements	(296,790)	(281,169)
Net cash provided by (used in) capital and related financing activities	(17,021,576)	57,502,507
Cash flows from investing activities:		
Investment and interest income	1,783,221	3,678,334
Net cash provided by investing activities	1,783,221	3,678,334
Net increase (decrease) in cash and cash equivalents	(1,820,432)	78,911,298
Cash and cash equivalents, beginning of year	115,231,244	36,319,946
Cash and cash equivalents, end of year	$ 113,410,812	115,231,244

(Continued)

METROPOLITAN STATE COLLEGE OF DENVER

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(28,558,519)	(42,499,846)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		3,082,024	2,523,165
Provision for bad debts		2,527,174	1,691,307
Expended for plant facilities		—	(36,446)
Decrease (increase) in assets:			
Receivables, student		(3,244,464)	(2,941,130)
Receivables, other		(420,415)	166,591
Loans receivable		(31,979)	(153,855)
Prepaids		(176,349)	(556,158)
Increase in liabilities:			
Accounts payable		460,634	251,016
Accrued payroll		113,341	1,052,869
Deferred revenues		(146,173)	779,677
Other liabilities		(69,395)	97,652
Net cash used in operating activities	$	(26,464,121)	(39,625,158)
Noncash operating and capital activities:			
Retirement of capital assets	$	820,074	1,583,658

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 College of Denver (the College) for the fiscal years ended June 30, 2011 and 2010. Effective July 1, 2002, Colorado Revised Statute (C.R.S.) 23-54-102 established the Board of Trustees (Trustees) of the College to serve as the College's governing board. Nine of the eleven Trustees are members outside the College who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are nonvoting members. The Trustees have full authority and responsibility for the control and governance of the College, 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 College 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. The financial statements of the College and its discretely presented component units are not intended to report the financial information of the State in conformity with U.S. generally accepted accounting principles (GAAP). The accounting policies of the College conform to GAAP, as applicable to government units.

The College is an institution of higher education of the State. Thus, for financial reporting purposes, the College is included as part of the State's primary government.

On August 17, 2010, the College's Board of Trustees approved the creation of the Metropolitan State College 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 College's relationship with the HLC by obtaining the lowest possible cost of financing, reducing the College'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*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, paragraph 47, the discrete presentation of the Metropolitan State College 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 College. 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 College. Please refer to note 15 for additional discussion.

(c) Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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 College applies all applicable GASB pronouncements, regardless of issue date, as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

Capital Assets: Equipment, buildings, leasehold improvements, and construction in progress are stated at cost at the date of acquisition or fair market value at the date of donation. A physical inventory of all capital assets is taken annually with appropriate adjustments made to the financial records. The College follows the policy of capitalizing only those capital assets with an initial cost or fair value equal to or greater than $5,000. The College 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, 2011 and 2010 was $0 and $27,802, 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.

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 10 years for capitalized computers, 3 years for software, 3 to 50 years for other equipment, 12 years for modular buildings, and 3 to 20 years for leasehold improvements.

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

Deferred Revenue: Deferred revenue consists of amounts received from the provision of educational goods and services that have not yet been earned. The College prorates the summer session revenues and direct instructional expenses based on the percentage of total calendar days before June 30 to total calendar days in the selected primary summer term. To the extent revenues are earned after June 30, such amounts are recorded in deferred revenue.

Capital Leases: Capital leases consist of a lease-purchase contract for the Science building on the Auraria Campus. The building owned by Auraria Higher Education Center (AHEC), is occupied by the College, 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.

Net Assets: Net assets are classified in the accompanying financial statements as follows:

- *Invested in capital assets* represents the total investment in capital assets, net of related debt.
- *Restricted for expendable purposes* represents net resources in which the College 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, College Opportunity Fund (COF) stipends, Pell grants, state fiscal stabilization funds, and sales and services of education departments. These resources are used for transactions relating to the educational and general operations of the College 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 College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- Operating revenues and expenses – 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 College.
- Nonoperating revenues and expenses – Nonoperating revenues and expenses do not meet the definition of operating revenues, and include federal stimulus money, Pell grants, gifts, investment income, and interest expense.

Scholarship Allowance: Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College 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. College 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 College'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 assets 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 College 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 College is subject to federal income tax on any unrelated business taxable income. The College did not have any significant unrelated business taxable income in fiscal year 2011 or 2010.

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 basic 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:

		2011	2010
Cash on hand	$	43,968	43,656
Cash in checking and depository accounts at banks		3,022,871	2,965,214
Certificate of deposit		100,477	57,876
Total cash on hand and in banks	$	3,167,316	3,066,746

As of June 30, 2011, $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 College's name.

The College deposits its cash with the Treasurer as required by C.R.S. The Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1 C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited with the Treasurer are invested until the cash is needed. Earnings are allocated in proportion to the daily cash balance for all participants in the pool. At June 30, 2011 and 2010, the College had $110,243,496 and $112,164,498, respectively, which represented approximately 1.8% of the total of $6,100.3 million and 1.9% of the total of $5,977.9 million, respectively, in deposits in the Treasurer's Pool (Pool). The $110,243,496 and $112,164,498 on deposit as of June 30, 2011 and 2010, respectively, includes $52,807,406 and $63,759,284 of restricted cash as of June 30, 2011 and 2010, respectively, which is the unspent proceeds of the Series 2009 and 2010 bonds (see note 6 for further information).

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

For the College's deposits with the State Treasury, the net unrealized loss for fiscal year 2011 and net unrealized gain for fiscal year 2010 were $639,893 and $1,848,101, respectively. These unrealized gains and losses are included in cash and cash equivalents on the statements of net assets.

(a) Custodial Credit Risk

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. State securities must be held by the Treasurer or by a third-party custodian evidenced by a safekeeping receipt. As of June 30, 2011 and 2010, none of the investments in the Pool is subject to custodial credit risk.

(b) Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2011 and 2010, approximately 86.7% and 88.1%, respectively, of investments in the Pool are subject to credit quality risk reporting. Except for $18,384,300 and $25,573,200 in fiscal years 2011 and 2010, respectively, of corporate bonds rated lower medium, and $0 and $14,533,750 in fiscal years 2011 and 2010, respectively, of corporate bonds rated as speculative, and $15,015,000 and $14,218,750 in fiscal years 2011 and 2010, respectively, of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2011, the weighted average maturity (WAM) of investments in the Pool is 0.015 years for commercial paper (1.3% of the Pool), 1.054 years for U.S. government securities (81.7% of the Pool), 1.06 years for asset-backed securities (6.9% of the Pool), and 3.133 years for corporate bonds (10.1% of the Pool). As of June 30, 2010, the WAM of investments in the Pool is 0.04 years for commercial paper (3.7% of the Pool), 0.01 years for money market funds (3.2% of the Pool), 1.3 years for U.S. government securities (73.8% of the Pool), 1.36 years for asset-backed securities (12.6% of the Pool), and 2.05 years for corporate bonds (6.7% of the Pool).

(d) Foreign Currency Risk

The State does not allow foreign currency investments.

Additional information on investments of the Pool may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2011.

