

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT**

YEARS ENDED JUNE 30, 2022 AND 2021



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December 16, 2022

Members of the Legislative Audit Committee:

We have completed the financial statement audit and compliance audit of the Metropolitan State University of Denver as of and for the years ended June 30, 2022 and 2021. Our audit was conducted 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 were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 16, 2022

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**METROPOLITAN STATE UNIVERSITY OF DENVER
REPORT SUMMARY
YEARS ENDED JUNE 30, 2022 AND 2021**

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged CliftonLarsonAllen LLP (CLA) to conduct a financial and compliance audit of the Metropolitan State University of Denver (formerly, the Metropolitan State College of Denver) (the University) for the year ended June 30, 2022. CLA performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from June 2022 to December 2022. Furthermore, CLA did not audit the financial statements for the year ended June 30, 2021. Those financial statements were audited by other auditors.

The purpose and scope of our audit were to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2022. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Perform tests of the University's compliance with certain provisions of laws regulations, contracts, grant agreements, and other matters as it relates to financial reporting.
- Express an opinion on the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs.
- Determine status of prior year recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2022 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2022.

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

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

**METROPOLITAN STATE UNIVERSITY OF DENVER
REPORT SUMMARY
YEARS ENDED JUNE 30, 2022 AND 2021**

In addition to issuing a report on the University's compliance with internal control over financial reporting, we also performed procedures in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) over a major federal program as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal program tested, but rather to provide the results of testing on those major programs at the University to the Office of the State Auditor to support an opinion on those programs for the State of Colorado, which will be included in the Statewide Single Audit Report. As a result of the testing procedures performed in accordance with Uniform Guidance we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control over compliance that we considered to be significant deficiencies.

Summary of Findings

We reported two significant deficiencies related to internal control over compliance, as follows:

Misapplication of Higher Education Emergency Relief Funds: The University was awarded \$45.6 million in Higher Education Emergency Relief Funding (HEERF) through the American Rescue Plan (ARP). A portion of this funding was to be used for student aid. University management brought to our attention that a University employee applied \$700 in HEERF dollars to a family member's outstanding account balance despite the student not being selected by the University to receive such aid. The employee had access that allowed the employee to the award monies and to disburse aid to a family member. There was no preventative control in place to block the employee from improperly award aid.

Reporting requirements of HEERF: Since April 2020, the University has been awarded a total of \$86.4 million in HEERF funding under three acts: 1) the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), 2) the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), and 3) the American Rescue Plan Act of 2021 (ARP). Each of these acts had required reporting requirements. During our testing over reporting, we noted that two out of five reports tested did not meet the HEERF grant report posting requirements.

Recommendations and the University's Responses

A summary of the recommendations for the above finding is included in the Recommendation Locator on page 3. The Recommendation Locator also shows the University's responses to the audit recommendations. A discussion of the audit comment and recommendation is contained in the findings and recommendations section of our report.

Significant Audit Adjustments

None were noted.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2021 included one finding and recommendation. We determined based on our fiscal year 2022 testing that this finding was implemented. A detailed description of the progress on the prior year audit comment and recommendation is contained in the disposition of prior audit recommendation section located on pages 7 – 8.

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
RECOMMENDATION LOCATOR
YEARS ENDED JUNE 30, 2022 AND 2021**

Recommendation No.	Page No.	Recommendation Summary	University Response	Implementation Date
1	5	The University should improve its internal controls over federal Higher Education Emergency Relief Funds (HEERF) by instituting appropriate segregation of duties over the awarding of federal funds to students. This should include requiring that no one employee can both award then disburse aid to students and developing and implementing a formal written policy that prohibits University employees from awarding financial aid to their family members.	Agree	June 2023
2	7	The University should strengthen its internal controls over reporting and ensure it complies with the HEERF reporting requirements by developing and documenting policies and procedures for identifying and researching the specific reporting requirements and ensuring that staff post to the University's website the required reports within federally required timeframes. In addition, the University should ensure that all the HEERF reports that are currently required to be posted are on the website.	Agree	December 2022

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
DESCRIPTION OF THE METROPOLITAN STATE UNIVERSITY OF DENVER (UNAUDITED)
YEARS ENDED JUNE 30, 2022 AND 2021**

Organization

Established in 1963 as Colorado's "College of Opportunity," Metropolitan State University of Denver (the "University", or "MSU Denver") is the third largest higher education institution in Colorado and one of the largest public four-year universities in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only have a high school diploma, a general educational development (GED) high school equivalency certificate, or the equivalent to gain admission.

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

The University offers over 100 major fields of study and 99 minors, 47 certificates, and 40 licensure programs through its College of Business; School of Education; School of Hospitality, Events, and Tourism; College of Letters, Arts and Sciences; and College of Professional Studies. Degrees include Bachelor of Science, Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Music, Bachelor of Music Education, and twelve Masters majors and ten Masters certificates. Academic bachelor programs range from the traditional, such as English, art, history, biology, and psychology, to business related degrees in computer information systems, accounting and marketing, and professional directed programs in nursing, healthcare management, criminal justice, premedicine, prelaw, and preveterinary science. Master programs include art in teaching, social work, professional accountancy, health administration, business administration, cybersecurity, Clinical Behavioral Health, and Human Nutrition and Dietetics.

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

Fiscal Year	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
2022	11,774	462	12,236
2021	13,139	501	13,640
2020	14,067	521	14,588

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

Fiscal Year	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
2022	648	628	1,276
2021	713	550	1,263
2020	825	544	1,369

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
AUDITORS' FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2022**

Higher Education Emergency Relief Fund Student Aid Finding

Introduction

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to higher education institutions, including the University, under the Higher Education Emergency Relief Fund (HEERF) Program. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic.

Since March 11, 2021, the University has been awarded \$45.6 million in HEERF grant funds through the American Rescue Plan (ARP), otherwise known as HEERF III. Of this award, the University was provided both 1) Student Aid monies, along with 2) Institutional Aid monies. Student Aid monies must be used to provide financial aid grants to students (including students exclusively enrolled in distance education), which may be used for “any component of the student’s cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, healthcare (including mental health care), or childcare. Institutional Aid monies may be used to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and to make additional financial grants to students.

During Fiscal Year 2022, the University spent \$21.0 million for the Student Aid portion and \$20.2 million for the Institutional portion of HEERF III funds.

For the Student Aid portion of the HEERF III funding, the University divided the funding into different groups. The University developed a written plan (that applied during fiscal year 2022) for each group and a control process for awarding the monies to students. One of the groups of funding was to be awarded to students with unpaid balances in their accounts with past due balances incurred during the 2020-2021 or 2021-2022 academic years. A team of University employees (the Career to (C2) Hub Student Support and Retention Team) was tasked with identifying those students, then contacting those students and asking if they would like the University to apply the student’s HEERF award to pay down the student’s account balance or pay it to the student directly. Once the student informed the University of their election, then the University awarded and disbursed the funds.

What was the purpose of our audit work and what was performed?

The purpose of the audit work was to determine whether the University was in compliance with the HEERF program regulations for awarding and paying the Student Aid portion of the HEERF funding, and whether proper controls were in place over the program during Fiscal Year 2022. Our testing included conducting interviews with management and selecting a sample of 60 disbursements made to students during Fiscal Year 2022 to test controls and compliance. We performed testing on the 60 disbursements to determine whether awards and disbursements were made in accordance with the University’s documented plan.

How were the results of the audit work measured?

In accordance with HEERF III requirements, the University must prioritize student aid distributions to students with exceptional needs. In addition, the University must have a documented plan to distribute funds to students.

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Federal regulations, 2 CFR 200.303, require any non-Federal grant award recipient to establish and maintain effective internal control over the federal award that provides reasonable assurance that the grant award recipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award. Lastly, student aid application best practices discourage employees from awarding aid to family members.

What problem did the audit work identify?

Based on interviews with University management, the University identified that a University employee inappropriately provided \$700 in HEERF Student Aid funding to the employee's family member who was a student at the University but was not eligible to receive the funds. Specifically, the Career to (C2) Hub Student Support and Retention Team selected students to receive these funds that met the following criteria: 1) Student was enrolled in the Fall of 2021 or Spring 2022, 2) student had past due balances incurred during the 2020-2021 or 2021-2022 academic years, 3) the student was in good academic standing, and 4) they were participating in a payment plan or in the College Completion Advising program. The student was not selected by the Career to (C2) Hub Student Support and Retention Team as eligible to receive these funds.

During our testing of additional 60 student disbursement transactions we found no other exceptions.

Why did this problem occur?

The University has not established proper segregation of duties to prevent University employees from awarding federal funding to a member of their family. Specifically, the employee had access rights within the University's financial aid system that granted the employee the ability to both award and disburse federal funds without another employee reviewing or approving. In addition, the University did not have a written policy, as recommended by industry best practices, that prohibits employees from applying aid to family members' accounts.

Why does this problem matter?

Federal funds that are misapplied or used for unallowable purposes could be subject to repayment from the University to the federal granting agency. Without ensuring adequate segregation of duties within the University's financial aid system for awarding and disbursing federal funds, the University increases the risk that fraud could occur. In the instance identified, the University recovered the funding from the student.

Recommendation 1

Metropolitan State University of Denver (University) should improve its internal controls over federal Higher Education Emergency Relief Funds (HEERF) by instituting appropriate segregation of duties over the awarding of federal funds to students. This should include requiring that no one employee can both award then disburse aid to students and developing and implementing a formal written policy that prohibits University employees from awarding financial aid to their family members.

Classification: Significant Deficiency

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Management's Response

Agree. Implementation Date: June 2023.

In January 2023, the Executive Director of Financial Aid and Scholarships implemented a code of conduct that addresses and prohibits University personnel from awarding financial aid to their family members or other persons considered conflicts of interest. The Office of Financial Aid and Scholarships will draft policy by June 30, 2023, to address the segregation of duties that prohibits awarding and disbursing federal, state, or institutional funding to students by one employee.

Higher Education Emergency Relief Fund Reporting Compliance Finding

Introduction

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020, and appropriated federal funds to provide economic aid to the American people negatively impacted by the COVID-19 pandemic. As part of the CARES Act, funds were given to the University under the Higher Education Emergency Relief Fund (HEERF) Program. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), was signed into law on December 27, 2020, and authorized additional funding under the HEERF program (HEERF II). Finally, the American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, authorized a third round of funding (HEERF III) in order for higher education institutions to serve students and ensure learning continues during the COVID-19 pandemic. The HEERF Program is one of the subprograms of the federal COVID-19 –Education Stabilization Fund [ALN 84.425]. The HEERF program contains two portions: the Student Aid Portion [ALN 84.425E] and the Institutional Portion [ALN 84.425F]. Since April 2020, the University has been awarded a total of \$86.4 million in HEERF funding. From inception through June 30, 2022, the University spent \$35.4 million for the HEERF program Student Aid Portion and \$48.9 million for the HEERF program Institutional Portion. The University reports that it will spend the remaining amount of funding during Fiscal Year 2023.

The University signed an agreement titled the "Certification and Agreement" with the U.S. Department of Education (ED) to indicate the University's acceptance of the HEERF funding and the applicable terms and requirements. Under the HEERF program requirements, there are three components to reporting: (1) public reporting on the Student Aid Portion; (2) public reporting on the Institutional Portion, and (3) the annual report, which includes summarized information on the Student Aid and Institutional Portions for the reporting period. The ED specified that Student Aid Portion and Institutional Portion reports needed to be posted to an institution's website at specified times. The annual report is to be submitted directly to the federal ED.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether the University had adequate internal controls in place over and complied with HEERF Institutional and Student Aid Portion grant reporting requirements for Fiscal Year 2022.

As part of our audit work, we reviewed the University's internal controls over the HEERF grant reporting requirements. In addition, we tested a sample of 5 of the 8 HEERF reports submitted by the University during Fiscal Year 2022 to determine whether the reports were posted on the University's primary website or submitted directly to the ED by the federal due dates and complied with federal regulations.

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

How were the results of the audit work measured?

We measured the results of our audit work against the following requirements:

- For the Student Aid Portion, beginning on May 6, 2020, the ED required institutions to publicly post certain information on their website, including the number of awards distributed to students, the total amount awarded, and the methodologies used by the institution to determine which students receive awards, no later than 30 days after the award date, and to update that information every 45 days thereafter (by posting a new report).
- On August 31, 2020, the ED revised the reporting requirement by decreasing the frequency of reporting after the initial 30-day period from every 45 days thereafter to every calendar quarter. This revision from every 45 days to a calendar quarter was effective for the first calendar quarter report due by October 10, 2020, and covering the period from after the institution's last report through the end of the calendar quarter on September 30, 2020.
- For the Institutional Portion, a federal form filled out by the institution must be posted on the institution's website covering aggregate expenditure amounts for each calendar quarter (September 30, December 31, March 31, and June 30) and concluding after an institution has spent the institutional portion of their HEERF Funds. The institution must post their first report by October 30, 2020, the first quarter of 2021 report by July 20, 2021, and post all other reports no later than 10 days after the end of each calendar quarter (October 10, January 10, April 10, and July 10).
- Section 18004(e) of the CARES Act and Section 314(e) of the CRRSAA require an institution receiving funds under HEERF to submit a report to the Secretary of the ED at "such time in such a manner as the Secretary may require".
- Federal regulation [2 CFR 200.334] states that "financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient." The instructions for the Quarterly HEERF Reporting Form notes, "any changes or updates after the initial posting must be conspicuously noted after initial posting and the date of the change must be noted in the 'Date of Report' line."
- Federal regulation [2 CFR 200.303] states that the University, as a federal grant recipient, must "establish and maintain effective internal controls over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulation, and the terms and conditions of the Federal award."

The University signed a HEERF Certification and Agreement to accept the funding and acknowledge its responsibilities under the grant; therefore, the University was responsible under the Agreement to ensure that it complied with HEERF reporting and other requirements.

What problems did the audit work identify?

We determined that 2 out of 5 reports tested (40 percent) did not meet the HEERF grant report posting requirements. Specifically:

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

- The University did not post the HEERF CRRSAA Student quarterly report for the quarter ending September 30, 2021, on the University's primary website, as required.
- The University published the HEERF ARP Student quarterly report for the quarter ending March 31, 2022 on May 26, 2022, 46 days past the due date of April 10, 2022. No issues were noted on the accuracy of the financial information on this report.

Why did these problems occur?

The University did not implement adequate internal controls to ensure it complied with the HEERF student grant reporting requirements. Specifically, the University did not have appropriate policies and procedures in place to ensure that staff submit the required student reports within federally required timeframes.

Why do these problems matter?

Federal oversight agencies, including ED, depend on accurate reports to measure program results and states' compliance with federal requirements. By failing to report the HEERF student spending information in accordance with federal regulations, the University failed to comply with the requirements of the Certification and Agreement.

Recommendation 2

Metropolitan State University of Denver (University) should strengthen its internal controls over reporting and ensure it complies with the student portion of the Higher Education Emergency Relief Fund (HEERF) reporting requirements by developing and documenting policies and procedures for identifying and researching the specific reporting requirements and ensuring that staff post to the University's website the required reports within federally required timeframes. In addition, the University should ensure that all the student HEERF reports that are currently required to be posted are on the website.

Management's Response

Agree. Implementation Date: December 2022.

In December 2022, the Office of Financial Aid strengthened its internal control over the reporting requirements for the Higher Education Emergency Relief Fund (HEERF), by adding the report due dates to the internal operational calendar. Additional level reviews were also added to the submission process before the required reports will be sent to the Department of Education and posted on the financial aid website.

**METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2022 AND 2021**

The following table presents the recommendation from the June 30, 2021 audit and its disposition:

Recommendation No.	Recommendation Summary	Disposition	Planned Corrective Action
2021-01	<p>The University should improve its information security controls over Banner by:</p> <p>A. Implementing the recommendation noted in Part A of the confidential finding.</p> <p>B. Implementing the recommendation noted in Part B of the confidential finding.</p>	Implemented	N/A



INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee and
The Board of Trustees of the Metropolitan University of Denver

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Metropolitan State University of Denver (the University), an enterprise fund of the State of Colorado, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

Implementation of GASB Statement No. 87

As disclosed in Note 22, the University implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. As a result of the implementation of this standard, the University reported a restatement for the change in accounting principle as of July 1, 2020. Our opinions are not modified with respect to this matter.

Metropolitan State University of Denver - a portion of the business-type activities of the State of Colorado

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities and the discretely presented component unit of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matter

The 2021 financial statements of the University were audited by other auditors whose report dated January 27, 2022, expressed unmodified opinions on those statements. As described in Note 22, these financial statements have been restated for the implementation of GASB Statement No. 87, Leases. We audited the adjustments described in Note 22 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the University other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements taken as a whole.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of University's Proportionate Share of the PERA Pension Liability, the schedule of the University's Contributions to PERA Pension, the Schedule of the University's Proportionate Share of PERA OPEB Liability, and the Schedule of the University's Contributions to PERA OPEB liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the description of the University, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Denver, Colorado
December 16, 2022

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

This section of Metropolitan State University of Denver's (MSU Denver, or the University) financial report presents management's discussion and analysis of the financial performance of MSU Denver during the years ended June 30, 2022 and 2021. This discussion focuses on current activities and known facts and provides an overview of MSU Denver's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Understanding the Comparative Financial Report

The financial statements adhere to Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

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

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

Financial Highlights

MSU Denver's financial position, as a whole, increased approximately \$36.2 million during the year ended June 30, 2022. However, \$22.0 million of the reported increase is caused by changes in the Public Employee's Retirement Association's (PERA) unfunded pension liability as well as the unfunded liability related to other post-employment benefits (OPEB) for PERA Care. As required by GASB Statement No. 68 (GASB 68) and GASB Statement No. 75 (GASB 75) the University is obligated to report its portion of the unfunded liability of its pension plans and other post-employment benefits. As of the measurement date, December 31, 2021, the strong equity market contributed, in large part, to the plan's improvement, and hence the considerable negative expense for the University of approximately \$22.0 million. If the results of GASB 68 and 75 were removed a better reflection of MSU Denver's operations would result and the University's net position would show an increase of \$13.4 million. This increase is primarily a result of the Higher Education Emergency Relief Funds (HEERF) that were permitted to replace some of the lost revenue resulting from the pandemic.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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MSU Denver's financial position, as a whole, increased approximately \$75.3 million during the year ended June 30, 2021. However, \$43.2 million of the reported increase is caused by changes in the Public Employee's Retirement Association's (PERA) unfunded pension liability as well as the unfunded liability related to other post-employment benefits (OPEB) for PERA Care. On May 9, 2018 the Colorado General Assembly passed Senate Bill 18-200, which changed various benefits related to the defined benefit retirement plan, including but not limited to increasing employee and employer contribution amounts, redefining includable salary, creating a three year hiatus between retirement and when the first cost of living increase is issued, as well as required annual state contributions to the plan. These factors along with the strong equity market, were the reasons for the plan's improvement, and hence the considerable negative expense for the University of approximately \$43.2 million. If the results of GASB 68 and 75 were removed a better reflection of MSU Denver's operations would result and the University's net position would show an increase of \$31.1 million. This increase is a result of the University's significant reductions in expenditures, discussed below in the "Statement of Revenues, Expenses, and Changes in Net Position", as well as Coronavirus Relief Funds (CRF) funds that supported operations, and Higher Education Emergency Relief Funds (HEERF) that were permitted to replace some of the lost revenue resulting from the pandemic.

The effects on the University's net position from GASB 68 and 75 are shown in the table below:

	Fiscal Year 2022	Fiscal Year 2021
Net Position (GAAP)	32,299,204	(3,940,736)
Add back in: GASB 68- Pension	121,958,960	144,183,016
Add back in: GASB 75- OPEB	5,329,576	5,985,784
Net Position excluding Pension and OPEB	159,587,740	146,228,064

- In fiscal year 2022, the level of funding for MSU Denver's College Opportunity Fund (COF) stipends was set by the General Assembly at \$94.00 per eligible credit hour, which is \$54.00 higher than the fiscal year 2021 rate of \$40.00 per eligible credit hour, resulting in an overall increase of \$15.6 million.
- MSU Denver's June 30, 2022 current assets of \$179.9 million were sufficient to cover current liabilities of \$44.2 million. The current ratio of 4.07 (current assets/current liabilities) reflects the liquidity of MSU Denver's assets and the availability of funds for current operations. MSU Denver's June 30, 2021 current assets of \$158.5 million were sufficient to cover current liabilities of \$35.5 million yielding a current ratio of 4.46.
- The University had outstanding bonds payable of \$126.0 million and \$129.7 million in fiscal year 2022 and 2021 respectively.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

- MSU Denver's final headcount in undergraduate and graduate is reflected in the table below:

Undergraduate Headcount	2021-22	2020-21	(Decrease)
Summer <i>(End of Term)</i>	5,951	6,726	(775)
Fall <i>(End of Term)</i>	16,514	17,988	(1,474)
Spring <i>(End of Term)</i>	15,200	16,371	(1,171)

Graduate Headcount	2021-22	2020-21	Increase/ (Decrease)
Summer <i>(End of Term)</i>	521	422	99
Fall <i>(End of Term)</i>	1,164	1,098	66
Spring <i>(End of Term)</i>	1,091	1,094	(3)

Statements of Net Position

The statements of net position report on assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position as of June 30, 2022 and 2021. Over time, increases or decreases in net position are one indicator of MSU Denver's financial health when considered in conjunction with non-financial facts such as student enrollment.

Condensed Statements of Net Position

		June 30		
		2022	2021	2020
			(In thousands)*	
Assets:				
Current assets	\$	179,907	158,517	149,772
Other non-capital assets		11,113	5,957	8,425
Net capital assets		150,295	159,947	170,356
Total assets	\$	341,315	324,421	328,553
Deferred Outflows of resources		8,850	22,704	21,210
Total Assets and Deferred Outflows		350,165	347,125	349,763
Liabilities:				
Current liabilities	\$	44,238	35,509	63,348
Noncurrent liabilities		229,523	276,771	303,806
Total liabilities	\$	273,761	312,280	367,154
Deferred inflows of resources		44,105	38,786	61,881
Total Liabilities and Deferred Inflows		317,866	351,066	429,035
Net position				
Net investment in Capital Assets	\$	18,192	23,771	27,261
Restricted for expendable purposes		884	1,122	1,149
Unrestricted		13,223	(28,834)	(107,682)
Total net position	\$	32,299	(3,941)	(79,272)

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

METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021

At June 30, 2022 and 2021, MSU Denver's total assets and deferred outflows of resources were \$350.2 million and \$347.1 million, respectively, which is an increase of \$3.1 million and a decrease of \$2.6 million, respectively, when compared to the prior years.

At June 30, 2022 and 2021, MSU Denver's total liabilities and deferred inflows of resources were \$317.9 million and \$351.1 million, respectively, which is a decrease of \$33.2 million and of \$78.0 million, respectively, when compared to the prior years.

Increases in cash with offsetting decreases in accounts receivable-other, capital assets, and deferred outflows of resources were the primary reasons for the \$3.1 million increase in total assets and deferred outflows in fiscal year 2022 when compared to fiscal year 2021, which is discussed in greater detail below.

Cash and cash equivalents increased \$39.5 million in fiscal year 2022 when compared to fiscal year 2021. This was primarily from the Higher Education Emergency Relief Funds that the University was allowed to recover in lost revenue. In fiscal year 2022 the University continued the cost saving measures it began in fiscal year 2021, which allowed much of the lost revenue dollars to be set aside for intentional short-term initiatives as opposed to being used for standard operational costs. There were also some offsetting changes such as a \$7.9 million increase from the new "M&E Incentive Reimbursement" contract the University was awarded where the total award was paid up front as opposed to on a cost reimbursement basis, and small reductions in summer revenue departmental accounts and various fee accounts. There was also a \$6.5 million increase in restricted cash as a result of improved hotel operations and an increase in the required cash reserves.

In fiscal year 2022, accounts receivable-other decreased \$17.7 million when compared to fiscal year 2021 which was primarily due to a timing difference in payments from Higher Education Emergency Relief Funds (HEERF).

The University's depreciable assets declined by \$8.4 million as a result of normal depreciation of \$13.4 million offset with additions in equipment primarily from the completed data warehouse project.

Deferred outflows decreased \$13.9 million due to a \$6.5 million decrease in the interest rate swap resulting from raising market rates, and a \$7.3 million decrease in Pension and OPEB deferred outflows stemming primarily from a strong equity market at the close of the December 31, 2021 measurement date.

Decreases in net pension and OPEB liabilities, bonds payable, and the derivative instrument liability offset with increases in unearned revenue, deferred pension inflows, and the bond defeasance inflow were the primary reasons for the \$33.2 million decrease in total liabilities and deferred inflows of resources in fiscal year 2022 when compared to fiscal year 2021, which is discussed in greater detail below.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Unearned Revenue increased \$6.7 million in fiscal year 2022, which is predominantly from the M&E Incentive Reimbursement contract discussed above.

The net pension and OPEB liabilities along with the deferred pension inflow decreased by a total of \$33.3 million in fiscal year 2022 when compared to fiscal year 2021. This decrease is primarily a result of strong equity markets and positive yearly returns as of the December 31, 2021 measurement date.

In fiscal year 2022 bonds payable decreased \$3.7 million, which is due to offsetting factors. There was a \$5.8 million reduction due to the timely payments of existing debt as well as the defeasance of most of the Series 2016 bonds when it was refunded with the series 2022A bonds. That decrease was offset with a \$2 million increase with the issuance of the series 2022B. (See note 7 for more information on bonds)

The derivative instrument liability decreased \$6.5 million in fiscal year 2022 as a result of changing market conditions.

In fiscal year 2022, other non-current liabilities decreased \$1.2 million when compared to fiscal year 2021 due to declining outstanding Perkins loan balances which are due back to the Federal government. When the Perkins loan program was terminated in fiscal year 2018, higher education institutions could no longer issue Perkins loans, and the Federal Capital Contribution (FCC) portion of the outstanding loans are being returned to the federal government as the loans are collected.

At June 30, 2021 and 2020, MSU Denver's total assets and deferred outflows of resources were \$347.1 million and \$349.8 million, respectively, which is a decrease of \$2.6 million and an increase of \$35.8 million, respectively, when compared to the prior years.

At June 30, 2021 and 2020, MSU Denver's total liabilities and deferred inflows of resources were \$351.1 million and \$429.0 million, respectively, which is a decrease of \$78.0 million and of \$20.6 million, respectively, when compared to the prior years.

Decreases in cash, and depreciable assets as well as offsetting increases in accounts receivable-other were the primary reasons for the \$2.6 million decrease in total assets and deferred outflows of resources in fiscal year 2021 when compared to fiscal year 2020, which is discussed in greater detail below.

Cash and cash equivalents decreased \$16.5 million in fiscal year 2021 when compared to fiscal year 2020. There was a \$33.5 million reduction caused by a timing difference that came from the deposit of the Coronavirus Relief Funds (CRF) in fiscal year 2020 despite being intended for fiscal year 2021 expenses. There was also a \$1.7 million reduction due to a timing difference from timely payroll withholding payments in fiscal year 2021. However, these reductions were offset, in part, by the University's cost saving efforts which offset that decline by

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

approximately \$19 million.

In fiscal year 2021 accounts receivable-other increased \$23.4 million when compared to fiscal year 2020 which was primarily due to a \$20.7 million increase related to a timing difference in payments from Higher Education Emergency Relief Funds (HEERF). There was another \$2.4 million increase as a result of a timing issue from the fee for service payment from the State of Colorado.

The University's depreciable assets declined by \$9.4 million as a result of normal depreciation of \$11.2 million offset with additions as well as transfers from construction in progress, such as the completion of the Student Health Center renovation.

Decreases in unearned revenue, deferred inflows of resources, net pension liability, bonds payable, the derivative instrument liability, and other non-current liabilities were the primary reasons for the \$78.0 million decrease in total liabilities and deferred inflows of resources in fiscal year 2021 when compared to fiscal year 2020, which is discussed in greater detail below.

Unearned Revenue decreased \$28.3 million in fiscal year 2021, of which \$33.4 million was from the Governor's CRF funds. There was also a \$3.4 million offsetting increase as a result of the revenue recognition criteria related to the institutional HEERF funds. More specifically, institutional HEERF funds could only be recognized as revenue as they were spent in proportion to the student HEERF awards. The difference in spending between student and institutional funds is merely a timing difference as of June 30, 2021 and all funds were spent by fiscal year 2022.

The net pension liability along with the deferred pension inflow decreased by a total of \$36.8 million in fiscal year 2021 when compared to fiscal year 2020. This decrease is primarily a result of strong equity markets and positive yearly returns.

In fiscal year 2021 non-current bonds payable decreased \$5.6 million, which is due to timely payments of existing debt (see note 7 for more information on the Series 2020 bond).

The derivative instrument liability decreased \$4.4 million in fiscal year 2021 as a result of changing market conditions.

In fiscal year 2021 other non-current liabilities decreased \$1.4 million when compared to fiscal year 2020 due to declining outstanding Perkins loan balances which are due back to the Federal government.

Of the total \$32.3 million in net position in fiscal year 2022, \$18.2 million is net investment in capital assets, \$884 thousand is restricted for expendable purposes for student loans, and \$13.2 million is unrestricted. Of the total (\$3.9) million in net position in fiscal year 2021, \$23.8 million is net investment in capital assets, \$1.1 million is

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

restricted for expendable purposes for student loans, and (\$28.8) million is unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the results of operations during fiscal years 2022 and 2021. Activities are reported as either operating or nonoperating. Operating revenues and expenses generally result from providing services for instruction, public service, student services, and academic and institutional support to/from an individual or entity separate from MSU Denver. Nonoperating revenues and expenses are those other than operating and include but are not limited to investment and interest income, private grants and gifts, rental income, Coronavirus Aid, Relief, and Economic Security funds, and Pell grants.

METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021

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

	<u>2022</u>	<u>June 30 2021</u>	<u>2020</u>
		(In thousands)*	
Operating revenues:			
Tuition and fees, net	\$ 124,113	\$ 106,324	\$ 140,431
Fee for service	42,948	12,966	26,837
Sales and services	14,719	8,292	12,227
Grants and contracts	39,420	33,510	34,206
Other operating revenues	5,954	4,625	4,706
Total operating revenues	<u>227,154</u>	<u>165,717</u>	<u>218,407</u>
Operating expenses	<u>267,820</u>	<u>189,546</u>	<u>212,332</u>
Operating income (loss)	<u>(40,666)</u>	<u>(23,829)</u>	<u>6,075</u>
Nonoperating revenues:			
Pell grants	25,201	26,470	30,525
Federal Stimulus	48,040	66,663	7,036
Intergovernmental revenue	1,238	1,281	2,110
Investment and interest income (loss)	(7,120)	(1,403)	5,795
Interest expense on capital asset-related debt	(5,685)	(6,372)	(8,815)
Debt Issuance Cost	(239)	—	(186)
Gain/(Loss) on sale/disposal of capital assets	(157)	(20)	(385)
Nonoperating gifts and donations	5,226	4,492	4,318
Other non operating revenue	872	945	874
Perkins loan termination	325	204	83
State PERA contribution	930	—	1,088
Net nonoperating revenues	<u>68,631</u>	<u>92,260</u>	<u>42,443</u>
Income/(Loss) before other revenues	<u>27,965</u>	<u>68,431</u>	<u>48,518</u>
Other revenues			
Capital Contributions- State	1,601	—	—
Capital Student Fee, net	6,674	6,900	7,729
Increase/(Decrease) in net position	<u>36,240</u>	<u>75,331</u>	<u>56,247</u>
Net position at beginning of year	(3,941)	(79,272)	(136,001)
Restatement-Change in Accounting Principle ^	—	—	482
Net position at beginning of year as restated	<u>(3,941)</u>	<u>(79,272)</u>	<u>(135,519)</u>
Net position at end of year	<u>\$ 32,299</u>	<u>\$ (3,941)</u>	<u>\$ (79,272)</u>

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

^ In order to offer a full comparison of the figures presented in the MD&A section, fiscal year 2020 amounts have been restated as of July 1, 2019, to conform to the newly adopted GASB Statement No. 87, which shows the "Restatement-Change in Accounting Principle" in fiscal year 2020. This differs to the Restatement-Change in Accounting Principle shown on the two- year comparative financial statements. The financial statements present the restatement as of the earliest period presented, which is as of July 1, 2020.

Tuition and fees revenue, net, accounted for \$124.1 million of the \$227.2 million in operating revenue in fiscal year 2022. The tuition and fees revenue amount is net of scholarship allowances of \$57.5 million and bad debt of \$3.4 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.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

Net tuition and fee revenue increased \$17.8 million, or 16.7%, from fiscal year 2021. This increase is primarily a result of the \$15.6 million increase in COF (discussed above) as well as reinstating the fees that were waived in fiscal year 2021 due to COVID, including the Auraria Higher Education Center (AHEC) facility fee, Tivoli Park fee, and the campus recreation and athletics fees.

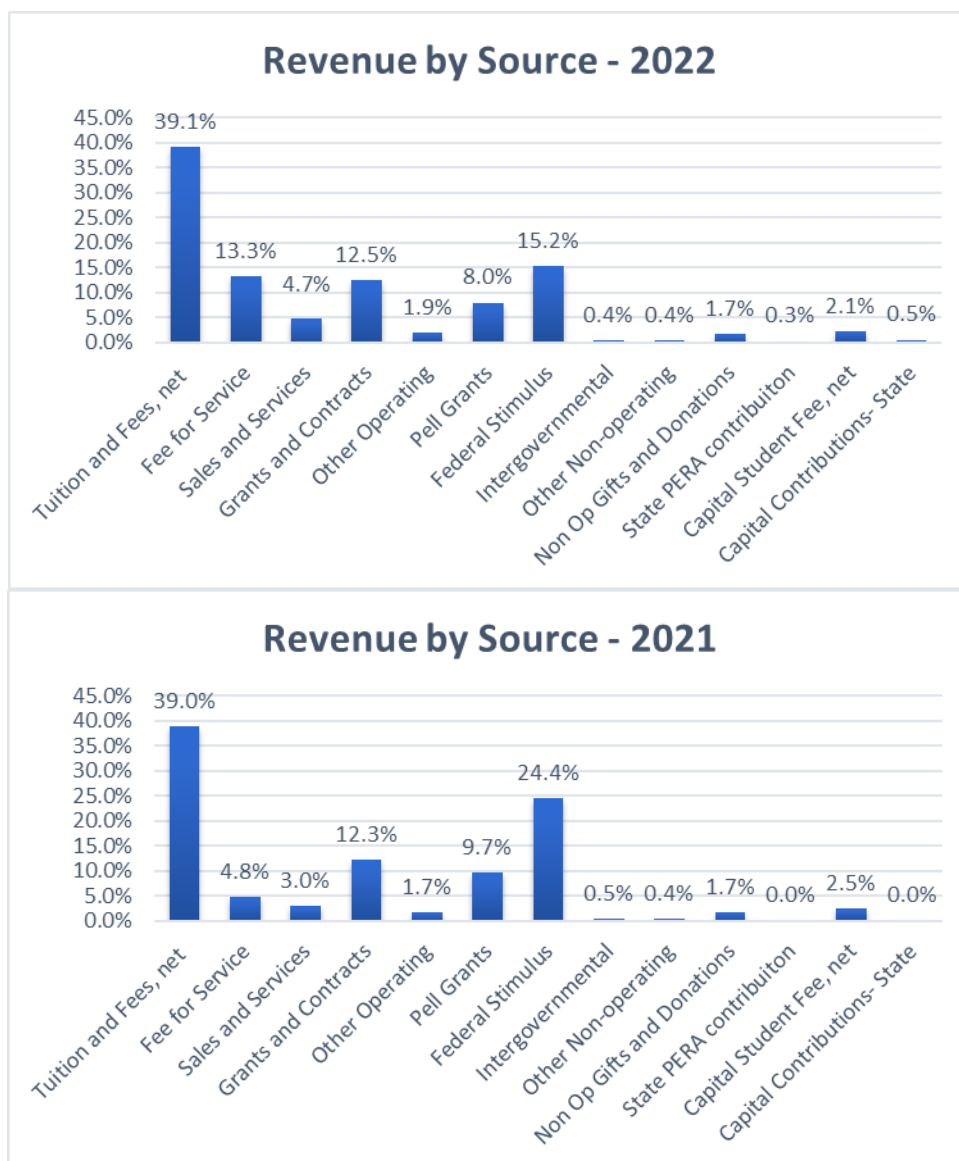
In fiscal year 2022 the University adopted GASB Statement No. 87 *Leases* and as such presented a restatement of \$366 thousand to the fiscal year 2020 prior period balances. *(see footnotes 1e and 22 for more information about the adoption of GASB 87.)*

Tuition and fees revenue, net, accounted for \$106.3 million of the \$165.7 million in operating revenue in fiscal year 2021. The tuition and fees revenue amount is net of scholarship allowances of \$56.0 million and bad debt of \$3.0 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.