(e) Other Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for any public entity's investments. The College 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 College's investment is rated as AAA by Standard and Poor's. COLOTRUST pooled investments are excluded from the 5% and interest rate risk disclosure requirements. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2011 and 2010, the fair value of the College's investment was $190,634.

(3) Capital Assets

The following tables present changes in capital assets and accumulated depreciation for the years ended June 30, 2011 and 2010:

		Balance, June 30, 2010	Additions	CIP transfers	Retirements	Balance, June 30, 2011
Construction in progress	$	1,888,689	18,156,609	(89,892)	—	19,955,406
Depreciable capital assets:						
Equipment		14,070,415	1,478,247	290	(705,010)	14,843,942
Building		1,510,311	—	—	—	1,510,311
Leasehold improvements		13,073,117	538,480	89,602	(143,830)	13,557,369
Less accumulated depreciation:						
Equipment		(9,164,675)	(1,560,466)	—	705,010	(10,020,131)
Buildings		(226,072)	(129,687)	—	—	(355,759)
Leasehold improvements		(2,234,528)	(1,391,872)	—	115,064	(3,511,336)
Net depreciable capital assets	$	17,028,568	(1,065,298)	89,892	(28,766)	16,024,396

		Balance, June 30, 2009	Additions	CIP transfers	Retirements	Balance, June 30, 2010
Construction in progress	$	7,597,452	2,458,267	(8,167,030)	—	1,888,689
Depreciable capital assets:						
Equipment		14,542,588	1,111,485	—	(1,583,658)	14,070,415
Building		1,135,246	375,065	—	—	1,510,311
Leasehold improvements		—	4,906,087	8,167,030	—	13,073,117
Less accumulated depreciation:						
Equipment		(9,020,385)	(1,691,770)	—	1,547,480	(9,164,675)
Buildings		(115,769)	(110,303)	—	—	(226,072)
Leasehold improvements		—	(2,234,528)	—	—	(2,234,528)
Net depreciable capital assets	$	6,541,680	2,356,036	8,167,030	(36,178)	17,028,568

(4) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2011 is as follows:

		June 30, 2010	Additions	Deletions	June 30, 2011	Amounts due within one year
Bonds payable	$	65,720,138	1,496	—	65,721,634	1,535,000
Capital lease payable		8,455,069	—	(296,790)	8,158,279	310,179
Compensated absences		2,739,091	5,443	—	2,744,534	264,768
Total noncurrent liabilities	$	76,914,298	6,939	(296,790)	76,624,447	2,109,947

A summary of the changes in long-term liabilities for the year ended June 30, 2010 is as follows:

		June 30, 2009	Additions	Deletions	June 30, 2010	Amounts due within one year
Bonds payable	$	—	65,720,138	—	65,720,138	—
Capital lease payable		8,736,237	—	(281,168)	8,455,069	296,790
Compensated absences		2,640,914	98,177	—	2,739,091	247,912
Total noncurrent liabilities	$	11,377,151	65,818,315	(281,168)	76,914,298	544,702

(5) Lease Obligations

Operating Leases

The College leases building space, land, and copiers under operating lease agreements with the AHEC and with private organizations. The College has two ground leases with AHEC totaling $2.00 for the ground where the HLC and the Student Success Building (SSB) are being built. Total rental expense for the years ended June 30, 2011 and 2010 under all other agreements was $2,124,031 and $2,030,477, respectively. As of June 30, 2011, minimum future rentals required by these agreements are as follows:

Fiscal year(s) ending:		
2012	$	1,910,737
2013		1,398,680
2014		1,246,418
2015		978,799
2016		380,325
2017 – 2021		1,798,000
2022 – 2026		1,798,675
2027 – 2031		718,600
Total	$	10,230,234

In addition to these operating leases, the College occupies other space on the Auraria Campus owned by the 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 13.

Capital Leases

During fiscal year 2009, the College 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 2011 and 2010, the principal payments totaled $296,790 and $281,169, respectively, and interest expense equaled $439,293 and $453,742, respectively.

The following is a schedule of future minimum capital lease payments as of June 30, 2011:

		Principal	Interest	Total
Fiscal year(s) ending June 30:				
2012	$	310,179	424,119	734,298
2013		328,031	408,164	736,195
2014		343,651	391,372	735,023
2015		361,503	373,743	735,246
2016		379,355	356,170	735,525
2017 – 2021		2,211,417	1,463,964	3,675,381
2022 – 2026		2,885,329	790,922	3,676,251
2027 – 2030		1,338,814	77,751	1,416,565
Total	$	8,158,279	4,286,205	12,444,484

(6) Bond Obligations

Total outstanding bonds are summarized below:

Issue	Date issued		Amount issued		June 30 2011	June 30 2010
2009 Taxable Institutional Enterprise Revenue Bonds	11/17/09	$	55,190,000		55,190,000	55,190,000
2010 Taxable Institutional Enterprise Revenue Bonds	6/11/10		10,575,000		10,575,000	10,575,000
Less discount on 2010 Bonds, net of amortization					(43,366)	(44,862)
Total				$	65,721,634	65,720,138

Principal and interest requirements on all outstanding bonds are summarized as follows at June 30, 2011:

Fiscal year	Principal	Interest	Total
2012	$ 1,535,000	3,607,955	5,142,955
2013	1,550,000	3,574,139	5,124,139
2014	1,575,000	3,531,784	5,106,784
2015	1,600,000	3,480,886	5,080,886
2016	1,625,000	3,422,063	5,047,063
2017 – 2021	8,730,000	15,979,017	24,709,017
2022 – 2026	10,035,000	13,539,020	23,574,020
2027 – 2031	11,765,000	10,323,709	22,088,709
2032 – 2036	13,895,000	6,380,670	20,275,670
2037 – 2041	13,455,000	1,780,884	15,235,884
	65,765,000	$ 65,620,127	131,385,127
Unamortized discount, net	(43,366)		
	$ 65,721,634		

(a) Series 2009

On November 17, 2009, the College issued $55,190,000 of Series 2009 Taxable Institutional Enterprise Revenue Bonds (Recovery Zone Economic Development Bonds), bearing interest at 2.0% to 6.2%, for the purpose of financing the construction of the SSB. The SSB is estimated to add 145,000 square feet of space for classrooms and faculty offices, specifically for Metro State students and professors. It will also provide 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, which is expected to be $26,828,095 (unaudited) over the life of the bonds, of which $2,087,237 has been received as of June 30, 2011. These bonds are collateralized by future revenues Metro State has pledged. See note 7 for more information on pledged revenues.

The Series 2009 bonds were issued at par and have unamortized issuance costs of $578,453.

(b) Series 2010

On June 11, 2010, the College 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 will be done as College personnel are 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, which is expected to be $5,032,636 (unaudited) over the life of the bonds, of which $244,437 has been received as of

June 30, 2011. These bonds are collateralized by future revenues the College has pledged. See note 7 for more information on pledged revenues.

The Series 2010 bonds are shown net of unamortized discount of $43,366 and have unamortized issuance costs of $153,659.