Fiscal year 2021 net tuition and fee revenue decreased \$34.1 million, or 24.3%, from fiscal year 2020. This decrease is a result of the \$23.2 million decrease in COF (discussed above) as well as waiving certain on-campus fees including the AHEC facility fee, bus pass fee, Tivoli Park fee, and the campus recreation and athletics fees due to COVID. There was also a \$2.3 million reduction due to the termination of the Detroit Institute of Music Education (DIME) program, as well as reduction of 6.2% and 9.1% in the fall and spring undergraduate enrollment, respectively. These decreases were offset by a 3.0% tuition increase beginning in spring 2021 as well as small increases in Master's courses as well as an increase from the combined student technology/online fee.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

The following are graphic illustrations of total revenue (operating and nonoperating) by source for MSU Denver for fiscal years 2022 and 2021, respectively. Each major revenue component is displayed relative to its proportionate share of total revenue.



**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

In fiscal year 2022 there was a \$78.3 million increase in operating expenses over fiscal year 2021. The entries related to GASB 68 and 75 accounted for \$21.3 million of the increase in operating expense, while true operating expenses increased by \$57.0 million.

\$15.1 million of the \$57.0 million increase in operations was due to increases in salaries and benefits, resulting from a 1.75% across the board increase for faculty and professional staff, a 3% increase for all Classified staff, small one time longevity stipends, as well as the expiration of furloughs and hiring freezes that were observed in fiscal year 2021 due to COVID, with an additional \$936 thousand increase from compensated absences. There was also a \$14.0 million increase in scholarships and fellowships, primarily from the HEERF funds, and a \$17.9 million increase in materials and supplies. The increase in materials and supplies is from many areas including a \$2.4 million increase related to increased hotel operations, a \$2.2 million increase in COVID testing and vaccination costs from the Health Center, a \$1.0 million increase in grant subrecipient expenses, a \$2.0 million increase in advertising, an increase of \$3.1 million related to student success and support initiatives funded with HEERF dollars, \$500 thousand in temporary staffing to aid in the implementation of the new Human Resource and Finance system; Workday, increases related to the reinstated student fees discussed above and various increases in general operating expenses. There was also a \$2.2 million increase in software, including items such as Workday and Cayuse system licensing fees, a \$2.6 million increase in travel and official functions as a result of a return to more normal operations after the pandemic, a \$2.2 million increase in remodeling expenses primarily from improvements to academic spaces, a \$727 thousand increase in expenses related to implementation support for Workday, and a \$787 thousand increase in depreciation.

In fiscal year 2021 there was a \$22.8 million decrease in operating expenses over fiscal year 2020. The entries related to GASB 68 and 75 accounted for \$3.1 million of the reduction in operating expense, while true operating expenses decreased by \$19.6 million.

\$5.9 million of the \$19.8 million decrease in operations was due to reductions in salaries and benefits, resulting from furloughs, hiring freezes, and reduced staff due to COVID, with an additional \$1.9 million decrease from compensated absences.

There was a \$3.2 million reduction in travel and official functions as a result of the pandemic, as well as a \$5.5 million decrease in payments to providers related to on-campus student services, i.e. student health and the AHEC on campus fees, i.e. bus pass, bond, and the Tivoli park fee. There was also a \$3.8 million reduction in expenses related to the hotel.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

The tables below show the University's operating expenses both with and without the effects of GASB 68 and 75.

Total Operating Expenses (including the effects of GASB 68 and 75):

	2022	2021	2020
Instruction	77,985,287	56,663,451	66,006,372
Research	418,414	269,638	313,916
Public Service	2,429,875	2,436,633	2,608,230
Academic Support	25,913,737	19,742,809	21,642,851
Student Services	25,163,128	20,165,211	18,371,155
Institutional Support	35,033,958	23,319,706	26,589,401
Operation of Plant	15,037,732	12,191,698	13,340,039
Scholarships and Fellowships, net	25,214,128	11,179,341	8,175,047
Auxiliary Enterprise Expenditures	47,245,167	30,985,241	43,192,972
Depreciation	13,378,556	12,591,508	12,091,818
Total Operating Expenses	<u>267,819,982</u>	<u>189,545,236</u>	<u>212,331,802</u>

Total Operating Expenses (excluding the effects of GASB 68 and 75):

	2022	2021	2020
Instruction	88,667,574	78,134,101	86,344,837
Research	453,839	317,436	340,715
Public Service	2,649,427	2,928,089	3,008,264
Academic Support	28,715,750	25,334,857	26,892,925
Student Services	27,206,948	24,731,859	22,515,079
Institutional Support	37,879,818	28,511,544	31,166,795
Operation of Plant	15,113,347	12,352,512	13,488,259
Scholarships and Fellowships, net	25,214,128	11,179,341	8,175,047
Auxiliary Enterprise Expenditures	50,490,720	36,675,265	48,373,681
Depreciation	13,378,556	12,591,508	12,091,818
Total Operating Expenses	<u>289,770,107</u>	<u>232,756,512</u>	<u>252,397,420</u>

Statements of Cash Flows

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

METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021

Condensed Statements of Cash Flows

		June 30	
	2022	2021	2020
		(In thousands*)	
Net cash provided by (used in):			
Operating activities	\$ (43,136)	(77,552)	(23,798)
Noncapital financing activities	97,691	67,312	74,401
Capital and related financing activities	(1,301)	(5,875)	(19,906)
Investing activities	(7,189)	(1,473)	5,766
Net (decrease)/increase in cash	46,065	(17,588)	36,463
Cash and cash equivalents:			
Beginning of year	110,650	128,238	91,775
End of year	\$ 156,715	110,650	128,238

* Amounts could differ slightly from the Statement of Cash Flows due to rounding

MSU Denver's cash and cash equivalents and restricted cash increased by \$46.1 million in fiscal year 2022 when compared to fiscal year 2021. This increase is primarily due to the HEERF received as a replacement to lost revenue as well as a timing issue related to the M&E Incentive Reimbursement contract and improved hotel operations.

MSU Denver's cash and cash equivalents and restricted cash decreased by \$17.6 million in fiscal year 2021 when compared to fiscal year 2020. This decrease is primarily due to the \$33.5 million in CRF passed through the Governor's office to the University at the end of fiscal year 2020 despite it being intended for fiscal year 2021. There was also a timing difference related to faster payments related to payroll withholdings, and the spend down of \$993 thousand of hotel cash reserves. However, these reductions were offset by the University's cost saving efforts of approximately \$19 million.

The major sources of unrestricted cash inflows in fiscal year 2022 and 2021 were \$125.6 million and \$104.0 million, respectively from tuition and fees, \$67.0 million and \$36.6 million, respectively, from federal stimulus funds, \$42.9 million and \$13.0 million, respectively, from fee for service revenue, \$40.7 million and \$13.3 million, respectively, from grants and contracts, and \$25.2 million and \$26.3 million, respectively, in Pell grants. The primary outflows are \$157.3 million and \$144.4 million, respectively, for payments to or for employees, \$92.8 million and \$66.3 million, respectively, for payments to suppliers and \$809 thousand and \$1.8 million, respectively, for the acquisition of capital assets.

Capital Assets

At June 30, 2022, the University had \$150.3 million in property, plant, and equipment, net of accumulated depreciation of \$92.7 million. Depreciation charges were \$13.4 million for the current year compared to \$12.6 million in fiscal year 2021 and \$12.1 million in fiscal year 2020.

**METROPOLITAN STATE UNIVERSITY OF DENVER
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Details of these assets are shown in the table below:

Capital Assets, Net of Depreciation at Year-End			
	2022	June 30	2020
		2021 (in thousands)	
Construction in progress	\$ 2,263	3,503	4,540
Land	1,005	1,005	1,005
Equipment	7,995	5,730	6,632
Buildings	108,472	113,478	118,054
Leasehold/land improvements	27,488	32,579	35,552
Leases	3,072	3,652	4,571
Total	\$ 150,295	159,947	170,354

Debt

In November 2009, MSU Denver issued \$55.2 million of Series 2009 Taxable Institutional Enterprise Revenue Bonds to finance the construction of the University's first brick and mortar building, the Student Success Building (SSB). The SSB added approximately 145,000 square feet of space for classrooms and faculty offices, specifically for MSU Denver students and professors. It also provides students with a central location for student support services. In June 2010, the University issued \$10.6 million in Series 2010 Taxable Institutional Enterprise Revenue Bonds for various major remodeling projects as personnel moved to the SSB (see note 7 for more information on these obligations). These bonds will be paid off using proceeds from a student bond fee approved by the University's students. Both bond issuances are Revenue Zone Economic Development Bonds (RZEDBs) that make them eligible for a 45% bond interest subsidy from the federal government; however, in March 2013, the federal government enacted the Balanced Budget and Emergency Deficit Control Act, and President Obama issued a sequestration order that reduced the subsidy amount the University received on its Recovery Zone Economic Development Bonds (RZEDB). Before sequester, the subsidy paid MSU Denver 45% of the interest amount on both the series 2009 and 2010 bonds. Sequester is scheduled through 2024 with reductions spanning 5.5% to 7.1%. The table below shows MSU Denver's original subsidy payment amounts and the modified payments for each RZEDB.

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

Series 2009 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Difference
2022	2,456,176	1,105,279	45%	1,042,278	(63,001)
2021	2,539,175	1,142,629	45%	1,077,499	(65,130)
2020	2,617,244	1,177,760	45%	1,108,272	(69,488)
2019	2,690,669	1,210,801	45%	1,135,731	(75,070)
2018	2,758,975	1,241,539	45%	1,159,597	(81,942)
2017-2013	14,617,447	6,577,851	45%	6,150,858	(426,994)
2012-2010	7,678,244	3,455,210	45%	3,455,210	(0)
Total Reduction in Series 2009 Bond Subsidy Payments					(781,623)
Average Subsidy Rate Received				42.79%	

Series 2010 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Difference
2022	470,290	211,631	45%	199,568	(12,063)
2021	485,638	218,537	45%	206,080	(12,457)
2020	498,683	224,407	45%	211,167	(13,240)
2019	510,948	229,926	45%	215,671	(14,255)
2018	522,413	235,086	45%	219,570	(15,516)
2017-2013	2,746,699	1,236,015	45%	1,155,744	(80,271)
2012-2011	1,111,208	500,044	45%	500,044	(0)
Total Reduction in Series 2010 Bond Subsidy Payments					(147,801)
Average Subsidy Rate Received				42.67%	

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

In June 2014, the University issued direct placement, Series 2014 Institutional Enterprise Revenue Bonds not to exceed \$4.0 million to help fund the construction of the Assembly Athletic Complex (AAC). These bonds worked like a line of credit, where the University drew funds on an as needed basis. As of June 30, 2015, the University drew the full \$4 million. These bonds are paid with the student bond fee and fundraising efforts by the University's Foundation.

On January 27, 2016, the University issued \$27.5 million of Series 2016 Institutional Enterprise Revenue Bonds, bearing interest at 2.0% to 5.0%, for the purpose of financing a portion of the construction of the new Aerospace and Engineering Science building (AES). This new facility houses mechanical, electrical and civil engineering technologies; industrial design; and computer science to support an integrated curriculum, and promote collaborative research. The building was placed into service in fiscal year 2018. \$21.5 million of the Series 2016 bonds were defeased in-substance with the proceeds of the \$23.2 million Series 2022A direct placement 3.59% bonds that were issued on May 25th 2022 which are paid with the student bond fee discussed above. \$2.6 million of the Series 2016 remain outstanding and will be paid in full by 2025.

On January 31, 2019, the University issued direct placement, Series 2019, Bank Qualified Institutional Enterprise Revenue Bonds not to exceed \$8,250,000, at a fixed interest rate of 2.680% per annum. These bonds provided funding for the replacement of the gym bleachers, and a renovation of the main locker rooms, improving the safety and security, as well as improving ADA accessibility. The project was completed in fiscal year 2020. These bonds are also paid with the student bond fee.

On April 17, 2020, the University issued \$47.7 million of direct placement, Series 2020, Institutional Enterprise Revenue Bonds. These bonds were issued at a variable interest rate equal to 80% of London Interbank Offered Rate (LIBOR) plus 150 basis points per annum. The Series 2020 bond proceeds were used to purchase most of the HLC@Metro Inc's. assets and liabilities including the hotel, and the HLC@Metro Inc. used the proceeds of that sale to defease the Series 2010 bonds in substance. These bonds were legally defeased by the \$46.3 million Series 2021 direct placement bonds that were issued on August 2, 2021 and require a variable interest rate of 80% of LIBOR plus 46 basis points. These bonds are also paid with the student bond fee.

On September 30, 2020 MSU Denver executed a Novation agreement which transferred the HLC@Metro Inc's floating to fixed interest rate swap agreement (Swap Agreement) with Royal Bank of Canada (RBC) to the University. This was a part of the University's acquisition of most of the HLC's assets and liabilities. The Swap Agreement was entered with the objective of protecting against the potential rising of interest rates. The Swap Agreement had a notional value of \$48.7 million and a negative fair value of \$516 thousand and \$7.1 million as of June 30, 2022 and 2021, respectively. The Swap was effectively terminated on August 2, 2021 when the Series 2021 bonds were issued, but the agreement with RBC continued and became an embedded borrowing. The agreement has an effective date of September 1, 2020 and a

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

termination date of July 1, 2042. (see note 7 for more details on the embedded borrowing.)

On May 25, 2022 the University issued the Series 2022B bonds for \$2.0 million. This direct placement bond will fund the relocation of the Criminal Justice department to help make space for the new nursing labs. This borrowing has a fixed rate of 3.59% and is funded with student bond fee revenues.

At June 30, 2022, the University had \$128.6 million in outstanding debt payments (excluding premiums and discounts) compared to \$131.0 million at June 30, 2021 and \$137.2 million at June 30, 2020. The table below summarizes these amounts by type of debt exclusive of any premium or discount:

		Outstanding Debt at Year-End		
		June 30		
		2022	2021	2020
			(In thousands)	
Series 2009	\$	39,540	41,140	42,695
Series 2010		7,720	8,010	8,290
Series 2014		1,038	1,452	1,858
Series 2016		2,585	24,705	25,285
Series 2019		4,905	6,050	7,165
Series 2020		—	46,345	47,710
Series 2021		44,930	—	—
Series 2022A		23,085	—	—
Series 2022B		2,015	—	—
Right to Use Leases		2,795	3,268	4,206
Total	\$	<u>128,613</u>	<u>130,970</u>	<u>137,209</u>

In August 2022 Standard and Poor's Global Ratings affirmed its "A" underlying rating on Metropolitan State University Board of Trustees revenue debt issued for Metropolitan State University of Denver, with a stable outlook. In January, 2020 Moody's Investor's Service affirmed the A1 underlying rating on the University's enterprise revenue debt.

Economic Outlook and Metropolitan State University of Denver's Future

In 2022, MSU Denver celebrated its fifth year with its President, Dr. Davidson and focused on recovering from the pandemic, stabilizing its operations, and launching towards five specific focus areas, including people and processes, student service, infrastructure, resources and innovation and technology, each with an eye on student success. These areas of focus include, in part, increased investments in professional development for staff, building and scaling concurrent enrollment programs, streamlining transfer processes, a tuition lock, increased scholarships, internships and experiential learning opportunities, and much more. To see the President's Welcome Back speech that outlines these initiatives and more visit: <https://www.msudenver.edu/president/news/presidents-welcome-back-2022/>

MSU Denver has continued its work on implementing the new Finance and HR system;

**METROPOLITAN STATE UNIVERSITY OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022 AND 2021**

Workday, with a scheduled go live date of January 1, 2023. This project was submitted to the state with a request of \$14.9 million in capital construction funds over the life of the project. Its first and second year requests of \$1.3 million and \$3.4 million, respectively, were approved to date. The University will contribute \$1.6 million of its own resources towards this project. There is also a three-year network modernization project to improve wireless capabilities on campus that was also submitted to the state for approval of \$2.8 million in capital construction funds. The first and second year's funding of \$1.3 million and \$795 thousand, respectively have been approved. The University will contribute \$750 thousand over the life of the project of its own resources for a total project budget of \$3.5 million.

In order to make education more accessible, beginning in Fall 2022, MSU Denver will start locking the tuition rate between 2-4 years for undergraduate students. For those students outside of the tuition lock parameters tuition will increase 2% in Fall 2022.

In fiscal year 2022 the University was able to recover an additional \$23.1 million in lost revenue from HEERF for a total of \$45.9 million. These funds were allocated for strategic initiatives centered around student support and retention. This funding has been exhausted and no additional lost revenue can be recovered in subsequent years. There was an additional \$21.0 million received in HEERF funds spent on direct student aid, with another \$2.6 million received in institutional HEERF funds.

MSU Denver retained its Taxpayer's Bill of Rights (TABOR) enterprise status during fiscal year 2022 by receiving less than 10% in state funding and anticipates it will retain this status in fiscal year 2023. COF stipend was set by the General Assembly for fiscal year 2022 at \$94 per eligible credit hour for resident undergraduate students and is approved at \$104 per eligible credit hour for fiscal year 2023, which is currently appropriated at \$36.3 million, per the long bill. MSU Denver received \$42.9 million in fee-for-service revenue in fiscal year 2022 and is budgeted to receive \$46.2 million in fiscal year 2023. This increased funding from the State of Colorado represents an additional \$10 million in additional funds when compared to fiscal year 2022 funding.

Beginning in fiscal year 2023 the University must adopt GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This statement requires recognition of certain intangible asset arrangements as assets and liabilities which were previously expensed. This Statement establishes a single model for accounting based on the principle that these arrangements include the right to use an underlying intangible asset. Under this Statement, an entity is required to recognize a subscription liability and a right-to-use subscription asset. The new standard is expected to have an effect on the University's financial statements as a result of agreements such as Banner and Workday. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant.

Questions concerning any of the information provided in this report or requests for additional financial information can be obtained by calling 303 615-0039.

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u> (restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 148,809,856	\$ 109,283,233
Accounts receivable – student (net of allowance for doubtful accounts of \$4,424,357 and \$4,174,366, respectively)	16,011,289	15,316,030
Accounts receivable – other	11,864,101	29,533,744
Leases receivable	236,382	233,982
Loans receivable	837,104	1,093,095
Prepaid expense	2,116,290	3,020,809
Investments	32,394	35,811
Total current assets	<u>179,907,416</u>	<u>158,516,704</u>
Noncurrent assets:		
Restricted cash	7,905,242	1,366,739
Investments	740,369	768,949
Prepaid expense	56,605	97,540
Leases Receivable	326,000	562,955
Loans receivable (net of allowance for doubtful accounts \$346,113 and \$451,728, respectively)	2,084,869	3,160,970
Land	1,005,185	1,005,185
Construction in progress	2,262,524	3,503,007
Depreciable assets, net:		
Equipment	7,994,964	5,730,363
Buildings	108,471,550	113,477,526
Leasehold and land improvements	27,487,867	32,579,144
Leases	3,072,416	3,652,160
Total depreciable capital assets, net	<u>147,026,797</u>	<u>155,439,193</u>
Total noncurrent assets	<u>161,407,591</u>	<u>165,904,538</u>
Total assets	<u>341,315,007</u>	<u>324,421,242</u>
Deferred Outflows of Resources		
Deferred pension outflows	8,057,823	15,400,409
Deferred OPEB outflows	276,537	240,597
Deferred outflow Interest Rate Swap	515,860	7,063,126
Total deferred outflows of resources	<u>8,850,220</u>	<u>22,704,133</u>
Total assets and deferred outflows of resources	<u>\$ 350,165,227</u>	<u>\$ 347,125,375</u>

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021 (restated)
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,585,326	\$ 5,007,941
Accrued interest payable	369,580	387,056
Accrued payroll	5,688,343	5,340,237
Unearned revenue	22,009,303	15,196,218
Compensated absences	843,703	583,651
Bonds payable	4,340,000	4,050,000
Notes payable	544,486	517,708
Financed purchase option	135,719	132,176
Leases liability	1,064,422	1,027,790
Deposits held in custody	1,842,755	1,964,601
Other Current Liabilities	814,188	1,302,179
Total current liabilities	44,237,826	35,509,558
Noncurrent liabilities:		
Net pension liability	89,430,319	123,698,899
Net OPEB liability	3,408,702	4,121,606
Compensated absences	6,820,636	6,145,018
Interest rate swap liability	515,860	7,063,126
Bonds payable	121,649,895	125,686,135
Notes payable	3,161,950	3,706,436
Financed purchase option	47,145	182,864
Leases liability	1,730,851	2,240,529
Other non-current liabilities	2,757,823	3,925,700
Total noncurrent liabilities	229,523,181	276,770,313
Total liabilities	273,761,007	312,279,871
Deferred Inflows of Resources		
Deferred pension inflows	40,586,464	35,884,527
Deferred OPEB inflows	2,197,411	2,104,775
Deferred Inflow-gain on refunding	758,759	-
Deferred Inflows-Leases	562,382	796,937
Total deferred inflows of resources	44,105,016	38,786,239
Total liabilities and deferred inflows of resources	317,866,023	351,066,110
Net position		
Net Investment in Capital Assets	18,191,631	23,770,485
Restricted for expendable purposes, Loans	884,210	1,122,372
Unrestricted	13,223,363	(28,833,593)
Total net position	32,299,204	(3,940,736)

See accompanying notes to basic financial statements.

**METROPOLITAN STATE UNIVERSITY OF DENVER
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,429,587	\$ 1,611,505
Cash Restricted for Distribution to University	14	42
Cash Restricted for Alumni Association	330,538	225,128
Investments	11,571,200	11,501,371
Receivable from University	4,361	3,814
Promises to Give, Net	2,563,200	1,635,910
Promises to Give - Charitable Lead Trust, Net	1,026,311	-
Prepaid Expenses and Other Assets	22,272	21,618
Property and Equipment, Net	1,303,642	1,334,802
Endowment:		
Cash Restricted for Endowment	-	26,350
Promises to Give, Net	236,348	1,271,778
Investments	19,529,084	21,877,290
Total Assets	<u><u>\$ 39,016,557</u></u>	<u><u>\$ 39,509,608</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	\$ 216,305	\$ 183,432
Accounts Payable to University	943,680	357,229
Funds Held for Distribution to University	14	42
Funds Held for Alumni Association	330,538	225,128
Paycheck Protection Program Loan	-	-
Total Liabilities	<u>1,490,537</u>	<u>765,831</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,832,797	5,363,314
Board-Designated	921,253	1,159,017
Invested in Property and Equipment, Net	1,303,642	1,334,802
Total Without Donor Restrictions	<u>6,057,692</u>	<u>7,857,133</u>
With Donor Restrictions	<u>31,468,328</u>	<u>30,886,644</u>
Total Net Assets	<u><u>37,526,020</u></u>	<u><u>38,743,777</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 39,016,557</u></u>	 <u><u>\$ 39,509,608</u></u>

**METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021 (restated)</u>
Operating revenues:		
Student tuition and fees, (including gross tuition of \$116,568,085 and \$105,245,302, respectively, pledged for bonds) net of scholarship allowances of \$57,510,234 and \$55,977,903, and bad debt expense of \$3,441,008 and \$3,027,701, respectively	\$ 124,112,759	\$ 106,324,359
Fee for service	42,948,386	12,966,242
Sales and services of educational departments	87,798	96,292
Sales and services of auxiliary enterprises	14,631,106	8,195,258
Federal grants and contracts	10,470,420	8,440,872
State grants and contracts	28,316,637	24,495,393
Local grants and contracts	185,570	341,773
Private grants and contracts	447,569	231,955
Operating interest income	410,352	325,816
Other operating revenues	5,543,436	4,298,829
Total operating revenues	<u>227,154,033</u>	<u>165,716,789</u>
Operating expenses:		
Instruction	77,985,287	56,663,450
Research	418,413	269,638
Public service	2,429,875	2,436,633
Academic support	25,913,737	19,742,809
Student services	25,163,128	20,165,211
Institutional support	35,033,958	23,319,706
Operation of plant	15,037,732	12,191,698
Scholarships and fellowships	25,214,128	11,179,341
Auxiliary enterprise expenditures	47,245,167	30,985,241
Depreciation	13,378,556	12,591,508
Total operating expenses	<u>267,819,981</u>	<u>189,545,235</u>
Operating Income/(loss)	<u>(40,665,948)</u>	<u>(23,828,446)</u>

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u> (restated)
Nonoperating revenues (expenses):		
Pell grants	\$ 25,200,668	\$ 26,470,089
Federal Stimulus	48,040,042	66,663,057
Intergovernmental revenue (including \$1,238,205 and \$1,280,497, respectively, pledged for bonds)	1,238,205	1,280,497
Investment and interest income (including realized interest of \$1,635,212 and \$1,526,994, respectively, pledged for bonds)	(7,120,168)	(1,403,009)
Interest expense on capital asset related debt	(5,684,894)	(6,371,711)
Debt Issuance Costs	(238,684)	—
Loss on sale/disposal of fixed assets	(157,123)	(20,335)
Nonoperating gifts and donations	5,225,915	4,491,821
Perkins Loan termination	325,109	204,246
State PERA contribution	930,139	—
Other nonoperating	872,341	945,062
	<u>68,631,550</u>	<u>92,259,717</u>
Net nonoperating revenue	68,631,550	92,259,717
Income before other revenues	27,965,603	68,431,271
Other revenues		
Capital contributions from the state	1,600,542	—
Capital student fees, (including gross fees of \$6,966,406 and \$7,627,576, respectively, pledged for bonds) net of scholarship allowances of \$3,077,660 and \$3,553,152, and bad debt expense of \$195,137 and \$216,546, respectively	6,673,795	6,899,874
	<u>8,274,337</u>	<u>6,899,874</u>
Total other revenues	8,274,337	6,899,874
Increase/(Decrease) in net position	36,239,940	75,331,145
Net position at beginning of year	(3,940,736)	(79,637,887)
Restatement-Change in Accounting Principle		366,006
Net position at beginning of year, as restated		<u>(79,271,881)</u>
Net position at end of year	<u>\$ 32,299,204</u>	<u>\$ (3,940,736)</u>

See accompanying notes to basic financial statements.

**METROPOLITAN STATE UNIVERSITY OF DENVER
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions of Financial Assets	\$ 188,290	\$ 9,711,646	\$ 9,899,936
Contributions of Nonfinancial Assets:			
In-Kind Contributions	-	56,511	56,511
Endowment Management Fees	414,137	-	414,137
Gross Special Events Revenue	77,630	-	77,630
Less: Cost of Direct Benefits to Donors	(5,885)	-	(5,885)
Net Special Events Revenue	71,745	-	71,745
Net Investment Loss	(1,910,606)	(3,905,730)	(5,816,336)
Rent and Other Income	341,632	-	341,632
Net Assets Released from Restrictions	5,280,743	(5,280,743)	-
Total Revenue, Support, and Gains	4,385,941	581,684	4,967,625
EXPENSES			
Program Services Expense:			
Support Provided to University	4,949,462	-	4,949,462
Alumni Relations Operating Expenses	524,834	-	524,834
Total Program Expenses	5,474,296	-	5,474,296
Supporting Services Expense:			
General and Administrative Costs	2,251,380	-	2,251,380
Donor Development Costs	1,986,300	-	1,986,300
Total Supporting Services Expenses	4,237,680	-	4,237,680
Total Expenses	9,711,976	-	9,711,976
CHANGE IN NET ASSETS BEFORE EQUITY TRANSFER	(5,326,035)	581,684	(4,744,351)
Equity Transfer - Donated Services from Affiliate	3,526,594	-	3,526,594
CHANGE IN NET ASSETS	(1,799,441)	581,684	(1,217,757)
Net Assets - Beginning of Year	7,857,133	30,886,644	38,743,777
NET ASSETS - END OF YEAR	<u>\$ 6,057,692</u>	<u>\$ 31,468,328</u>	<u>\$ 37,526,020</u>

**METROPOLITAN STATE UNIVERSITY OF DENVER
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	As Restated		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions of Financial Assets	\$ 159,248	\$ 6,720,908	\$ 6,880,156
Contributions of Nonfinancial Assets:			
In-Kind Contributions	-	18,795	18,795
Endowment Management Fees	340,517	-	340,517
Net Investment Return	1,974,181	3,717,397	5,691,578
Rent and Other Income	311,188	-	311,188
Net Assets Released from Restrictions	4,975,053	(4,975,053)	-
Total Revenue, Support, and Gains (As Restated - Note 13)	7,760,187	5,482,047	13,242,234
EXPENSES			
Program Services Expense:			
Support Provided to University (As Restated - Note 13)	4,739,543	-	4,739,543
Alumni Relations Operating Expenses (As Restated - Note 13)	465,389	-	465,389
Total Program Expenses (As Restated - Note 13)	5,204,932	-	5,204,932
Supporting Services Expense:			
General and Administrative Costs (As Restated - Note 13)	1,508,441	-	1,508,441
Donor Development Costs (As Restated - Note 13)	1,639,647	-	1,639,647
Total Supporting Services Expenses (As Restated - Note 13)	3,148,088	-	3,148,088
Total Expenses (As Restated - Note 13)	8,353,020	-	8,353,020
CHANGE IN NET ASSETS BEFORE EQUITY TRANSFER	(592,833)	5,482,047	4,889,214
Equity Transfer - Donated Services from Affiliate (As Restated - Note 13)	2,924,503	-	2,924,503
CHANGE IN NET ASSETS	2,331,670	5,482,047	7,813,717
Net Assets - Beginning of Year	5,525,463	25,404,597	30,930,060
NET ASSETS - END OF YEAR	<u>\$ 7,857,133</u>	<u>\$30,886,644</u>	<u>\$38,743,777</u>

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and Fees	\$ 125,619,914	103,980,861
Fee for Service	42,948,386	12,966,242
Sales of Services	15,723,548	7,751,827
Grants and Contracts	40,653,088	13,329,785
Student Loans Collected	1,282,781	1,566,251
Direct Lending Inflows	57,983,891	64,508,589
Other Operating Receipts	6,142,079	8,657,485
Cash Payments:		
Payments to or for Employees	(157,302,661)	(144,386,124)
Payments to Suppliers	(92,750,917)	(64,801,089)
Scholarships Disbursed	(25,214,128)	(15,815,268)
Direct Lending Outflows	(58,221,717)	(64,282,895)
<i>Net Cash provided (used) by operating Activities</i>	<u>(43,135,736)</u>	<u>(76,524,336)</u>
Cash Flows from Noncapital Financing Activities:		
Federal Stimulus	66,998,904	36,576,369
Non-Operating Gifts & Donations	5,202,829	4,438,601
Pell Grants	25,178,174	26,297,287
<i>Net Cash provided (used) by Noncapital Financing Activities</i>	<u>97,379,906</u>	<u>67,312,257</u>
Cash Flows from Capital & Related Financing Activities:		
Interest Subsidy	1,512,471	1,508,585
Debt Issuance Cost	(249,508)	-
Lease Asset Payments	(1,222,630)	(1,401,374)
Proceeds from rental income	873,806	478,932
Interest on Capital Asset Related Debt	(5,829,063)	(6,524,189)
Proceeds from bond sale	2,604,212	-
Principal paid on bonds	(5,465,000)	(5,300,000)
Notes Payable and Finance Purchase Option Leases	(649,884)	(619,656)
Proceeds from State Capital Contributions	1,600,542	-
Proceeds from Capital Student Fee	6,644,106	6,743,909
Acquisition of Capital Assets	(809,177)	(1,789,475)
<i>Net cash provided (used) by Capital & Related Financing Activities</i>	<u>(990,126)</u>	<u>(6,903,268)</u>
Cash Flows from Investing Activities:		
Investment Earnings	(7,120,168)	(1,403,009)
Collection of Loans	11,250	-
Purchase of Investments	(80,000)	(70,000)
<i>Net Cash provided (used) by Investing Activities</i>	<u>(7,188,918)</u>	<u>(1,473,009)</u>
Net Increase (Decrease) in cash	46,065,126	(17,588,356)
Beginning Cash Balance	110,649,972	128,238,329
Ending Cash Balance	156,715,098	110,649,973
Ending Cash Balance per Balance Sheet	<u>156,715,098</u>	<u>110,649,972</u>

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (restated)
Reconciliation of net operating loss to net cash used in operating activities:		
Operating Income (loss)	\$ (40,665,948)	\$ (23,828,446)
Adjustment to reconcile:		
Depreciation expense	13,378,556	12,591,508
Direct Lending/Other Expenses	91,090	-
Provision for bad debt	4,694,540	4,050,118
Nonoperating revenue	-	203,275
State PERA contribution	930,139	-
Decrease (increase) in assets:		
Accounts receivable – student	(4,627,768)	(4,530,310)
Loans receivable	817,297	1,078,218
Prepaid expense	945,454	(565,056)
Accounts receivable – other	(2,603,397)	(23,504,758)
Increase in deferred outflows:		
Deferred pension outflow	7,342,587	(5,928,448)
Deferred other post employment benefits outflow	(35,940)	40,426
Increase (decrease) in liabilities/deferred inflows:		
Net pension liability	(34,268,580)	(13,308,372)
Net other post employment benefits liability	(712,904)	(1,176,812)
Deferred pension inflow	4,701,937	(23,497,109)
Deferred other post employment benefits inflow	92,636	659,039
Accounts payable	(938,497)	2,233,942
Unearned revenue	7,935,030	1,785,404
Accrued payroll	351,523	(1,043,512)
Other liabilities	(563,491)	(1,783,443)
Net cash used in operating activities	\$ (43,135,736)	\$ (76,524,336)
Noncash transactions		
Retirement of capital assets	\$ (157,122)	\$ (20,335)
Write-off of uncollectible accounts receivable	3,511,265	3,254,141
Write-off of uncollectible loans receivable	614,910	376,522
Amortization of premiums and discounts on debt	(1,861,240)	136,435
Bond refundings	(68,840,788)	-
Acquisition of lease	(749,584)	(748,835)
Bad Debt Expense	4,035,298	4,050,118
Gain on Debt Defeasance	764,065	-
Fair value change in derivative instrument	6,547,266	4,393,891

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Governance

The accompanying financial statements reflect the financial activities of Metropolitan State University of Denver (the University or MSU Denver) for the fiscal years ended June 30, 2022 and 2021. Effective July 1, 2002, Colorado Revised Statute (C.R.S.) 23-54-102 established the Board of Trustees (Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are non-voting members. The Trustees have full authority and responsibility for the control and governance of the University, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the University to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

(b) Reporting Entity

The State of Colorado (the State) is the primary governmental reporting entity for State financial reporting purposes. For financial reporting purposes, the University is included as part of the State's primary government. The financial statements of the University, which is an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of Colorado that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted (GAAP) in the United States of America. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State is available in these statewide financial statements. The accounting policies of the University conform to GAAP, as applicable to government units.