(7) Pledged Revenue

The College has pledged future revenues to repay $65,765,000 in revenue bonds issued in fiscal year 2010. 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 College's facilities, all revenues derived from mandatory fees for the provision of student and faculty services at the College, all revenues, net of operation and maintenance expenses, for the provision of continuing education services at the College, interest income, and federal interest subsidy payments received in connection with the bonds.

Proceeds from the bonds provide financing for the construction of the SSB and various major remodeling projects. The total remaining principal and interest payments, net of the federal subsidy payments, are expected to be $101,856,070 (unaudited) payable through fiscal year 2041. Interest payments, net of the interest subsidy, for the current year were $1,977,703. The total revenue pledged was $24,326,285 and $19,362,132 for June 30, 2011 and 2010, respectively.

The College 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 12 for more information on the HLC @ Metro, Inc.

The following table shows information for pledged revenues for fiscal years 2011 and 2010:

	2011	2010
Tuition	$ 10,196,147	8,452,175
Student and faculty fee	5,310,364	5,367,584
Facility fee	4,367,306	2,567,870
Interest income	2,421,162	1,795,545
Intergovernmental revenue	1,620,140	847,386
Indirect cost recovery	411,166	331,572
	$ 24,326,285	19,362,132

(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 Colleges 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, 2011 and 2010 are $264,768 and $247,912, respectively.

The estimated costs of noncurrent compensated absences for which employees are vested for the years ended June 30, 2011 and 2010 are $2,479,765 and $2,491,179, respectively. Fiscal years 2011 and 2010 operating expenses include increases of $5,442 and $98,177, respectively, for the estimated compensated absence liability.

(9) Pension Plan Obligations

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

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

The College's contributions to the ORP for the fiscal years ended June 30, 2011, 2010, and 2009 were $3,992,072, $3,653,250, and $3,479,601, respectively. These contributions were equal to the required contributions for each year. 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.

(a) PERA Plan Description

Most of the College's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the PERA. PERA was established by State statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to defined contribution plan is the same as the contributions to the PERA defined benefit plan.

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15% increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15%. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8%. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8%.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2% or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2% or the actual increase in the national Consumer Price Index, limited to a 10% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by one-percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103% and declines by one-quarter percentage point when the funded ratio drops below 90% after having exceeded 103%. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full-time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

(b) Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the IRC.

Most employees contribute 8.0% (10.0% for State troopers) of their salary, as defined in C.R.S. 24-51-101(42), to an individual account in the plan. Effective July 1, 2010, Senate Bill 10-146 requires members in the State and Judicial Divisions to pay 2.5% additional member contributions through June 30, 2011. Employer contributions for members in these two divisions will be reduced by 2.5%. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010 to December 31, 2010, the State contributed 11.35% (14.05% for State troopers and 14.86% for the Judicial Branch) of the employee's salary. From January 1, 2011 through June 30, 2011, the State contributed 12.25% (14.95% for State troopers and 14.86% for the Judicial

Branch). During all of fiscal years 2010 – 11, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per C.R.S., an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the State participates has a funded ratio of 62.8% and a 47-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3%.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of 0.4% of salary until the additional payment reaches 3.0% in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For State employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to State employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percentage point when funding levels reach 103%, and both will be increased by one-half percentage point when the funding level subsequently falls below 90%. Neither the AED or the SAED may exceed 5%.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's contributions to the PERA defined benefit plan and/or the defined contribution plan for the fiscal years ended June 30, 2011, 2010, and 2009 were $4,854,006, $5,372,108, and $4,989,799, respectively. These contributions met the contribution requirement for each year.

(c) Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, C.R.S., and as 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 College for fiscal years ended June 30, 2011 and 2010 was $1,519,852 and $1,394,554, respectively. Employee contributions for fiscal years ended June 30, 2011 and 2010 were 7.5% of covered payroll in the amount of $113,991 and $104,592, respectively.

(10) Other Retirement Plans

(a) Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. New member contributions to the plan vest from 50% to 100% evenly over 5 years. Participants in the plan are required to contribute 8% (10% for State troopers) of their salary. For fiscal years 2009 – 10 and 2010 – 11, the legislature temporarily increased the required contribution rate to 10.5% (12.5% for State troopers). At December 31, 2010, the plan had 3,479 participants.

(b) Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution with a temporary increase to 10.5% for fiscal years 2010 – 11 and 2011 – 12) to a maximum of $16,500. Participants who are age 50 and older and contributing the maximum amount allowable were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the State offered 403(b) or 401(a) plans.

(11) Postretirement Benefits and Life Insurance

(a) Health Care Plan

The PERA Health Care Program (the Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for healthcare coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the healthcare plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5% for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in note 9(b). Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The College contributed \$355,186, \$369,873, and \$382,355 as required by statute in fiscal years 2010 – 11, 2009 –10, and 2008 – 09, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.35 billion, a funded ratio of 17.5%, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8% investment rate of return, a 4.5% projection of salary increases (assuming a 0.75% inflation rate), a 3.5% annual medical claims increase, no postretirement benefit increases, and a level dollar amortization on an open basis over 30 years.

(b) Other Program

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

College faculty and exempt administrative staff receive health insurance through the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for postemployment health coverage until the retiree is eligible for Medicare at age 65. As of June 30, 2011, there were 20 participants in postretirement coverage from the eight-member higher education institutions. For fiscal year 2011, the College has four retired faculty and administrative participants choosing CHEIBA. Retirees pay the entire premium, which is approximately 130% of the premiums charged to active employees.

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

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

(12) Commitments and Contingent Liabilities

The College entered into a guarantee agreement dated October 1, 2010 with HLC @Metro, Inc., absolutely and unconditionally guaranteeing 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 College, as discussed in note 7.

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 College, 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 College.

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

(13) Campus Shared Controlled Costs

Legislation enacted in 1974 established AHEC and included the College 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 College’s portion of campus-shared costs for the Auraria Campus is as follows:

		Year ended June 30	
		2011	**2010**
Administration of Auraria Higher Education Center and operation and maintenance of plant	$	8,032,709	7,576,507
Library and Media Center		3,774,086	3,594,386
Total	$	11,806,795	11,170,893

The College’s existing and future commitments to AHEC are established within the Senate Bill 10-1301. The College’s ability to fulfill existing and future commitments is contingent upon funds being appropriated for such purposes. For the year ending June 30, 2012, the College’s portion of shared costs is estimated to be $12,764,178 (unaudited).

(14) Legislative Appropriations

The accompanying financial statements contain revenues and expenses from both appropriated and nonappropriated funds. Appropriated funds include the State appropriation from the State of Colorado General Fund, as well as certain cash funds as established by the Colorado State Legislature in its annual appropriations bill. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various lines, as appropriate, in the accompanying financial statements. The College’s appropriated revenues are limited to the amount established by the State.

		Year ended June 30	
		2011	2010
Total appropriation	$	127,116,233	120,966,915
Actual appropriated revenues	$	126,178,449	119,601,597
Actual appropriated expenditures and transfers		126,178,449	119,601,597
Net increase in appropriated net assets	$	—	—

All other revenues and expenses reported by the College represent nonappropriated funds and are excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2011 and 2010, appropriated expenses were within the authorized spending authority.