On August 17, 2010, the University's Board of Trustees approved the creation of the Metropolitan State University of Denver Roadrunner Recovery and Reinvestment Act Finance Authority (the Authority), which was responsible for issuing bonds to fund the construction of a Hotel and Hospitality Learning Center (HLC). They also approved the incorporation of a special-purpose nonprofit corporation to be known as "HLC@Metro, Inc." The special-purpose corporation was the most advantageous way to structure the University's relationship with the HLC by obtaining the lowest possible cost of financing,

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reducing the University's potential exposure for the debt obligations associated with the project, and maintaining the greatest level of control of the project. In October 2010, \$54.9 million in bonds were issued by the Authority and were subsequently transferred to the HLC@Metro, Inc. The Authority had no additional transactions nor did any resources remain with the Authority. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, paragraph 47, the discrete presentation of the Metropolitan State University of Denver Foundation, (the Foundation) financial statements appear on separate pages from the financial statements of the University, while the HLC@Metro Inc. and the Authority's financial statements are blended into the University's. Beginning in fiscal year 2021, after the University acquired the hotel and most of the HLC@Metro Inc.'s other assets and liabilities, the role and mission of the HLC@Metro Inc. changed from overseeing the operations of the hotel to an advisory board for the University. That transformation required a change in presentation of financial information from a discrete presentation to blended. The Authority and the HLC@Metro Inc. had no financial position as of June 30, 2022 or 2021. The Foundation, the HLC@Metro, Inc. and the Authority warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationships with the University. Please refer to note 20 for additional discussion.

(c) Basis of Accounting

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

The University applies all applicable GASB pronouncements.

(d) Accounting Policies/Definitions

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

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand, demand deposits, restricted cash, and certificates of deposit with financial institutions, pooled cash with

METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO FINANCIAL STATEMENTS
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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, or those investments intended to be held longer than three months regardless of original maturity date.

Restricted Cash: Restricted cash includes amounts whose use is constrained through either external party restrictions or imposition by law. Restricted purposes include unspent bond proceeds, as well as contractually restricted cash for the HLC@Metro Inc.

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

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

Classifications of investments as current or noncurrent is based on the maturity of the asset. Current investments are those that are set to mature in a year or less and noncurrent are those with a maturity of greater than a year.

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

Capital Assets: Equipment, buildings, construction in progress, and leasehold and land improvements are stated at their cost at the date of acquisition or acquisition value at the date of donation. A physical inventory of all capital assets is taken annually with appropriate adjustments made to the financial records. The University's policy of capitalizing assets is to do so when there is an initial cost or fair value equal to or greater than \$10,000 for assets purchased with non-grant funds. For capital assets purchased with grant funds, a threshold of \$5,000 is used.

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 to 5 years for software, 3 to 50 years for other equipment, 12 years for modular buildings, 27 to 40 years for buildings, 3 to 11 years for leases, and 2 to 45 years for leasehold/land improvements.

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

METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO FINANCIAL STATEMENTS
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difference between projected and actual experience, changes of assumptions or other inputs, and the net difference between projected and actual investment earnings by PERA. Additionally, there is a mark to market valuation on the University's swap agreement that is reported as a deferred outflow of resources.

Lease Receivable: In accordance with GASB 87, a lessor recognizes a lease receivable at the commencement of the lease term measured at the present value of lease payments expected to be received during the lease term. Payments received by the University, less implicit interest revenue, reduces the lease receivable over the term of the lease. Lease receivable amounts are segregated between current and noncurrent.

Right to Use Asset: In accordance with GASB 87, a lessee recognizes an intangible asset known as right to use, at the commencement of the lease term measured at the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The University amortizes the right to use asset over the shorter of the lease term or the useful life of the underlying asset. Such amortization expense is included with depreciation expense in the accompanying financial statements.

Unearned Revenue: Unearned revenue consists of amounts received from the provision of educational goods and services that have not yet been earned. The University prorates the summer session revenues based on the amount of time in the summer semester that has occurred before and after June 30th. Any grant funds received in excess of grant expenditures are also recorded as unearned revenues, and the institutional portion of the Higher Education Emergency Relief Funds (HEERF) are only recognized up to the amounts proportionally equal to the Student portion that has been spent as of June 30th.

Lease Liability: In accordance with GASB 87, for leases in which the University is a lessee, the University recognizes a lease liability at the commencement of the lease term, unless the lease is a short-term lease, is a lease with another state of Colorado agency, or transfer's ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The University reduces the lease liability as payments are made less explicit or implicit interest expense in accordance with the agreement. Leases payable amounts are segregated between current and non-current.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from PERA fiduciary net position have been determined on the same basis as they are reported by PERA. PERA uses the economic resources measurement focus and the full accrual basis of accounting.

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Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs: For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from PERA fiduciary net position have been determined on the same basis as they are reported by PERA. PERA uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, PERA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources: Acquisition of net position by the University applicable to a future reporting period. Amortization of the University's change in proportionate share of PERA's unfunded pension and other post-employment benefit (OPEB) liabilities results in a deferred inflow of resources as does the changes of assumptions or other inputs of the pension and OPEB plans. There is also a deferred inflow from leasing space to others. Additionally, the advance refunding of the Series 2016 bonds, resulting in a defeasance of the debt is reported as a deferred inflow of resources on the Statement of Net Position and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter in an amount that equals the difference between the re-acquisition price and the net carrying amount of the old debt.

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

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

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

- *Operating revenues and expenses* generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the University. Examples include student tuition and fees, fee-for-service contracts, sales and services of auxiliary enterprises, and grants and contracts.
- *Nonoperating revenues and expenses* do not meet the definition of operating revenues, and include federal bond interest subsidies, Pell grants, Federal stimulus funds, gifts, investment income, rental income, and interest expense.
- *Other revenues* consist of funding from the state for capital projects, and the capital student fee paid by students for capital improvements.

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

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

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

Income Taxes: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to federal income tax on any

METROPOLITAN STATE UNIVERSITY OF DENVER
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unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2022 or 2021.

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

(e) Adoption of New Accounting Standards

Effective for the fiscal year ended June 30, 2022, the University adopted GASB Statement No. 87, *Leases*. This standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Previously reported operating leases for Dell computers were the primary modification as a result of this standard. There was also a reclassification of the Science Building from a capital lease to notes payable on the basis that it was with another state agency. The adoption for GASB 87 has been applied retroactively. See note 22 for more information.

(2) Cash and Cash Equivalents and Investments

(a) Cash and Cash Equivalents

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

Cash and Cash Equivalents	30-Jun-22	30-Jun-21
Cash on hand	\$ 32,427	\$ 33,776
Reconciled depository account balances	\$ 2,451,654	\$ 603,440
Deposit at Treasury	\$ 162,473,852	\$ 109,194,595
Deposit at Treasury unrealized (loss)/gain	\$ (8,242,835)	\$ 668,160
Total cash and cash equivalents, including restricted balances	\$ 156,715,098	\$ 110,499,972

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. To manage custodial credit risk, deposits with financial institutions are made in accordance with University and

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State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2022, \$250,000 of the cash in checking and depository accounts was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the University's name, as required by the PDPA.

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2022 and 2021, the University had cash on deposit with the State Treasurer of \$162,473,852 and \$109,194,595, respectively, which represented approximately .73 percent of the total \$21,060.9 million and .62 percent of the total \$17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2022 the Pool's resources included \$47.2 million of cash on hand and \$21,013.7 million of investments. The \$162,473,852 and \$109,194,595 on deposit as of June 30, 2022 and 2021, respectively, includes \$7,905,242 and \$1,366,739 of restricted cash as of June 30, 2022 and 2021, respectively, which as of June 30, 2022 and 2021 is both the cash reserves the University is contractually obligated to set aside for the hotel operations as well as the unspent proceeds of the Series 2019 bonds (see note 7 for further information pertaining to bonds).

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

For the University's deposits with the State Treasury, the University had a net unrealized loss of \$8,910,995 and \$3,157,003 in fiscal year 2022 and 2021, respectively. These net unrealized losses are included in cash and cash equivalents on the statements of net position.

Additional information on investments of the Pool may be obtained in the State's annual comprehensive financial report for the year ended June 30, 2022.

(b) Investments

- 1) As of June 30, 2022 and 2021, the University has invested \$190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in

METROPOLITAN STATE UNIVERSITY OF DENVER
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Colorado to pool surplus funds for investment purposes. COLOTRUST is a 2a7-like investment pool, and the University's investment is rated as AAAM by Standard and Poor's. COLOTRUST pooled investments are excluded from the custodial credit risk and interest rate risk disclosure requirements, and is exempt from the fair value requirements of GASB 72. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. At June 30, 2022 and 2021, the fair value of the University's investment remained at \$190,634.

2) The University categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investments to be measured at fair value; however, investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, etc. This standard establishes a hierarchy of inputs for valuation techniques used to measure fair value. That hierarchy has three levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

As of June 30, 2022, and 2021, the University has reoccurring fair value measurements of \$582,129 and \$614,126, respectively, invested in TIAA/CREF Lifecycle Mutual funds, known as 415(m) funds. This investment is valued using quoted market prices (Level 1 inputs).

All mutual funds are subject to market risk, including possible loss of principal. The specific asset allocations for the Lifecycle funds as of June 30, 2022 and 2021 are reflected in the table below (*percents may not total to 100.00% due to rounding*):

Current Asset Allocation for TIAA Lifecycle 2020 Fund- Portfolio I		
	06/30/22	06/30/21
US Equity	26.6%	31.7%
Fixed Income	39.0%	38.1%
International Equity	14.3%	13.7%
Inflation-Protected Assets	6.8%	6.3%
Short-Term Fixed Income	7.0%	6.3%
Direct Real Estate	6.1%	3.7%
Short-Term Investments, Other Assets & Liabilities, Net	0.1%	0.1%

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	100%	100%
Current Asset Allocation for TIAA Lifecycle 2030 Fund-Portfolio II		
	06/30/22	06/30/21
US Equity	N/A	43.4%
Fixed Income	N/A	29.3%
International Equity	N/A	18.7%
Inflation-Protected Assets	N/A	2.4%
Short-Term Fixed Income	N/A	2.4%
Direct Real Estate	N/A	3.7%
Short-Term Investments, Other Assets & Liabilities, Net	N/A	0.1%
	N/A	100%
Current Asset Allocation for TIAA Portfolio II		
	06/30/22	06/30/21
Guaranteed	11.0%	N/A
Equities	55.1%	N/A
Real Estate	10.5%	N/A
Fixed Income	9.5%	N/A
Mult-Asset	13.8%	N/A
	100%	N/A

(a) Custodial Credit Risk

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

(b) Credit Quality Risk

The Morningstar Rating is a quantitative assessment of a fund's past performance for both return and risk, as measured from one to five stars. It uses focused comparison groups to better measure fund manager skill. Morningstar rating has ranked the Lifecycle 2020 and 2030 fund four out of five stars for the overall Morningstar rating. This investment is not rated by a different rating agency other than Morningstar.

(c) Foreign Currency Risk

The TIAA/CREF 2020 Lifecycle Mutual fund has 14.3% and 13.7% in international equities in fiscal year 2022 and 2021 respectively. It may also invest up to 20% of its bond assets in fixed income securities of foreign issuers, including emerging markets.

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(3) Capital Assets

The following tables, present changes in capital assets and accumulated depreciation for the years ended June 30, 2022 and 2021:

	Balance, June 30, 2021	Additions	CIP transfers	Retirements/ Adjustments	Balance, June 30, 2022
Land	1,005,185	-	-	-	1,005,185
Construction in progress	3,503,007	2,446,491	(3,677,560)	(9,414)	2,262,524
Depreciable capital assets					
Equipment	23,920,001	693,755	3,617,456	(1,347,564)	26,883,648
Buildings	140,674,773	-	-	-	140,674,773
Leasehold improvements	65,716,258	2,380	60,104	4	65,778,746
Right to Use	7,791,152	749,584		(2,148,048)	6,392,687
Less accumulated depreciation:					
Equipment	(18,189,638)	(1,889,488)	-	1,190,441	(18,888,684)
Buildings	(27,197,247)	(5,005,976)	-	-	(32,203,223)
Leasehold improvements	(33,137,114)	(5,153,765)	-	-	(38,290,879)
Right to Use	(4,138,992)	(1,329,327)		2,148,048	(3,320,271)
Net depreciable capital assets	155,439,193	(11,932,836)	3,677,560	(157,119)	147,026,798
Total capital assets, net	159,947,385	(9,486,345)	-	(166,533)	150,294,507

	Balance, June 30, 2020	Additions	CIP transfers	Retirements/ Adjustments	Balance, June 30, 2021
Land	1,005,185	-	-	-	1,005,185
Construction in progress	4,539,992	1,330,705	(2,251,095)	(116,595)	3,503,007
Depreciable capital assets					
Equipment	23,489,984	525,759	-	(95,742)	23,920,001
Buildings	140,597,500	-	77,273	-	140,674,773
Leasehold improvements	63,542,444	-	2,173,822	(8)	65,716,258
Right to Use	8,867,241	748,835	-	(1,824,924)	7,791,152
Less accumulated depreciation:					
Equipment	(16,857,953)	(1,407,091)	-	75,406	(18,189,638)
Buildings	(22,543,371)	(4,653,876)	-	-	(27,197,247)
Leasehold improvements	(27,990,112)	(5,147,002)	-	-	(33,137,114)
Right to Use	(4,295,376)	(1,407,837)	-	1,564,220	(4,138,992)
Net depreciable capital assets	164,810,358	(11,341,212)	2,251,095	(281,047)	155,439,193
Total capital assets, net	170,355,535	(10,010,507)	-	(397,642)	159,947,385

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(4) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	June 30, 2021 (restated)	Additions	Deletions	June 30, 2022	Amounts due within one year
Bonds payable	\$ 129,736,136	71,445,000	(75,191,241)	125,989,895	4,340,000
Notes Payable	4,224,144	-	(517,708)	3,706,436	544,486
Financed Purchase Option Payable	315,040		(132,176)	182,864	135,719
Right to Use Leases Payable	3,268,319	749,584	(1,222,631)	2,795,273	1,064,422
Compensated absences	6,728,669	2,065,518	(1,129,847)	7,664,339	843,703
Interest Rate Swap Agreement	7,063,126		(6,547,266)	515,860	
Total noncurrent liabilities	<u>151,335,434</u>	<u>74,260,102</u>	<u>(84,740,869)</u>	<u>140,854,667</u>	<u>6,928,330</u>

A summary of the changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	June 30, 2020 (restated)	Additions	Deletions	June 30, 2021	Amounts due within one year
Bonds payable	\$ 135,172,571	-	(5,436,435)	129,736,136	4,050,000
Notes Payable	4,715,074		(490,930)	4,224,144	517,708
Financed Purchase Option Payable	443,766		(128,726)	315,040	132,176
Right to Use Leases Payable	4,205,859	748,835	(1,686,374)	3,268,319	1,027,790
Compensated absences	6,509,238	1,065,599	(846,168)	6,728,669	583,651
Interest Rate Swap Agreement	11,457,017		(4,393,891)	7,063,126	
Total noncurrent liabilities	<u>162,503,525</u>	<u>1,814,434</u>	<u>(12,982,525)</u>	<u>151,335,434</u>	<u>6,311,325</u>

Interest Rate Swap Agreement and Embedded Borrowing

On September 30, 2020 MSU Denver executed a novation agreement which transferred the HLC@Metro Inc's floating to fixed interest rate swap agreement (Swap Agreement) with Royal Bank of Canada (RBC) to the University. This was a part of the University's acquisition of most of the HLC's assets and liabilities on June 30, 2020. The Swap Agreement was entered with the objective of protecting against the potential increase of interest rates.

Pursuant to the interest rate swap, the University will pay RBC a fixed rate of 2.451% per annum. RBC will pay the University 80% of USD-LIBOR-BBA. In addition, the University was to pay JPMorgan, as owner of the Series 2020 Bonds, 80% of LIBOR, plus 150 basis points. This arrangement produced an interest rate on the Series 2020 Bonds equal to approximately 3.95% and helped ensure the University could leverage a low interest rate in an otherwise unpredictable market. Subsequently, in August 2021 MSU Denver issued its Series 2021, Institutional Enterprise Revenue Refunding bonds directly to PNC Bank to refund the Series 2020 bonds. The Series 2021 bonds required the University to pay PNC Bank 80% of LIBOR plus 46 basis points which produced an

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effective interest rate of approximately 2.91%. The issuance of the Series 2021 bonds caused the swap to terminate and the related hedge accounting to cease. This required the value of the swap, or \$7.7 million, at the time of termination (August 2nd, the issuance date of the Series 2021) to be amortized over the remaining life of the swap. However, the agreement with RBC remains an embedded borrowing and is also amortized over the life of the agreement exactly offsetting the interest expense from the swap amortization, resulting in no impact to the income statement. MSU Denver classified the embedded borrowing agreement in level 2 of the fair value hierarchy; whereby, RBC, the counterparty to the Agreement, determined the fair value as of June 30, 2022 and 2021 using an indicative mid-market valuation.

The Swap Agreement had a notional value of \$48.7 million and a negative fair value of \$516 thousand and \$7.1 million as of June 30, 2022 and 2021, respectively. The fair value of the Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2022 and 2021. The Swap Agreement has an effective date of September 1, 2020 and a termination date of July 1, 2042.

There can be risks inherent to interest rate swaps that the University addressed and monitors pursuant to entering into interest rate Swap Agreements:

Termination Risk: Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.

Credit Risk: Credit Risk is the risk that the counterparty will not fulfill its obligations. MSU Denver considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2022, RBC's credit rating is rated Aa1 by Moody's and AA- by S&P.

The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$5.0 million and the credit rating is equal to A3 as rated by Moody's or A- as rated by S&P, or if threshold is zero but the credit ratings are Baa1 as rated by Moody's or BBB+ as rated by S&P.

Basis Index Risk: Basis Index Risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis Index Risk can also result from the use of floating, but different, indices.

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(5) Lease Obligations

Right to Use Leases-Lessee

The University leases building space and computers from private organizations that meet the right to use (RTU) lease definition as outlined by GASB 87.

The building leases are between four and eleven years and contain escalation rates for a yearly increase in rent. Building payments include variable rates for taxes, insurance and repairs. All variable costs are excluded from the scope of GASB 87. There are no residual value guarantees. The computer leases are between three and four years long and have variable payments based on the usage of the equipment, i.e. damages or late returns of leased computer equipment.

The total of the RTU leases and the related accumulated amortization are shown in the table below:

	June 30	
	2022	2021
RTU Lease Assets	\$ 6,392,687	\$ 7,791,152
RTU Accumulated Amortization	3,320,271	4,138,992
RTU Asset, net of accumulated Amort	\$ 3,072,416	\$ 3,652,160

The amount of each major RTU lease asset class is shown in the table below

	June 30	
	2022	2021
Equipment	\$ 3,546,466	\$ 4,944,930
Buildings	2,846,222	2,846,222
Total RTU Assets	\$ 6,392,687	\$ 7,791,152

Total rental payments for the years ended June 30, 2022 and 2021 under all RTU agreements was \$1,309,209 and \$1,796,533, respectively. As of June 30, 2022, minimum future rentals required by these agreements are as follows:

<u>Payments Required</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,064,422	\$ 70,847
2024	637,541	46,012
2025	461,109	28,445
2026	279,571	15,143
2027	281,169	6,725
2028-2032	71,461	358
	\$ 2,795,273	\$ 167,530

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In addition to these leases, the University occupies other space on the Auraria Campus owned by AHEC; one such space is the Science building. This arrangement did not fall within the purview of GASB 87 because AHEC and the University are both considered the same state entity and therefore that arrangement is recorded as a Notes Payable. Additional space owned by AHEC and occupied by the University that is not formalized under an official agreement (with a term and future payment obligations) is a component of the shared campus costs and is, therefore, reflected in note 17.

Right to Use (RTU) Leases-Lessor

The University leases building space to private organizations that meet the RTU lease definition as outlined by GASB 87.

The building leases are for 8 years and the rental payments are fixed for a one year period and increase annually per the rental agreement. Variable payments are in the form of additional rent which is charged monthly based on the estimated annual utility charges related to the lease. This amount is trued up at the end of each year. Variable and utility charges are not included in the measurement of lease receivables per GASB 87.

Total rental payments received for the years ended June 30, 2022 and 2021 under all RTU agreements was \$254,788 and \$251,400, respectively. As of June 30, 2022, minimum future rentals payment required by these agreements are as follows:

<u>Payments Expected</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 236,382	\$ 13,513	\$ 249,895
2024	236,492	6,571	243,063
2025	89,508	611	90,119
2026	-	-	-
2027	-	-	-
2028-2032	-	-	-
	<u>\$ 562,382</u>	<u>\$ 20,695</u>	<u>\$ 583,077</u>

(6) Notes Payable

During fiscal year 2009, the University entered into an agreement 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 agreement expires in November 2027 and requires annual principal payments and semiannual interest payments. In fiscal years 2022 and 2021, the principal payments totaled \$517,708 and \$490,930, respectively, and interest payments equaled \$217,716 and \$244,193, respectively.

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As of June 30, 2022, minimum future payments required by this agreement are as follows:

<u>Payments Required</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 544,486	\$ 189,834
2024	575,727	160,428
2025	606,968	128,623
2026	640,441	94,320
2027	678,376	58,052
2028-2032	660,438	19,699
	<u>\$ 3,706,436</u>	<u>\$ 650,956</u>

(7) Bond Obligations

Total outstanding bonds are summarized below:

<u>Issue</u>	<u>Date issued</u>	<u>Amount issued</u>	<u>June 30</u>	
			<u>2022</u>	<u>2021</u>
2009 Taxable Institutional Enterprise Revenue Bonds	11/17/09	\$ 55,190,000	39,540,000	41,140,000
2010 Taxable Institutional Enterprise Revenue Bonds	6/11/10	10,575,000	7,720,000	8,010,000
Less discount on 2010 Bonds, net of amortization			(26,917)	(28,412)
2014 (Direct Placement) Institutional Enterprise Revenue Bonds	6/13/2014	4,000,000	1,037,540	1,452,540
2016 Institutional Enterprise Revenue Bonds	1/27/2016	27,450,000	2,585,000	24,705,000
Plus premium on 2016 Bonds, net of amortization			199,272	2,062,007
2019 (Direct Placement) Bank Qualified Enterprise Revenue Bonds	1/31/2019	8,250,000	4,905,000	6,050,000
2020 (Direct Placement) Bank Qualified Enterprise Revenue Bonds	4/17/2020	47,710,000	—	46,345,000
2021 (Direct Placement) Bank Qualified Enterprise Revenue Bonds	8/2/2021	46,345,000	44,930,000	—
2022A (Direct Placement) Bank Qualified Enterprise Revenue Bonds	5/11/2022	23,085,000	23,085,000	—
2022B (Direct Placement) Bank Qualified Enterprise Revenue Bonds	5/11/2022	2,015,000	2,015,000	—
Total			<u>\$ 125,989,895</u>	<u>129,736,135</u>

Non-Direct Placement Bonds

All of the University's non-direct placement bonds were offered for public sale. The principal and interest requirements on all non-direct placement outstanding bonds at June 30, 2022 are summarized in the table below. All non-direct placement debt has a fixed interest rate.

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<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,560,000	2,910,422	5,470,422
2024	2,640,000	2,783,165	5,423,165
2025	2,720,000	2,647,013	5,367,013
2026	2,810,000	2,494,255	5,304,255
2027	2,200,000	2,345,875	4,545,875
2028 – 2032	12,160,000	9,592,842	21,752,842
2033 – 2037	14,370,000	5,504,010	19,874,010
2038 – 2042	10,385,000	1,042,536	11,427,536
2043 – 2047	—	—	—
	<u>49,845,000</u>	\$ <u>29,320,118</u>	<u>79,165,118</u>
Unamortized discount, net	(26,917)		
Unamortized premium, net	<u>199,272</u>		
	<u>\$ 50,017,355</u>		

(a) Series 2009

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

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from \$1,295,000 to \$2,875,000 through December 1, 2039. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order which reduced the amount of the subsidy. As of June 30, 2022, the University received \$781,623 less in total subsidy payments than what was expected before sequester. As of June 30, 2022 and 2021, the University has received \$15,129,445 and \$14,087,167, respectively, in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 8 for more information on pledged revenues.

(b) Series 2010

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

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from \$240,000 to \$535,000 through December 1, 2040. The interest payments on the bonds are eligible to receive

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a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order which reduced the amount of the subsidy. As of June 30, 2022 the University received \$147,801 less in total subsidy payments than what was expected before sequester. As of June 30, 2022 and 2021, the University has received \$2,707,844 and \$2,508,276, respectively, in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 8 for more information on pledged revenues.

The Series 2010 bonds are shown net of unamortized discount of \$26,917.

(c) Series 2016

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

The bonds were due in semiannual installments beginning in fiscal year 2017 with annual principal payments ranging from \$525,000 to \$1,560,000 through December 1, 2045. However, on May 11, 2022 \$21.5 million of the Series 2016 bonds were defeased in substance by the Series 2022A bonds. (see item "e" below in Direct Placement Bonds) at which point the related principal and premium amounts of the Series 2016 were removed from the University's balance sheet.

Direct Placement Bonds

The University has five direct placement bonds which were not issued to the public for sale and the terms were negotiated directly with the lender. All of the direct placement bonds are collateralized by future revenues the University has pledged. (See note 8 for more information on pledged revenues). Principal and interest requirements on all non-direct placement outstanding bonds at June 30, 2022 are summarized in the table below. The Series 2019, 2022A and 2022B direct placement bonds have a fixed interest rate and the Series 2014 and Series 2021 bonds have variable interest rates that are calculated as 65.001% of LIBOR, plus a tax free loan margin of 0.99% per annum for the Series 2014 and 80% of LIBOR plus 46 basis points for the Series 2021.

For purposes of this table the rates used to calculate future interest owed on the Series 2014 and Series 2021 bonds were the rates that were in effect as of June 30, 2022.

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<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,780,000	2,343,356	4,123,356
2024	3,305,000	2,238,649	5,543,649
2025	3,152,540	2,149,325	5,301,865
2026	3,185,000	1,948,191	5,133,191
2027	2,735,000	1,822,258	4,557,258
2028 – 2032	15,145,000	7,815,919	22,960,919
2033 – 2037	16,795,000	5,455,417	22,250,417
2038 – 2042	19,685,000	3,076,084	22,761,084
2043 – 2047	10,190,000	432,563	10,622,563
	<u>75,972,540</u>	<u>\$ 27,281,762</u>	<u>103,254,302</u>

(a) Series 2014

On June 13, 2014, the University issued Series 2014 Institutional Enterprise Revenue Bonds not to exceed \$4,000,000, at a variable interest rate equal to 65.001% of LIBOR plus a tax free loan margin of .99% per annum. The purpose of these bonds was to provide funding for the completion of the new 12.5 acre athletic fields, which include eight tennis courts, a soccer stadium, and baseball and softball diamonds.

These bonds worked like a line of credit, where the University drew funds on an as needed basis. The outstanding principal amount is equal to the amount the University drew down. At the end of fiscal year 2017, the University drew the full \$4 million, and there are no unused lines of credit available. Principal payments became due beginning in fiscal year 2016. The maturity date of these bonds is September 1, 2024. The outstanding bonds are all on parity and subject to the rights of the bondholders embedded in the Master Resolution and supplemental resolutions associated with each bond issue. There are no acceleration clauses. These bonds are not eligible for the bond subsidy payments from the federal government.

(b) Series 2019

On January 31, 2019, the University issued Series 2019 Bank Qualified Institutional Enterprise Revenue Bonds not to exceed \$8,250,000, at a fixed interest rate of 2.680% per annum. The purpose of these bonds was to provide funding for the replacement of the gym bleachers, and a renovation of the main locker rooms, improving the safety and security, as well as improving ADA accessibility. The project was completed in fiscal year 2020.

There are no available lines of credit, and the outstanding bonds are all on parity and subject to the rights of the bondholders embedded in the Master Resolution and supplemental resolutions associated with each bond issue. There are no acceleration clauses. Principal payments become due on December 1, 2019. The maturity date of these bonds is December 1, 2025. These bonds are not eligible for the bond subsidy payments from the federal government.

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(c) Series 2020

On April 17, 2020, the University issued \$47,710,000 of Series 2020 Institutional Enterprise Revenue bonds. These bonds offer a variable interest rate equal to 80% of LIBOR plus 150 basis points. The purpose of these bonds was to effectively defease the HLC@Metro Inc's. Series 2010 bonds, which the University guaranteed in order to provide greater flexibility in the allowable uses of the hotel. When the COVID-19 pandemic struck and predictions about the number of cases rose the State of Colorado needed additional hospital capacity. The hotel would have been a possible solution to serve as hospital patient overflow, but the HLC@Metro Inc's. Series 2010 bonds would not allow for this unconventional use of the hotel space. In order to serve MSU Denver's community and the needs of the State, the University issued the Series 2020 bonds which permitted the hotel to be used in this way. To date, the State has not needed to use the hotel for hospital space and it has continued to operate in its intended capacity as a hotel. The Series 2020 bond proceeds were used to purchase most of the HLC@Metro Inc's. assets and liabilities including the hotel. The HLC@Metro Inc. used the proceeds of that sale to defease the Series 2010 bonds in substance.

In August 2021, the \$46,345,000 carrying value of the Series 2020 bonds was legally defeased with the \$46,345,000 reacquisition price of the Series 2021 bonds (see item "d" below in Direct Placement Bonds) at which point the Series 2020 was removed from the University's balance sheet.

(d) Series 2021

On August 2, 2021, the University issued \$46,345,000 of Series 2021 Institutional Enterprise Revenue Refunding bonds to legally defease \$46,345,000 of outstanding Series 2020 bonds. The Series 2021 bonds offer a variable interest rate equal to 80% of LIBOR plus 46 basis points due in monthly installments beginning in fiscal year 2022 with annual principal payments ranging from \$1,415,000 to \$4,550,000 from July 1, 2022 through July 1, 2043.

The defeasance of the Series 2020 with the Series 2021 resulted in a present value savings of \$4,950,372 and a reduction of total debt service payments equal to \$5,620,886 over the next 21 years.

There are no available lines of credit, and the outstanding bonds are all on parity and subject to the rights of the bondholders embedded in the Master Resolution and supplemental resolutions associated with each bond issue. There are no acceleration clauses. These bonds are not subject to the bond subsidy payments from the federal government.

(e) Series 2022A

On May 25, 2022, the University issued \$23,085,000 of Series 2022A Institutional Enterprise Revenue Refunding bonds to defease, in substance, \$21,520,000 of outstanding Series 2016 bonds. The Series 2022A bonds

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offer a fixed interest rate equal to 3.59% due in semiannual installments beginning in fiscal year 2023, with annual principal payments ranging from \$15,000 to \$1,485,000 from December 2022 to December 2045.

The net proceeds of \$22,495,788 were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Series 2016 bonds. Accordingly, those trust assets and the liabilities for the Series 2016 bonds are not reflected in the University's financial statements. The defeasance of most of the Series 2016 with the Series 2022A resulted in a present value savings of \$1,869,269 and a reduction of total debt service payments equal to \$4,849,385 over the next 24 years.

There are no available lines of credit, and the outstanding bonds are all on parity and subject to the rights of the bondholders embedded in the Master Resolution and supplemental resolutions associated with each bond issue. There are no acceleration clauses. These bonds are not subject to the bond subsidy payments from the federal government.

(f) Series 2022B

On May 25, 2022, the University issued \$2,015,000 of Series 2022B Institutional Enterprise Revenue bonds. These bonds offer a fixed interest rate equal to 3.59% due in semiannual installments beginning in fiscal year 2023, with annual principal payments ranging from \$175,000 to \$230,000 from December 2022 to December 2032. The purpose of these bonds was to provide funding for the relocation of the Criminal Justice Department as a precursor to the construction of new nursing labs. The work related to this move is expected to be completed by the close of fiscal year 2023.

There are no available lines of credit, and the outstanding bonds are all on parity and subject to the rights of the bondholders embedded in the Master Resolution and supplemental resolutions associated with each bond issue. There are no acceleration clauses. These bonds are not subject to the bond subsidy payments from the federal government.

Principal and interest requirements on all outstanding bonds (non-direct and direct placement) at June 30, 2022 are summarized in the table below.

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<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	4,340,000	5,253,778	8,890,303
2024	5,945,000	5,021,814	10,262,089
2025	5,872,540	4,796,338	9,966,778
2026	5,995,000	4,442,445	9,740,446
2027	4,935,000	4,168,133	9,103,133
2028 – 2032	27,305,000	17,408,761	44,713,761
2033 – 2037	31,165,000	10,959,427	42,124,427
2038 – 2042	30,070,000	4,118,620	34,188,620
2043 – 2047	10,190,000	432,563	10,622,563
	<u>\$ 125,817,540</u>	<u>\$ 56,601,879</u>	<u>179,612,120</u>
Unamortized discount, net	(26,917)		
Unamortized premium, net	<u>199,272</u>		
	<u>\$ 125,989,895</u>		

(8) Pledged Revenue

None of the University's buildings are used as collateral for the bonds; rather the University has pledged future revenues to repay \$125,989,895 in outstanding revenue bonds. Pledged revenue includes all revenues derived from the facilities construction fee, all revenues derived from indirect cost recoveries (overhead) payable to research contracts and grants performed within the University's facilities, all revenues derived from mandatory fees for the provision of student and faculty services at the University, all revenues, net of operation and maintenance expenses, for the provision of continuing education services at the University, interest income, and federal interest subsidy payments received in connection with the bonds, and in fiscal year 2022 the University issued its 10th supplemental bond resolution and changed the pledged revenues from 10% of tuition revenue to 100% of net tuition revenue.

Proceeds from the bonds provided financing for the construction of the SSB, the AAC, the AES, the purchase of the Hotel, and various major remodeling projects. The total remaining principal and interest payments, (excluding the federal subsidy payments) are expected to be \$182,419,419 payable through fiscal year 2046. The total revenue pledged was \$127,703,798 and \$116,339,592, for June 30, 2022 and 2021, respectively.