(15) Component Unit Disclosures

GASB Statement No. 14 and 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 College.

The Foundation is a not-for-profit corporation formed to promote the welfare, development, growth, and well-being of the College. The Foundation is a separate legal entity, which is fully independent from the College, is not financially dependent upon the College, 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 FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

On August 17, 2010, the College'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 Metro or Metro's students, faculty, and staff. The financial statements of HLC @ Metro, Inc. are prepared on the accrual basis and follow FASB ASC Topic 958.

The Foundation and HLC @ Metro, Inc. use a different GAAP reporting model and, following the GASB Statement No. 39 recommendation, its financial information is not presented on the same page as the College but is reported on separate pages after the College'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 College's disclosures.

(16) Related-Party Transactions

Transactions between the College 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. For fiscal years ended June 30, 2011 and 2010, the College leased office space to the Foundation for $8,316 and $8,794, respectively. During the years ended June 30, 2011 and 2010, the Foundation provided $2,297,376 and $1,993,287, respectively, of funding to the College for various purposes, such as scholarships, departmental funding, and other programs. In addition to the amount that was paid to the College directly, there was $18,171 and $0 paid to multiple vendors through the Foundation directly on behalf of the College, for the years ended June 30, 2011 and 2010, respectively.

The College provides employees on a reimbursement basis to the Foundation. For the years ended June 30, 2011 and 2010, these expenses were $218,376 and $201,355, respectively. In addition, the College donates development and certain personnel costs to the Foundation, which totaled $1,214,867 and $915,815 for the years ended June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010, the College had receivables of $392,651 and $286,101, respectively, due from the Foundation. As of June 30, 2011 and 2010, the College had payable balances of $36,378 and $97,338, respectively, due to the Foundation.

At June 30, 2011, there were no amounts due to or from the HLC @ Metro, Inc., nor were there any amounts paid on behalf of one entity for the other.

(1) Summary of Significant Accounting Policies

(a) Organization

The Metropolitan State College of Denver Foundation, Inc. (the Foundation) is a nonprofit corporation organized and operated to promote the general welfare and development of the Metropolitan State College of Denver (the College).

On October 30, 2009, the Foundation established 965 Santa Fe, LLC (the LLC), a Colorado limited liability company, whose sole member is the Foundation. The Foundation contributed $1,475,000 to the LLC, which was established for the purpose of purchasing and renting the Center for Visual Arts (CVA) facility to the College.

(b) Reporting Entity and Principles of Consolidation

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

(c) Basis of Accounting

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

(d) Cash and Cash Equivalents

The Foundation considers all highly liquid investments, including certificates of deposit having insubstantial or no early withdrawal penalties, which are to be used for current operations to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes of the Foundation, are classified as investments.

(e) Promises to Give

Unconditional promises to give that are 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 recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted discount rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in years subsequent to initial recognition. Conditional promises to give are not included as support until the conditions are substantially met.

In years subsequent to initial recording, management determines an allowance for uncollectible amounts based on historical experience and analysis of subsequent collections. At June 30, 2011 and 2010, the allowance was $0 and $10,000, respectively.

(f) Investments

Investments are initially recorded at cost, or if donated, at fair value on the date of donation, with unrealized gains and losses included in the change in net assets. Net investment gain (loss) consists of the Foundation's interest and dividend income, realized and unrealized capital gains and losses on investments, less investment management and custodial fees.

(g) Land and Building

Land and building are recorded at cost, or if donated, such assets are capitalized at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 15 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

(h) Impairment of Long-Lived Assets

The Foundation reviews asset carrying amounts for impairment whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its estimated fair value. No impairment loss was recorded during the years ended June 30, 2011 and 2010, and management has determined no additional impairment indicators exist at June 30, 2011.

(i) Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

(j) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are 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 endowment distributions from permanently restricted net assets.

Donor restricted support, including promises to give, are recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of their restriction. 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.

(k) Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreement. Administrative fees charged by the Foundation to individual endowments, pursuant to the grant agreement, are treated as unrestricted support.

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(l) Endowment

Composition of Endowment

The Foundation's endowment (Endowment) is composed of approximately 118 individual endowment funds established by donors primarily to provide scholarships to eligible students of the College, and support for academic departments, student activities, and other purposes of the College. The Endowment includes only donor-restricted funds, as the Foundation's Board of Directors has not designated any of the Foundation's unrestricted net assets to function as endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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 endowment gifts, as of each gift date, absent explicit donor instructions to the contrary. At June 30, 2011 and 2010, approximately 95% of the Foundation's endowment funds contained donor instructions directing the Foundation to make annual distributions from the funds in accordance with its distribution policy regardless of any difference between the original gift amounts and the current fair values of the endowments (Spending Endowments). The remaining 5% of endowment funds contained stipulations requiring the preservation of the fair values of the original gift amounts (Limited Endowments).

As a result of this interpretation, the Foundation classifies the Spending Endowments separately from the Limited Endowments. Spending Endowments consider as permanently restricted: (a) the original values of endowment gifts, (b) the original values of subsequent endowment gifts, and (c) the cumulative net earnings and losses of the endowments, net of distributions, administrative costs, and management fees. The Limited Endowments consider as permanently restricted: (a) the original values of endowment gifts, and (b) the original values of subsequent endowment gifts, with no additions or reductions for the cumulative net earnings and losses of the endowments, net of distributions, administrative costs, or management fees. The fair values of endowment net assets are classified as permanently restricted net assets until appropriated for distribution by the Foundation in the manner described above, which the Board of Directors of the Foundation considers to be 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 donor-restricted endowment funds:

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

6. Other resources of the organization

7. The investment policies of the organization

Return Objectives and Risk Parameters

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 while seeking to preserve the original fair values of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner intended to produce results, measured over full market cycles, that equal or exceed the price and yield results of a blended portfolio composed of debt and equity investments while assuming a low-to-moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that is 3% higher than the corresponding inflation rate reported in the Higher Education Price Index (HEPI). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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.

Distribution Policy and Relation to Investment Objectives

The Foundation’s policy is generally to distribute 3% to 5% of endowments annually. The distribution policy, expressed as a percentage of fair value of the endowments, was 4.5% during 2011 and 2010. The calculation is based on the lesser of the rolling three-year average value as determined each December 31st or the fair value of the principal plus undistributed net accumulated (loss) earnings, as defined. The distribution from the various endowment accounts is computed based on their proportionate fair values as of the preceding distribution date.

The Foundation confines the distributions from the Limited Endowments to the excess of the fair values of the endowments over the original and subsequent gifts to the endowments. In establishing this policy, the Foundation considered the long-term expected return on its Endowment. Accordingly, over the long term, the Foundation expects the current distribution policy to preserve the permanently restricted net assets of the Endowment. This is consistent with the Foundation’s objective to preserve the original fair values of the endowment assets as well as to provide an opportunity for real growth through new gifts and undistributed investment return.