The following table shows information for pledged revenues for fiscal years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tuition	\$ 102,343,954	89,700,226
Mandatory Fees	14,224,131	15,545,076
Facility fee	6,966,406	7,627,576
Unrestricted Net Income	1,635,212	1,526,994
Net Continuing Education	451,766	144,336
Federal Subsidy	1,238,205	1,280,497
Indirect cost recovery	<u>844,124</u>	<u>514,887</u>
	<u>\$ 127,703,798</u>	<u>116,339,592</u>

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(9) Other Liabilities

The Federal Perkins Loan Program Extension Act of 2015 expired and no additional legislation was passed to continue the extension. Therefore, beginning October 1, 2017, all colleges and universities were no longer allowed to award or disburse any new Perkins loans. As of June 30, 2022, Metropolitan State University of Denver has not liquidated/assigned the outstanding Perkins loans to the Department of Education (DoE) and will continue to service them. However, any excess liquid capital that has been received was allocated between the Federal Capital Contribution (FCC) and the Institutional Capital Contribution (ICC) and the FCC portion has been recorded as an "Other Liability" (current and non-current) in fiscal year 2022 and 2021 totaling \$3,022,276 and \$4,499,564, respectively. The University also records the non-current portion of the deferred compensation invested in the TIAA 415(m) plan (see note 2.b.2 above for more information on this plan) for the current and former Presidents as an "Other Liability" (non-current) which totaled \$549,735 and \$578,314 as of June 30, 2022 and 2021, respectively.

(10) Compensated Absences

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public University and Universities*, require that compensated absences be broken out into current and noncurrent liabilities. Employees may accrue annual and sick leave based on the length of service and, subject to certain limitations regarding the amount, will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2022 and 2021 are \$843,703 and \$583,651, respectively.

The estimated costs of noncurrent compensated absences for which employees are vested for the years ended June 30, 2022 and 2021 \$6,820,636 and \$6,145,018, respectively. Fiscal years 2022 and 2021 operating expenses include an increase of \$935,671 and \$219,431, respectively for the estimated compensated absence liability.

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(11) Defined Contribution Retirement Plan

On September 10, 1993, the Board of Trustees of the State Colleges in Colorado adopted an Optional Retirement Plan (ORP) for faculty and exempt administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994. Eligible employees were offered the choice of remaining in Public Employees' Retirement Association (PERA) (described in note 12) 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, and AIG-VALIC, providing a range of investment accounts for participants. The University's required contribution to the ORP is 11.4% of covered payroll, and contribution by employees is 8% of covered payroll.

The University's contributions to the ORP for the fiscal year ended June 30, 2022, and 2021 were \$8,726,003 and \$7,863,543, respectively. The plan members' contributions for the fiscal year ended June 30, 2022, and 2021 were \$6,215,995 and \$5,598,170, respectively. These contributions were equal to the required contributions. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and investment decisions made by participants for their individual accounts.

(12) Defined Benefit Pension Plan

i) Summary of Significant Accounting Policies

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

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ii) General Information about the Pension Plan

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

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contribution provisions as of June 30, 2022. Eligible employees and MSU Denver and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 2021 through December 2022 are summarized in the table below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022
Employee contribution (all employees except State Troopers)	10.50%	10.50%	11.00%
State Troopers Only	12.50%	12.50%	13.00%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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The employer contribution requirements for all employees, except State Troopers, are summarized in the table below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022
Employer contribution rate	10.40%	10.40%	10.40%
Automatic Adjustment as specified C.R.S. § 24-51-413	.5%	.5%	1%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the SDTF	9.88%	9.88%	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.05%	0.10%	0.10%
Total employer contribution rate to the SDTF ¹	19.93%	19.98%	20.48%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were \$8,332,345 and \$7,984,867 for the years ended June 30, 2022 and 2021 respectively.

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year, but these payments were reinstated in fiscal year 2022. However, House Bill (HB) 22-1029 which was enacted on June 7, 2022 and was effectively immediately, was intended to recompensate PERA for the suspended fiscal year 2021 payment. (HB) 22-1029 instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024. A portion of the direct distribution allocated to the SDTF is considered a non-employer contribution for financial reporting purposes. As of December 31, 2021 and 2020, MSU Denver's proportionate share of this contribution was \$930,139 and \$0, respectively.

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

At June 30, 2022 and 2021, MSU Denver reported a liability of \$89,430,319 and \$123,698,899, respectively for its proportionate share of the net pension liability. The net pension liability for the SDTF as of June 30, 2022 and 2021 was measured as of December 31, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2021 and 2020. MSU Denver's proportion of the net pension liability was based on MSU Denver's contributions to the SDTF for the calendar year 2021 and 2020 relative to the total contributions of participating employers and the State as a non-employer contributing entity to the SDTF.

At December 31, 2021 and 2020, MSU Denver's proportion was 1.21 percent and 1.30 percent, respectively, which was a decrease of 9 basis points. MSU Denver's proportion was 1.41 percent at December 31, 2019, resulting in a decrease of 11 basis point from December 31, 2019 to 2020.

For the year ended June 30, 2022, and 2021, MSU Denver recognized pension expense of (\$12,961,572) and (\$34,749,061), respectively. At June 30, 2022 and 2021, MSU Denver reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30 2022		June 30 2021	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 608,511	\$ 124,414	\$ 3,056,949	
Changes of assumptions or other inputs	3,188,529		8,399,370	
Net difference between projected and actual earnings on pension plan investments	-	30,775,362	-	25,317,863
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	9,686,688	-	10,566,664
Contributions subsequent to the measurement date	4,260,783		3,944,090	
Total	8,057,823	40,586,464	15,400,409	35,884,527

The \$4,260,783 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in

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pension expense as follows:

Year ended June 30:		
2023	\$	(12,775,798)
2024		(8,625,945)
2025		(7,693,841)
2026		(7,693,841)

Actuarial Assumptions. The total pension liability (TPL) in the December 31, 2020 and 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Actuarial cost method	Entry age	Entry age
Price inflation	2.30 percent	2.40 percent
Real wage growth	.70 percent	1.10 percent
Wage inflation	3.00 percent	3.50 percent
Salary increases, including wage inflation members other than State Troopers	3.30 – 10.90 percent	3.50-9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	1.00 percent compounded annually	1.25 percent compounded annually
PERA Benefit Structure hired after 12/31/06 ¹ (ad hoc, substantively automatic)	Financed by Annual Inc. Reserve	Finance by Annual Inc. Reserve

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based on the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.

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- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were adopted by the PERA Board during the November 20, 2020, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to

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model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Discount rate. As of December 31, 2021 and 2020 the discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022 employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially

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determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of MSU Denver's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability as of June 30, 2022 and 2021, calculated using the discount rate of 7.25 percent for both years presented, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

As of June 30, 2022	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	126,138,257	89,430,319	58,570,813

As of June 30, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	163,657,280	123,698,899	90,148,274

Pension plan fiduciary net position. Detailed information about the SDTF's fiduciary net position is available in PERA's Annual Report which can be

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obtained at www.copera.org/investments/pera-financial-reports.

IV. Payables to the pension plan

MSU Denver had a \$711,382 and \$667,217 payable to the SDTF as of June 30, 2022 and 2021, respectively, which was comprised entirely of the June contributions legally required to be made to the plan.

(13) Other Retirement Plans

i) Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's Annual Report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the University are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2021 through June 30, 2022 are summarized in the tables below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	10.50%	10.50%	11.00%
State Troopers Only	12.50%	12.50%	13.00%
Employer Contribution Rates:			
On behalf of all employees except State Troopers)	10.15%	10.15%	10.15%
State Troopers Only	12.85%	12.85%	12.85%

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	As of June 30, 2022	As of June 30, 2021

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Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-4131	.50%	.50%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-15051	.25%	.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	.10%	.05%
Total employer contribution rate to the SDTF¹	10.85%	10.80%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. During fiscal year 2022 and 2021 MSU Denver had one member in the PERA DC Plan; with employer contributions totaling \$1,088 and \$1,596, respectively, which was equal to the required contribution amounts. There were no outstanding payables due to PERA as of June 30, 2022, or 2021 for the PERA DC plan.

ii) Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of C.R.S. 24-54.6-101, 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 University for the fiscal years ended June 30, 2022 and 2021 was \$2,680,947 and \$2,541,423, respectively. Employee contributions for the fiscal years ended June 30, 2022 and 2021 were 7.5% of the covered payroll in the amount of \$201,073 and \$190,481, respectively.

14) Optional Investment Plans

i) 401(k) Voluntary Investment Program

Plan Description - Employees of MSU Denver who are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered

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by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

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

ii) Deferred Compensation Plan

- a) The PERA Deferred Compensation Plan (457 Plan) 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. Participants are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of the IRS limits for 457 plans which is 20,500 in calendar year 2022 and \$19,500 in calendar year 2021. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,500 contribution in both calendar years 2022 and 2021. Contributions and earnings are tax-deferred. At December 31, 2021, the Plan had 50 MSU Denver participants.
- b) On July 1, 2013, the University also established a TIAA/CREF Lifecycle Excess Benefit 415(m) plan. The assets of this plan are owned and controlled by the University and are subject to the claims of the University's creditors; however, given that they are held in trust for the exclusive benefit of the participants and their beneficiaries, the employees have a vested interest. The excess benefits in this plan are not available to employees until termination, retirement, death or unforeseeable emergency. See note 2 for details of this plans' assets. As of June 30, 2022 the 415(m) plan had two participants.

(15) Defined Benefit Other Post-Employment Benefits (OPEB)

i) Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. *Metropolitan State University of Denver* participates in the Health

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Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the University are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available Annual Report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Metropolitan State University of Denver were \$387,852 and \$388,510 the years ended June 30, 2022 and 2021, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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At June 30, 2022 and 2021, the University reported a liability of \$3,408,702 and \$4,121,606, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021 and 2020, the University's proportion was .40 percent and .43 percent, respectively, which was a decrease of 3 and 4 basis points from its proportion measured as of December 31, 2020 and 2019, respectively.

For the years ended June 30, 2022 and 2021 the University recognized OPEB expense of (\$268,356) and (\$88,837), respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,194	\$ 808,245	\$ 10,939	\$ 906,127
Changes of assumptions or other inputs	70,573	184,902	30,796	252,733
Net difference between projected and actual earnings on OPEB plan investments	-	211,000	-	168,412
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	993,264	-	777,502
Contributions subsequent to the measurement date	200,770	-	198,862	-
Total	\$ 276,537	\$ 2,197,411	\$ 240,597	\$ 2,104,775

\$200,770 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2023	\$	(494,748)
2024		(481,889)
2025		(445,627)
2026		(392,886)

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2027		(260,616)
Thereafter		(45,878)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 and 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	<u>Dec 31, 2020</u>	<u>Dec 31, 2019</u>
Actuarial cost method	Entry age	Entry age
Price inflation	2.30 percent	2.40 percent
Real wage growth	.70 percent	1.10 percent
Wage inflation	3.00 percent	3.50 percent
Salary increases, including wage inflation	3.30-10.90	3.50 percent
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Health care cost trend rates		
PERA benefit structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	4.50 percent for 2021, 6% in 2022 gradually decreasing to 4.50 percent in 2029	8.10 percent for 2020, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.75 percent for 2021, gradually rising to 4.50 percent in 2029	3.50 percent for 2020, gradually rising to 4.50 percent in 2029
DPS benefit structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	N/A	N/A
Medicare Part A premiums	N/A	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Prescription	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	596	199	562

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The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were

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based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

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

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

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As of December 31, 2021	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	3,310,813	3,408,702	3,522,098

As of December 31, 2020	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	4,015,077	4,121,606	4,245,619

Discount rate. As of the most recent year, as well as the prior year, the discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

As of December 31, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	3,958,850	3,408,702	2,938,780

As of December 31, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	4,721,374	4,121,606	3,609,151

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the OPEB plan

MSU Denver had a \$36,317 and \$34,233 payable to the HCTF as of June 30, 2022 and 2021, respectively, which was comprised entirely of the June contributions legally required to be made to the plan.

ii) Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

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

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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.

(16) Commitments and Contingent Liabilities

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

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

The University is subject to risk of loss from liability for accidents, property damage, and personal injury. These risks are managed by the State Office of Risk Management, an agency formed in statute. MSU Denver does not retain risk of loss except for damage incurred to property belonging to the State limited to a \$5,000.00 deductible per incident. Pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101, claims that accrued before January 1, 2019 brought under state law are limited to \$350,000 per person and \$990,000 per accident. Claims that accrue after January 1, 2019, and before January 1, 2023 brought under state law are limited to \$387,000 per person and \$1,093,000 per accident.

The premiums MSU Denver pays to the State Office of Risk Management are based on an assessment of risk exposure and historical claims experience. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, nor have there been any significant reductions in insurance coverage from the prior year.

Contracts have been entered for the purposes of planning, modifying, and equipping certain buildings, facilities or information technology infrastructure with outstanding amounts totaling \$3,078,521 and \$42,007 as of June 30, 2022, and 2021, respectively.

(17) Campus Shared Controlled Costs

Legislation enacted in 1974 established AHEC and included the University as one of the constituent institutions, along with the CCD and the UCD. Each institution operates independently as an educational institution responsible to its own governing board while sharing common operations. For the purpose of total

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financial disclosure, the University's portion of campus-shared costs for the Auraria Campus is as follows:

	Year Ended June 30	
	2022	2021
Administration of Auraria Higher Education Center		
and operation and maintenance of plant	\$ 11,186,830	10,868,839
Controlled Maintenance	994,600	1,010,400
Library and Media Center	4,933,386	4,971,331
Total	<u>\$ 17,114,816</u>	<u>16,850,570</u>

The University's existing and future commitments to AHEC are established within the Senate Bill 10-1301. The University's ability to fulfill existing and future commitments is contingent upon funds being appropriated for such purposes. For the year ending June 30, 2023, the University's portion of shared costs is estimated to be \$17,472,017 (unaudited).

(18) Legislative Appropriations

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

For the years ended June 30, 2022 and 2021, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2022 and 2021, the University had a total re-appropriation of \$72,489,051 and \$26,923,391, respectively. For years ended June 30, 2022 and 2021, the University's appropriated funds consisted of \$29,540,665 and \$13,957,149, respectively, received from students that qualified for stipends from the College Opportunity Fund and \$42,948,386 and \$12,966,242, respectively, as fee-for-service contract revenue. As of June 30, 2022, and 2021 the University's total appropriation of cash funds for the student's share of tuition was \$109,576,243 and \$114,494,674, respectively. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds are revenues resulting from student fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

(19) Federal Funding

In response to the financial impact caused by the COVID-19 pandemic, which was first declared on March 11, 2020 by the World Health Organization, MSU Denver received funding from the federal government either directly from the Higher Education Emergency Relief Funds (HEERF) or as a pass through via the State of Colorado from Coronavirus Relief Funds (CRF). For the years ended June 30, 2022 and 2021, the University recognized non-operating revenue totaling of \$48.0 million and \$66.7 million, respectively from these federal relief funds. There are specific requirements that at least 50% of HEERF I and III funds must be spent on

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students, and that HEERF II funds must have the same amount allocated to students as in HEERF I by the close of the award, so the University took a pro-rata approach to revenue recognition for those institutional funds that were spent in excess of student funds by the end of the fiscal year. As of June 30, 2022, and 2021, the University had \$2.0 million and \$3.4 million, respectively in unearned institutional HEERF revenue. The University expects that by the close of the award all HEERF funds will be spent according to the authorized allocation. The HEERF funds were used as direct student support, to cover the additional COVID related costs and to replace some of the lost revenue caused by the pandemic. The total allocation of \$33.7 million in CRF funds was received in May 2020, and the full award was spent by the first half of fiscal year 2021. These funds were spent on COVID related costs, but primarily were intended to support the State of Colorado's economic recovery (a second order effect of the pandemic) by retaining and completing post-secondary students to support the State's workforce. The table below shows the summary of funds awarded and expended under the federal stimulus programs as of June 30.

		Award	Expenses			Amount Expected to be Spent by	Expected Unspent Award
			30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-23	
CARES (HEERF I)	Student	\$ 7,195,042	-	1,445,944	5,749,098	-	-
	Institutional	\$ 7,195,041	712,917	5,444,889	1,037,235	-	-
	HSI/MSI [^]	\$ 1,065,372	280,470	784,902	-	-	-
CRRSA (HEERF II)	Student	\$ 7,195,042	397,515	6,797,527	-	-	-
	Institutional	\$ 19,171,046	-	19,171,046	-	-	-
	HSI/MSI [^]	\$ 1,700,550	1,200,550	500,000	-	-	-
ARPA (HEERF III)	Student	\$ 23,103,865	21,031,210	-	-	2,072,655	-
	Institutional	\$ 22,524,146	20,225,085	2,299,061	-	-	-
	HSI/MSI [^]	\$ 2,854,712	2,854,712	-	-	-	-
CRF		\$ 33,694,364	-	33,444,921	249,443	-	-
Grand Total		\$ 125,699,180	\$ 46,702,459	\$ 69,888,289	\$ 7,035,777	\$ 2,072,655	\$ -

[^] HSI/MSI-“Hispanic Serving Institutions/Minority Serving Institutions”

(20) Component Unit Disclosures

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

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

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On August 17, 2010, the University's Board of Trustees approved the incorporation of the HLC@Metro, Inc., a not-for-profit, special-purpose corporation in order to create the Hotel Learning Center (HLC). The HLC@Metro, Inc. established 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 was that the hotel was to provide services to the community-at-large, and not to the exclusive or even primary benefit of MSU Denver or MSU Denver's students, faculty, and staff; thereby supporting a discrete financial statement presentation. However, in June of 2020, the University's Board of Trustees and the HLC@Metro Inc. Board of Directors voted to approve the transfer of most of the assets, liabilities, and agreements of the HLC@Metro Inc. to the University in consideration for the in substance defeasance of the HLC@Metro Inc's Series 2010 bonds. Therefore, beginning July 1, 2020, the HLC@Metro Inc. sole purpose was to serve the University as an advisory board, as opposed to serving the public. That change in addition to the facts that MSU Denver appoints a voting majority of the HLC@Metro Inc's board and that the University can impose its will on the HLC@Metro Inc. changed the financial statement presentation requirements from discrete to a blended presentation. The HLC@Metro Inc, reported no operational revenues or expenses in fiscal year 2021 or 2022. The financial statements of HLC@Metro, Inc. are prepared on the accrual basis and are prepared in conformity with applicable GASB standards.