(m) Revenue Recognition

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

(n) Donated Services and Materials

The Foundation records donated professional services at the respective fair values of the services received and donated College Development staff wages as donor development contributions and costs. In addition, a number of volunteers donate time to the Foundation's program services, administration, and development activities. Although the value of these services is significant, the Foundation does not recognize the amount in its statements of activities because the particular jobs performed by these volunteers do not fall into the criteria prescribed by GAAP. Donated materials are recorded at fair value at the date of donation and, except for materials specified for the Foundation's use, are transferred to the College.

(o) Expenses

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

(p) Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

(q) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates and such differences could be material.

(r) Financial Instruments and Credit Risk

The Foundation manages cash deposit concentration risk by placing its temporary cash and money market accounts with financial institutions believed by management to be credit-worthy. At times, a significant portion of the funds exceeds federally insured limits. The Foundation has not experienced any losses related to these balances. All of the Foundation's non-interest bearing cash balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit in excess of federally insured limits at June 30, 2011 approximated $1.5 million.

Credit risk associated with promises to give is limited due to the large number and creditworthiness of donors comprising the Foundation's donor base, and based on historical collections experience.

The Foundation's investments are made by investment managers engaged by the Foundation and are monitored by the Foundation's Board of Directors and management. Though the fair values of

(Continued)

investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

The Foundation is the beneficiary of certain charitable remainder trusts administered by third parties. Trustees of the trusts determine the investments of the trusts.

(s) Fair Value Measurements

The Foundation follows the method of fair value measurement described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures,* to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on a price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- *Level 1* – Defined as observable inputs such as quoted prices in active markets for identical assets or liabilities. Level 1 financial instruments include dollar-denominated money market funds and exchange-traded fixed income and equity securities.
- *Level 2* – Defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 financial instruments include cash value of life insurance.
- *Level 3* – Defined as unobservable inputs for which little or no market data exists, utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation had no Level 3 financial instruments.

See note 5 to the financial statements for further information about the Foundation's financial assets and liabilities that are accounted for at fair value on a recurring basis.

(t) Accounting for Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI).

The Foundation believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2007.

(u) Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

(2) Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization other than a private foundation under Section 509(a)(1). Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation had no unrelated business income for the years ended June 30, 2011 and 2010.

(3) Promises to Give, Net

Promises to give consisted of the following at:

		June 30	
		2011	**2010**
Restricted for:			
Scholarships, academic and other departments, and other activities	$	666,836	176,548
Endowments		76,000	21,250
Discount to net present value		(10,939)	(4,205)
Allowance for uncollectible promises to give		—	(10,000)
	$	731,897	183,593
Amounts receivable in:			
Less than one year	$	172,304	114,878
One to five years		400,625	48,662
Over five years		158,968	20,053
	$	731,897	183,593

(4) Conditional Promises to Give

During the year ended June 30, 2010, the Foundation satisfied a conditional grant of $425,000 upon purchase of a building for the Center for Visual Art (CVA) (see note 8). The contribution is reflected in the statement of activities for the year ended June 30, 2010.

The Foundation has been informed that it has been named beneficiary under certain wills. No amounts have been included in the financial statements relating to potential distributions under these wills because

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they may be revoked or amended during the makers' lifetimes or because the amounts of such distributions were not determinable.

(5) Fair Value Disclosures

Assets measured at fair value on a recurring basis have been categorized into hierarchy based on the observable and unobservable inputs used to measure fair value as of:

Description		June 30, 2011 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of June 30, 2011
Investments restricted to endowments:					
Cash [1]	$	75,000	—	—	75,000
Money market funds [1]		127,154	—	—	127,154
Fixed income funds [2]:					
U.S. Government securities fund		147,616	—	—	147,616
Bond fund		1,074,504	—	—	1,074,504
High-yield bond fund		83,093	—	—	83,093
Equity funds [2]:					
U.S. common stocks		610,544	—	—	610,544
Large-cap equity funds		740,452	—	—	740,452
Small to mid-cap equity funds		480,022	—	—	480,022
International equity funds		372,425	—	—	372,425
Emerging markets equity fund		383,571	—	—	383,571
Real estate equity fund		11,550	—	—	11,550
Futures and commodity funds		271,255	—	—	271,255
Cash value of life insurance [4]		—	11,501	—	11,501
	$	4,377,186	11,501	—	4,388,687
Beneficial interest in charitable trusts administered by others [3]	$	—	95,819	—	95,819
Liabilities under charitable gift annuities [3]		—	(55,201)	—	(55,201)

(1) The fair values of cash and money market funds are equal to the sum of the account balances.

(2) The fair values of commons stocks and exchange-traded closed-end equity mutual funds with readily determinable fair values are determined by quoted market prices for identical securities in active

markets. The fair values of open-end equity mutual funds represent the redemption values at the close of business on the reporting period.

(3) Fair values are estimated by management based on observable securities' prices, and present value techniques incorporation actuarial data and risk-adjusted interest rates developed in accordance with the Fair Value Measurements topic of the ASC (see notes 7 and 9 for the Foundation).

(4) The fair value of life insurance policy approximates its cash surrender value, which is established pursuant to the terms of the underlying policy based on actual assumptions made by the insurer.

(6) Net Investment Return

Net investment return was composed of the following for the year ended:

	June 30	
	2011	2010
Interest and dividend income	$ 79,390	141,228
Net realized and unrealized gain	507,829	341,551
Investment management fees	(29,357)	(21,976)
	$ 557,862	460,803

(7) Charitable Trusts Administered by Others

The Foundation is the beneficiary of an irrevocable charitable remainder trust administered by a financial institution. The trust agreement provides for the payment of distributions to the grantor or another designated beneficiary over their respective lifetimes. At the end of the trust's term, the remaining assets will be available for restricted use or for the establishment of an endowment as specified by the donor. The estimated fair value of the Foundation's beneficial interest in the trust is as follows at:

	June 30	
	2011	2010
Gross value of beneficial interests	$ 158,384	140,907
Less unamortized discount	(62,565)	(62,331)
	$ 95,819	78,576

The Foundation received no distributions from trust terminations during the year ended June 30, 2011. During the year ended June 30, 2010, the Foundation received a distribution of $90,962 upon termination of a trust which was used for temporarily restricted purposes.

(8) Land and Building

Land and building are comprised of the following at:

		June 30, 2011	June 30, 2010
Land	$	456,400	456,400
Building and related costs		1,072,398	1,049,900
		1,528,798	1,506,300
Accumulated depreciation		(61,406)	(24,791)
	$	1,467,392	1,481,509

Depreciation expense totaled $36,615 and $24,791 for the years ended June 30, 2011 and June 30, 2010, respectively.

(9) Gift Annuities

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are immediately available for use by the Foundation and, as such, are not held in trust separately from other investments of the Foundation. The obligation to make periodic disbursements to the beneficiaries becomes a general obligation of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a risk-adjusted discount rate of 7%.

(10) Leases

During the fiscal year ended June 30, 2010, the LLC purchased a commercial building at 965 Santa Fe Drive to house the CVA. Effective March 1, 2010, the LLC and the College entered into a three-year noncancelable lease expiring February 28, 2013. In addition to annual minimum rent of $100,000, the College reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which are estimated to be $35,000 per year. The lease contains an option to extend for an additional three-year term. During the three-year extension period, minimum rent will be reduced to zero, but the College will continue to reimburse the LLC for maintenance and operation costs.

Minimum future lease payments due to the LLC under the lease are as follows:

Year ending June 30:		
2012	$	100,000
2013		66,667
	$	166,667

(11) Donated Materials and Services

The Foundation received donations of materials and services comprising the following during the years ended:

		June 30	
		2011	**2010**
Materials	$	156,744	89,714
Advertising		—	72,460
Professional services		—	48,926
Development office compensation – College		1,214,867	915,815
	$	1,371,611	1,126,915

(12) Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unconditional promises to give, contributions received, and investment earnings restricted by donors for particular purposes or time periods as follows at:

		June 30	
		2011	**2010**
Scholarships	$	1,101,024	1,169,576
Academic and other departments		1,208,191	1,887,303
Student, alumni, and other activities		1,732,650	1,222,772
	$	4,041,865	4,279,651

Temporarily restricted net assets were released from restrictions as follows during the years ended:

		June 30	
		2011	**2010**
Scholarships	$	949,076	936,629
Academic and other departments		792,513	619,089
Student, alumni and other activities		606,678	499,143
Land and building purchase for CVA		691,952	—
	$	3,040,219	2,054,861

Permanently Restricted Net Assets

Permanently restricted net assets consist of various endowment funds restricted by donors for investment in perpetuity, subject to the Foundation's distribution policy, which permits withdrawals of original gift amounts if required to meet expenditure requirements. Earnings on endowment funds are available to the

(Continued)

Foundation for the purposes specified by the donors. The permanently restricted net asset balances of the various endowments were as follows at:

		June 30	
		2011	**2010**
Original contributions less accumulated loss of approximately $170,000 and $510,000 at June 30, 2011 and 2010, respectively	$	4,337,111	3,501,906
Less liabilities under permanently restricted annuity trust assets		(51,816)	(46,967)
Promises to give and beneficial interests in charitable remainder trusts administered by others (note 7)		171,819	99,826
	$	4,457,114	3,554,765

Changes in endowment net assets were as follows for the year ended:

		June 30	
		2011	**2010**
Endowment net assets, beginning of year	$	3,554,765	3,086,214
Net investment return		525,535	406,223
Contributions		450,269	252,067
Changes in promises to give		54,750	1,250
Distributions		(140,256)	(175,271)
Change in beneficial interests and annuity liabilities		12,051	(15,718)
Endowment net assets, end of year	$	4,457,114	3,554,765

In accordance with its distribution policy, the Foundation recorded the following net asset reclassifications during the years ended:

		June 30, 2011		
		Unrestricted	**Temporarily restricted**	**Permanently restricted**
Investment net returns available for scholarships	$	—	77,914	(77,914)
2% administrative fee on endowment fund		69,685	—	(69,685)
Other		—	(7,343)	7,343
	$	69,685	70,571	(140,256)

(Continued)

		June 30, 2010	
	Unrestricted	Temporarily restricted	Permanently restricted
Investment net returns available for scholarships	$ —	108,702	(108,702)
2% administrative fee on endowment fund	66,568	—	(66,568)
Other	15,719	—	(15,719)
	$ 82,287	108,702	(190,989)

(13) Related-Party Transactions

The Foundation leases certain office space from the College with automatic one-year renewal at the beginning of each fiscal year. Rent expense under the lease agreement was $8,316 and $8,794 for the years ended June 30, 2011 and 2010, respectively.

Funding provided by the Foundation directly to the College for scholarships, academic and other departments, and other activities totaled $2,251,081 and $1,955,783 for the years ended June 30, 2011 and 2010, respectively. The Foundation owed the College $295,753 and $286,101 at June 30, 2011 and 2010, respectively, for June funding.

The Foundation paid the College $218,376 and $197,900 for salaries and benefits of certain College personnel provided to the Foundation during the years ended June 30, 2011 and 2010, respectively.

In addition, the College provided development and other personnel to the Foundation at no cost. The Foundation recorded donated professional services in the amount of $1,214,867 and $915,815 for the years ended June 30, 2011 and 2010, respectively. The corresponding expenses have been reflected in the accompanying statements of activities as donor development costs. Further, the College reimbursed the Foundation for $33,029 in administrative expenses during the year ended June 30, 2011.

The College leases space for the CVA from the LLC (note 10). At June 30, 2010, the Foundation owed the College $33,766 for renovations. Amounts due from the College to the Foundation for expense reimbursements were $45,394 and $97,338 at June 30, 2011 and 2010, respectively.

(14) Commitments and Contingencies

During the year, the College formed a special-purpose corporation and a finance authority. The finance authority served as the issuer of bonds, the proceeds of which are being used for the construction of a hotel and hospitality learning center located on campus. The special-purpose corporation is the borrower of such bonds and will own and operate the hotel and hospitality learning center. The Foundation, College, special-purpose corporation, and finance authority entered into an agreement relating to the construction, debt, ownership and operation of the hotel and hospitality learning center. Key aspects of the agreement are:

- The Foundation will use its best efforts to raise sufficient cash and in-kind donations to retire the debt attributed to the hospitality learning center. This is estimated to be $12 million.

- After the bonds and related costs have been paid in full, the Foundation will receive excess operating revenues generated by the hotel. It is assumed that it will be several years before such excess revenues are available for distribution to the Foundation.
- Amounts received by the Foundation from the hotel's excess operating revenues equaling two years of debt service must be maintained separately from its other assets. These funds represent the only Foundation assets at risk in the event that the Foundation's efforts fail to raise sufficient funds to retire the debt attributed to the hospitality learning center.
- When the Foundation expends the funds received from the hotel's excess revenue, 50% of the amount spent must be used for Metropolitan State College students.

The Foundation and College entered into an agreement relating to the Center for Innovation's Franchise Ownership Program. Key aspects of the agreement are:

- A new corporation (Corporation) will be established as a wholly owned for-profit subsidiary of the Foundation.
- The Foundation will transfer to the corporation funds it receives earmarked for donation to the Franchise Ownership Program into a franchise operating fund (Fund). The Corporation will have an ownership interest in such fund and representatives from the Foundation and the College (as well as other representatives) will participate in the management of such fund.
- The Foundation is responsible for managing funds relating to the program in both Foundation and corporation accounts.
- The Foundation's current assets and earnings – other than those maintained for the benefit of the Center for Innovation – are not at risk should the program incur deficits or shortages.

(15) Subsequent Events

The Foundation has evaluated subsequent events through September 6, 2011, which is the date the financial statements were available to be issued. No events, other than those disclosed below, were identified as requiring recognition or disclosure.

Effective July 1, 2011, the Foundation reduced its quarterly fee from 0.50% to 0.25% on those endowment accounts with values less than the original gift amount at the beginning of the corresponding quarter.

(1) Organization

On August 18, 2010, the Board of Trustees of the Metropolitan State College of Denver (the College or Metro State) 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 is being financed through issuance of \$49,640,000 taxable subsidized Build America Bonds (BABS) (Series 2010A bonds), \$4,500,000 million Tax-Exempt Revenue Bonds (Series 2010B bonds), and \$745,000 Taxable Revenue Bonds (Series 2010C bonds) for a total of \$54,885,000. It is estimated that 25% of the debt service is to be paid for by fundraising and 75% by operating revenues generated by the Hotel and Hospitality Learning Center. The construction cost is estimated at \$45 million; with the additional bonds proceeds to be used for debt issuance costs and debt service reserve funds. These bonds were issued by the Metropolitan State College of 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 Metro State will offer the Denver community two resources including: a fully functioning flagged hotel, SpringHill Suites® by Marriott, and a learning laboratory for the College's Hospitality, Tourism, and Events department (HTE).

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

No taxpayer dollars will be used on the estimated \$45 million project; the groundbreaking was held on March 31, 2011 and the expected opening date is August 2012. All activities for fiscal year 2011 are related to the construction of the Hotel and Hospitality Learning Center.

(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 College. The College controls the appointment process of the HLC board of trustees and four of the five board members are College directors or officers as of June 30, 2011. However, the HLC's board of trustees is substantively different from the College's board of trustees; further, the purpose of the Hotel and Hospitality Learning Center is to provide services to the community-at-large and not primarily to the College.

(Continued)

(b) Basis of Accounting

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

(c) Cash and Cash Equivalents

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

		2011
Cash in bank accounts with Trustee (Wells Fargo)	$	7,307,784
Cash invested with State Treasury		36,252,576
Unrealized gain on cash and cash equivalents		550,070
Total restricted cash	$	44,110,430

(d) Cash Investment 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, 2011, HLC had $36.3 million, which represented 0.59% of the total of $6,100.3 million in deposits in the Treasurer's Pool.

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

For the HLC's deposits with the State Treasury, the net unrealized gain for fiscal year 2011 was $550,070. This unrealized gain is included in cash and cash equivalents on the statement of financial position.

(Continued)

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the 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, 2011, all of the HLC's deposits within the Treasurer's Pool are considered to be Level 1 investments.

Detailed information on the State Treasurer's pooled cash and investments is available from that office and in the State's comprehensive annual financial report.

(e) Fair Value of Financial Instruments

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

Cash and cash equivalents – Fair value is estimated to be the same as the carrying (book) value because of its short maturity. Fair value of the cash invested with the State Treasury is the market value based on quoted market prices.

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

Accounts payable, retainage payable, interest payable, and environmental cleanup costs – Fair value is estimated to be the same as they carrying (book) value because of its 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, 2011, the fair value of bonds payable is $55,271,300.

(f) 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. Depreciation is computed using 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 computers and equipment and. All direct costs associated with the construction project are included in establishing the asset valuation. This includes legal fees, feasibility studies or any other administrative costs that are necessary for the completion of the project.

(g) Accounts Receivable

Accounts receivable as of June 30, 2011 consist of $354,926 in interest receivable from the federal government for the Series 2010A bonds interest subsidy, $48,169 in interest due from the State Treasury; and $61 interest due from Wells Fargo. An allowance for uncollectibility is performed based on specific review of outstanding balances; however, as of June 30, 2011, there is no allowance for uncollectible accounts.

(h) 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 period of inception to June 30, 2011 was $172,388.

(i) Environmental Cleanup Liabilities

The HLC has recorded $170,140 in environmental cleanup costs as of June 30, 2011. This liability is related to the soil remediation process and cleanup pertinent to the ground contamination of hazardous material such as asbestos and required soil disposal. The estimated liability is based on statements and estimates provided by HLC contractors. The majority of the cleanup was completed during fiscal year 2011.

(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. The 2010 bonds proceeds are restricted to be used for the construction project, related issuance costs, and the reserve funds.

Unrestricted net assets are available for the general operations and have no externally imposed restriction on them.

Temporary restricted net assets are funds received that are subject to restrictions that will be met either by certain actions, expenditures, or the passage of time. In the event expenses exceed total support, revenue, and gains, net assets are reclassified from unrestricted to temporary restricted net assets. HLC has no permanently restricted net assets.

(m) Use of Estimates

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

(3) Bond Obligations

Bond obligations as of June 30, 2011 are reflected in the table below:

	Date of issue		Amount issued		June 30, 2011
2010 taxable revenue bonds (Build America Bonds)	1/21/2010	$	49,640,000		49,640,000
2010 tax-exempt revenue bonds	1/21/2010		4,500,000		4,500,000
2010 taxable revenue bonds	1/21/2010		745,000		745,000
Discount on 2010 series bonds, net of amortization					(244,727)
Bonds payable				$	54,640,273

The following table shows schedule of bonds principal and interest payments for all Series 2010 bonds, which are due semiannually every March and September:

Fiscal year		Principal	Interest	Total
2012	$	—	3,226,132	3,226,132
2013		—	3,226,132	3,226,132
2014		410,000	3,226,132	3,636,132
2015		710,000	3,218,022	3,928,022
2016 – 2020		5,800,000	15,614,742	21,414,742
2021 – 2025		7,395,000	14,138,473	21,533,473
2026 – 2030		8,870,000	11,879,726	20,749,726
2031 – 2035		10,820,000	8,869,881	19,689,881
2036 – 2040		13,285,000	5,090,340	18,375,340
2041 – 2042		7,595,000	786,255	8,381,255
	$	54,885,000	69,275,835	124,160,835

Series 2010 Bonds

Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority 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. Metro State has entered into a guarantee agreement dated October 1, 2010 with the HLC. Per this agreement, Metro State absolutely and unconditionally guarantees to Wells Fargo, the HLC's trustee, the

(Continued)

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). The guaranteed amounts are payable solely from available pledged revenues of Metro State.

(a) Series 2010A

On October 28, 2010, Series 2010A taxable revenue BABS were issued for $49,640,000, bearing interest 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 is expected to be $24,742,234 (unaudited) over the life of the bonds, of which $363,799 has been received and another $354,926 has been recorded as a receivable as of June 30, 2011.

(b) Series 2010B

On October 28, 2010, Series 2010B tax-exempt revenue bonds were issued for $4,500,000, bearing interest rate 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 at a total of $994,500.

(c) Series 2010C

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

The Metropolitan State College of Denver Foundation, Inc. (the Foundation) exists for the purpose of soliciting and investing donations for Metro State. On September 21, 2010, the Foundation's board of directors adopted the Foundation Resolution providing for a plan to use its best effort to raise approximately $12 million in donations, sufficient to retire a portion of the HLC Series 2010 bonds. As of June 30, 2011, no donation or promises for donation have been earmarked for the HLC.

(4) Ground Lease

A of June 30, 2011, the HLC has no lease obligations. Trustees of the College have leased the land from the Auraria Higher Education Center for a period of fifty (50) years in the amount of two dollars ($2.00) for the term of the lease. This lease is specifically for the purpose of construction and operation of the Hotel and Hospitality Learning Center.

(5) 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.

(6) Subsequent Events

HLC has evaluated its subsequent events as of December 13, 2011, the date that financial statements were available for issuance. 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 Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Metropolitan State College of Denver (the College), a component unit of the State of Colorado, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 13, 2011. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Metropolitan State College of Denver Foundation, Inc. discretely presented component unit were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

We noted an additional matter that we have reported to management of the College in a separate letter dated December 13, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, and the College's Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 13, 2011

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

December 13, 2011

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the business-type activities and the aggregate discretely presented component units of the Metropolitan State College of Denver (the College), a component unit of the State of Colorado, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 13, 2011. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Metropolitan State College of Denver Foundation, Inc. (the Foundation) discretely presented component unit and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Under our professional standards, we are providing you with the accompanying information related to the conduct of our 2011 audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the basic financial statements, which have been prepared by management with the oversight of the College's Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the basic financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve management and the Board of Trustees of their responsibilities.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Trustees in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the College's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the College's report and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the College are described in note 1 to the basic financial statements.

On August 17, 2010, the College's Board of Trustees approved the creation of the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority (Authority), which was responsible for issuing bonds, which will fund the construction of a Hotel and Hospitality Learning Center (HLC). In addition, they approved the incorporation of a special-purpose 501(c)(3) nonprofit corporation, HLC @ Metro, Inc. 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.

Unusual Transactions

We noted no unusual transactions entered into by the College, which were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance.

Qualitative Aspects of Accounting Practices

We have discussed with the Board of Trustees and management our judgments about the quality, not just the acceptability, of the College's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the College's accounting policies and their application, and the understandability and completeness of the College's basic financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the basic financial statements requires management of the College to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The significant accounting estimates included in the College's basic financial statements are the allowance for uncollectible receivables, the period to depreciate capital assets owned by the College, the period to amortize leasehold improvement costs, the fair value of donated historical artifacts and collections, and accrued compensated absences. We evaluated the key factors and assumptions in determining that these estimates are reasonable in relation to the basic financial statements taken as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the College's basic financial statements, no audit adjustments were proposed or made to the basic financial statements.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the College's basic financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2011.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

We generally discuss a variety of matters with the Board of Trustees and management prior to retention as the College's auditors. However, these discussions occur in the normal course of our professional relationship, and the result of these discussions was not a condition to our retention.

Material Written Communications

Management has been provided copies of the following material written communications between management and us:

1. Engagement letters
2. Management representation letters
3. Management letter

We were engaged to audit the financial statements of the HLC @ Metro, Inc. as of June 30, 2011 and for the period of inception (August 19, 2010) through June 30, 2011.

Significant Difficulties Encountered in Performing the Audit

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

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the College and persons in a financial reporting oversight role at the College and provide confirmation that we are independent accountants with respect to the College.

We are not aware of any independence-related relationships between our firm and the College.

Confirmation of Audit Independence

We hereby confirm that, as of December 13, 2011, we are independent accountants with respect to the College under all relevant professional and regulatory standards.

* * * * * * *

This letter to the Legislative Audit Committee is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the College's Board of Trustees, and the College's management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

METROPOLITAN STATE COLLEGE OF DENVER

State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2011

Metropolitan State College of Denver (the College) is governed by the board of trustees and is a state-supported institution of higher education.

Our financial and compliance examination of the various state-funded student financial assistance programs at the College for the year ended June 30, 2011 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education (CCHE) Financial Aid Policy. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2011.

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

- Colorado Need-Based Grants awards:
  - Colorado Student Grants Program
  - Colorado Leveraging Educational Assistance Partnership (CLEAP)
- Colorado Work-Study Program
- Governor's Opportunity Scholarships

The total state-funded student financial assistance expenditures made by the College were approximately $11.9 million during the year ended June 30, 2011.

The Director of Financial Aid at the College 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 College in federal and state student financial aid (SFA) programs. The controller's office is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period ended June 30, 2011, the College obtained authorizations to award federal SFA funds as follows:

- Supplemental Educational Opportunity Grant of approximately $481,000
- College Work Study of approximately $641,000
- National Science and Mathematics Access to Retain Talent Grant of approximately $962,000
- Academic Competitiveness Grant of approximately $318,000

In addition to these programs, the College also received funding through the Pell Grant Program in the amount of approximately $37.0 million. Authorizations were not applicable for these programs given the Pell Grant and Direct Loans are available to any eligible student.

Authorizations and expenditures for state-funded student financial aid funds are detailed by program in the accompanying schedule of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2011.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

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

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance (SFSFA) Programs (the Statement) of Metropolitan State College of Denver (the College), a component unit of the State of Colorado, for the year ended June 30, 2011. The statement is the responsibility of the College's management. 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 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the statement of appropriations, expenditures, transfers, and revisions, the statement was prepared in conformity with the accounting practices set forth in the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) *Financial Aid Policy*, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers, and reversions of the SFSFA programs of the College for the year ended June 30, 2011, in accordance with the format set forth in the CDHE *Audit Guide,* and in conformity with the provisions of the CCHE *Financial Aid Policy*, as described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 on our consideration of the College'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the statement of appropriations, expenditures, transfers, and reversions of the SFSFA programs of the College. The accompanying SFSFA introduction is presented for purposes of additional analysis and is not a required part of the statement. The SFSFA introduction has not been subjected to the auditing procedures applied in the audit of the statement, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, and the College's Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 13, 2011

METROPOLITAN STATE COLLEGE OF DENVER

State-Funded Student Financial Assistance Programs

Statement of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Colorado Work-Study	Governor's Opportunity Scholarship
Appropriations:						
Original	$	11,764,135	9,430,718	287,696	1,955,721	90,000
Supplementals		116,844	45,000	21,844	80,000	(30,000)
Transfers		—	627	—	—	(627)
Total appropriations		11,880,979	9,476,345	309,540	2,035,721	59,373
Less expenditures		11,880,979	9,476,345	309,540	2,035,721	59,373
Reversions to state general fund	$	—	—	—	—	—

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

METROPOLITAN STATE COLLEGE OF DENVER

State-Funded Student Financial Assistance Programs

Notes to Statement of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

(1) Basis of Presentation

Metropolitan State College of Denver (the College) is governed by the Board of Trustees. The College's operations primarily consist of classrooms and office space located on the Auraria Campus in downtown Denver, Colorado.

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 set forth in the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) *Financial Aid Policy*. The purpose of the Statement is to present, in summary form, the State-Funded Student Financial Assistance (SFSFA) activities of the College for the year ended June 30, 2011.

The Statement is a summary of cash activity of the SFSFA programs, with the exception of the Perkins Loan Program and College Work-Study Programs, and does not present certain transactions that would be included in the Statement of the SFSFA programs if it was presented on the accrual basis of accounting, as prescribed by U.S. generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present the net assets, changes in net assets, or cash flows of the SFSFA programs in conformity with U.S. generally accepted accounting principles. Because the Statement presents only a selected portion of the activities of the College, it is not intended to and does not present either the net assets, changes in net assets, or cash flows of the College, 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 Perkins Loan Program and the Colorado Work-Study Program. Perkins Student Loans are recorded as loans receivable when the funds are disbursed. Colorado Work-Study wages are recorded on the accrual basis whereby expenses are recognized when the services are performed.

The Colorado Leveraging Educational Assistance Partnership consists of state funds and federal funds. The amounts shown in the Statement are the combined totals.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

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Report Control Number 2086-11