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

The full annual financial report for the Foundation can be obtained by visiting <https://www.msudenver.edu/giving/msudenverfoundation/reportsandforms/>.

On August 17, 2010 the University's Board of Trustees approved the formation of the Authority for the purpose of issuing the bonds necessary to fund the hotel/HLC. Pursuant to an intergovernmental agreement between MSU Denver and the HLC@Metro Inc., the Board of Directors of the Authority authorized the issuance of the bonds and transferred the proceeds to the HLC@Metro Inc. Although the Board of Directors of the Authority was responsible for the issuance of the bonds rather than the University's Board of Trustees, the Board of Trustees was authorized to set certain parameter restrictions on the total amount of the bonds issued, the maximum interest rate, and the final maturity date of the bonds.

The Authority's Board of Directors is comprised of three members; two of which are appointed by MSU Denver, and one is appointed by the HLC@Metro Inc. The Authority was established for the primary purpose of issuing bonds and because the University is able to overrule or otherwise modify any decisions relating to that debt, the University is considered to have the authority to impose its will as defined by GASB Statement No. 14. Furthermore, because the bonds were issued almost

METROPOLITAN STATE UNIVERSITY OF DENVER
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exclusively for the benefit of the University the financial transactions should be blended with the University's as opposed to being showed separately.

The bonds were immediately transferred to the HLC@Metro Inc. in 2010 and the Authority has not had any other transactions since then, therefore there is no impact to the University's financial statements.

(21) Related-Party Transactions

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

The University leased office space to the Foundation for \$8,274 for each of the fiscal years ending June 30, 2022 and 2021. During the years ended June 30, 2022 and 2021, the Foundation provided \$5,087,821 and \$4,336,203, respectively, of funding to the University for various purposes, such as scholarships, departmental funding, and other programs.

The University provides employees on a reimbursement basis to the Foundation. For the years ended June 30, 2022 and 2021, these expenses were \$608,198 and \$447,863, respectively. In addition, the University donates development and certain personnel costs to the Foundation, which totaled \$2,549,838 and \$1,917,906 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the University had an outstanding receivable balance of \$767,832 but no outstanding payables. As of June 30, 2021 there were no outstanding payables or receivables due to or from the Foundation.

(22) Restatement

Change in Accounting Principle

In fiscal year 2022, the University adopted GASB Statement No. 87, Leases. This standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University has leases that meet the definition in this standard, both as a lessee and lessor, which lead to the addition of a Leases Receivable, Lease Asset, net of amortization, Lease Liability, and Deferred Inflow-Leases on the Statement of Net Position. Prior to the adoption of Statement No. 87 MSU Denver's fiscal year 2021 beginning net position was (\$79.6) million. After applying the requirements of Statement No. 87 the University's restated fiscal year 2020 Net Position is (\$79.3) million, as summarized in the table below.

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June 30, 2020 Ending Net Position as Reported	Add in Lease Asset	Add in Lease Receivable	Less Lease Asset Accumulated Amortization	Less Lease Liability	Less Deferred Inflow	Revised June 30, 2020 Net Position
<u>(79,637,887)</u>	<u>8,867,241</u>	<u>796,937</u>	<u>(4,295,376)</u>	<u>(4,205,859)</u>	<u>(796,937)</u>	<u><u>(79,271,881)</u></u>

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Cash, Cash Equivalents, and Restricted Cash

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowment, held on behalf of others or other long-term purposes of the Foundation are excluded from this definition. The Foundation serves as a repository of funds raised through the *Colorado Rockies Foundation 50/50 Raffle* on behalf of Metropolitan State University of Denver Alumni Association, a separate Colorado nonprofit organization. Restricted cash held for the University consists of receipts for Athletic Fields, the University Hospitality Center, and athletic camps hosted by the University.

	2022	2021
Cash and Cash Equivalents	\$ 2,429,587	\$ 1,611,505
Cash Restricted for Distribution to University	14	42
Cash Restricted for Alumni Association	330,538	225,128
Cash Restricted for Endowment	-	26,350
Total	<u>\$ 2,760,139</u>	<u>\$ 1,863,025</u>

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. Management's estimate of the allowance for uncollectible promises to give is based on historical collection rates and an analysis of the collectability of individual promises.

Property and Equipment

Property and equipment additions over \$5,000 with useful lives exceeding one year are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, at present only the building at 965 Santa Fe is subject to depreciation over a 30-year useful life. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Property and equipment also includes works of art which are capitalized at original cost, or fair value if donated, and are not depreciated because the Foundation intends to preserve these assets in perpetuity.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

Investments

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

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment (see Note 9).

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

The Foundation records contributions in accordance with the requirements of accounting principles generally accepted in the United States of America for nonprofit entities. The Foundation recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Foundation is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

Promises to give are recognized initially at fair value. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue.

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or

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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (continued)

enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated Professional Services, In-Kind Contributions, and Services Received from the University

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. Donated services received from Affiliated Organizations are recorded at the respective fair values of the services received in accordance with accounting principles generally accepted in the United States of America (see Note 12).

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Program activities are those that are conducted in accordance with the Foundation's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Foundation's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Costs that are directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Certain other costs that benefit multiple functional areas have been allocated across program and supporting services based on management's best estimate of the functions that benefit from the expense.

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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

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

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

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of the consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

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

Recently Implemented Accounting Standards

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In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Number 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about noncash contributions nonprofit organizations receive or make, known as gifts-in-kind (GIKs). Contributed nonfinancial assets are required to be reported by category within the statement of activities, and additional disclosures are required for each category, including whether nonfinancial assets were monetized or utilized during the reporting period, the policy for monetizing nonfinancial contributions, and descriptions of the fair value techniques used to arrive at a fair value measurement. The Foundation adopted the requirements of the new ASU as of July 1, 2021, utilizing the retrospective method of transition. The adoption of this ASU did not result in a material impact on the Foundation's financial statements.

Upcoming Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for fiscal year 2023, and early adoption is permitted. The Foundation is evaluating the impact of ASU 2016-02 on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through September 26, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following as of June 30:

	2022	2021
Cash and Cash Equivalents	\$ 2,429,587	\$ 1,611,505
Investments	2,194,442	3,794,150
Receivable from University	4,361	3,814
Total	<u>\$ 4,628,390</u>	<u>\$ 5,409,469</u>

The Foundation's liquidity is structured so its financial assets are available as its general expenditures, liabilities, and other obligations come due. A portion of

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
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Foundation's operations is funded by investment income without donor restrictions which is expendable as needed. To manage unanticipated liquidity needs, the Foundation will calculate, on a regular basis, assumed liquidity requirements for the Non-Endowment assets. These projections will provide a net total assumed liquidity dollar amount that the Foundation has readily available for expenditures.

The Foundation's endowment funds consist of donor-restricted and board-designated endowments. Income from earnings are distributed annually from each qualifying endowment fund to its associated expendable account to be available for fulfilling each specific fund's restricted purpose. The endowment has a spending policy statement, which uses the banded inflation method to determine endowment distributions (see Note 7).

Although no spending is intended from the board-designated endowment (other than amounts appropriated for general expenditures as part of annual endowment spending appropriation), these amounts could be made available if necessary.

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

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

A three-tier hierarchy categorizes the inputs as follows:

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

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

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

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds and investment trusts with readily determinable fair values based on daily redemption values.

The fair value of the Foundation's investment in private equity is reported at fair value, as determined by the Foundation, utilizing the most current information provided by the investee. This is considered to be a Level 3 measurement.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units, as a practical expedient to estimate the fair value of a limited liability company, which does not have a readily determinable fair value. The investment, which is valued using NAV per share as practical expedient is not classified in the fair value hierarchy.

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NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following tables present assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient, as identified below, at June 30:

	2022				
	Fair Value Measurements at Report Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Investments:					
Cash and Money Market Funds (at Cost)	\$ 52,107	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds:					
Bonds	3,591,975	3,591,975	-	-	-
Equity and Other Mutual Funds:					
U.S. Common Stocks	4,082,672	4,082,672	-	-	-
Small to Mid-Cap Equity	494,167	494,167	-	-	-
International Equity	1,604,466	1,604,466	-	-	-
Emerging Market	480,568	480,568	-	-	-
Hedge Funds (Equity Hedge)	866,699	866,699	-	-	-
Real Estate Investment Trusts	395,263	395,263	-	-	-
Private Equity	3,283	-	-	3,283	-
Total	<u>\$ 11,571,200</u>	<u>\$ 11,515,810</u>	<u>\$ -</u>	<u>\$ 3,283</u>	<u>\$ -</u>
Endowment Investments:					
Cash and Money Market Funds (at Cost)	\$ 99,622	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds:					
Bonds	3,381,394	3,381,394	-	-	-
Equity and Other Mutual Funds:					
U.S. Common Stocks	7,670,007	7,670,007	-	-	-
Small to Mid-Cap Equity	1,361,025	1,361,025	-	-	-
International Equity	4,058,419	4,058,419	-	-	-
Emerging Market	1,175,273	1,175,273	-	-	-
Hedge Funds (Equity Hedge)	917,038	917,038	-	-	-
Real Estate Investment Trusts	859,026	859,026	-	-	-
Limited Partnership	7,280	-	-	-	7,280
Total	<u>\$ 19,529,084</u>	<u>\$ 19,422,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,280</u>

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NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

	2021				
	Fair Value Measurements at Report Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Investments:					
Cash and Money Market Funds (at Cost)	\$ 1,874,137	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds:					
U.S. Government Securities	1,588,852	1,588,852	-	-	-
Bond	2,002,615	2,002,615	-	-	-
Emerging Market Funds	316,795	316,795	-	-	-
High-Yield Bond	648,018	648,018	-	-	-
Equity and Other Mutual Funds:					
U.S. Common Stocks	2,766,779	2,766,779	-	-	-
Small to Mid-Cap Equity	1,048,031	1,048,031	-	-	-
International Equity	700,660	700,660	-	-	-
Emerging Market	435,597	435,597	-	-	-
Real Estate Investment Trusts	114,388	114,388	-	-	-
Private Equity	5,499	-	-	5,499	-
Total	<u>\$ 11,501,371</u>	<u>\$ 9,621,735</u>	<u>\$ -</u>	<u>\$ 5,499</u>	<u>\$ -</u>
Endowment Investments:					
Cash and Money Market Funds (at Cost)	\$ 72,280	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds:					
U.S. Government Securities	716,245	716,245	-	-	-
Bond	5,457,931	5,457,931	-	-	-
Emerging Market Funds	800,250	800,250	-	-	-
High-Yield Bond	1,843,602	1,843,602	-	-	-
Equity and Other Mutual Funds:					
U.S. Common Stocks	6,940,361	6,940,361	-	-	-
Small to Mid-Cap Equity	2,700,668	2,700,668	-	-	-
International Equity	1,894,804	1,894,804	-	-	-
Emerging Market	1,174,210	1,174,210	-	-	-
Real Estate Investment Trusts	256,530	256,530	-	-	-
Limited Partnership	20,409	-	-	-	20,409
Total	<u>\$ 21,877,290</u>	<u>\$ 21,784,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,409</u>

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
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Below is a reconciliation of the beginning and ending balances of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2022	
	Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Charitable Trust	Private Equity
Balance - Beginning of Year	\$ -	\$ 5,499
Net Realized and Unrealized Loss	-	(2,216)
Distributions	-	-
Balance - End of Year	<u>\$ -</u>	<u>\$ 3,283</u>
Unrealized Loss Included in Net Investment Return and Change in Beneficial Interest in the Statement of Activities Relating to Assets Still Held at June 30, 2022	<u>\$ -</u>	<u>\$ (2,216)</u>

	2021	
	Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Charitable Trust	Private Equity
Balance - Beginning of Year	\$ -	\$ 9,210
Net Realized and Unrealized Loss	-	(3,711)
Distributions	-	-
Balance - End of Year	<u>\$ -</u>	<u>\$ 5,499</u>
Unrealized Loss Included in Net Investment Return and Change in Beneficial Interest in the Statement of Activities Relating to Assets Still Held at June 30, 2021	<u>\$ -</u>	<u>\$ (3,711)</u>

The Foundation has an investment in a limited liability company that calculates NAV per share, with a fair value of \$7,280 and \$20,409 at June 30, 2022 and 2021, respectively. Redemptions are permitted monthly and quarterly with a 90-day redemption notice. The Foundation has no unfunded commitments as of June 30, 2022 and 2021. The investment's objective is to provide exposure to European and U.S. subinvestment grade corporate debt while seeking to achieve total returns with modest volatility and focusing on capital preservation and risk mitigation.

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NOTE 4 PROMISES TO GIVE

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

	2022	2021
Within One Year	\$ 1,810,784	\$ 2,288,290
In One to Five Years	2,227,288	674,252
Total	4,038,072	2,962,542
Less: Discount to Net Present Value at Rates Ranging from 3.25% to 5.50%	(187,213)	(29,854)
Less: Allowance for Uncollectible Promises to Give	(25,000)	(25,000)
Total	<u>\$ 3,825,859</u>	<u>\$ 2,907,688</u>

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

	2022	2021
Promises to Give, Net	\$ 2,563,200	\$ 1,635,910
Promises to Give - Charitable Lead Trust, Net	1,026,311	-
Endowment Promises to Give, Net	236,348	1,271,778
Total	<u>\$ 3,825,859</u>	<u>\$ 2,907,688</u>

At June 30, 2021 and 2020, three and four donors accounted for 59% and 55% of total promises to give, respectively.

Charitable Lead Trust Split-Interest Agreement

During the year ended June 30, 2022, a donor established a trust with a local bank naming the Foundation as a partial beneficiary of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive approximately \$242,000 annually until the agreement terminates in August 2026. The payments received under the agreement are to support the University's nursing program, scholarships and wraparound services for students. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash inflows. Based on a discount rate of 4.75%, the fair value of the Foundation's interest in the trust was estimated to be approximately \$1,213,000, which was recorded in fiscal year 2022 as a contribution with donor restrictions and as promise to give—charitable lead trust. The Foundation received approximately \$98,000 from the trust in fiscal year 2022, which was recorded as a reduction in the receivable. On an annual basis, the Foundation will revalue the promise to give based on current market conditions.

NOTE 5 PROPERTY AND EQUIPMENT

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Property and equipment consists of the following at June 30:

	2022	2021
Center for Visual Arts:		
Land	\$ 456,400	\$ 456,400
Building	1,023,472	1,023,472
Subtotal	1,479,872	1,479,872
Less: Accumulated Depreciation	(442,420)	(407,020)
Subtotal	1,037,452	1,072,852
Nondepreciated Artwork	266,190	261,950
Total Property and Equipment	<u>\$ 1,303,642</u>	<u>\$ 1,334,802</u>

NOTE 6 LEASES

During the year ended June 30, 2010, the LLC purchased a commercial building at 965 Santa Fe Drive to house the operations of the CVA. Effective March 1, 2010, the LLC and the University entered into a three-year noncancellable lease which has since been renewed through June 30, 2025. Under the agreement, the University paid annual rent for the years ended June 30, 2022 and 2021 in the amount of \$100,000. In addition to the annual minimum rent, the University reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which approximated \$39,000 and \$29,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 ENDOWMENT

The Foundation's endowment (Endowment) is composed of 78 individual funds established by donors (Perpetual Endowment) and 148 purpose-restricted quasi-endowment funds (Quasi-Endowment). The funds were established by donors primarily to provide scholarships to eligible students of the University, and to support academic departments, student activities, and other purposes of the University. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors (Board-Designated Endowment). Perpetual Endowment funds are charitable funds whose principal must be preserved in perpetuity as a condition imposed by the donor. Quasi-Endowment funds are purpose-restricted gifts from donors whose principal is designated by the board and intended to be maintained in perpetuity, but which may be expended in accordance with the University's spending-rate policy, with no requirement that any such expenditure be replenished. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair values of original Perpetual Endowment gifts, as of each gift date, absent explicit donor instructions to the contrary. At June 30, 2022 and 2021, there were no contrary donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the

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Endowment) and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not required to be retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation had the following endowment net asset composition by type of fund as of June 30:

	2022		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 921,253	\$ -	\$ 921,253
Purpose-Restricted Quasi-Endowment Funds	-	9,896,227	9,896,227
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	9,261,462	9,261,462
Accumulated Investment Losses	-	(313,510)	(313,510)
Total	<u>\$ 921,253</u>	<u>\$ 18,844,179</u>	<u>\$ 19,765,432</u>

	2021		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 1,159,017	\$ -	\$ 1,159,017
Purpose-Restricted Quasi-Endowment Funds	-	11,167,907	11,167,907
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	8,939,632	8,939,632
Accumulated Investment Gains	-	1,908,862	1,908,862
Total	<u>\$ 1,159,017</u>	<u>\$ 22,016,401</u>	<u>\$ 23,175,418</u>

NOTE 7 ENDOWMENT (CONTINUED)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater

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NOTES TO FINANCIAL STATEMENTS
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endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2022, funds with original gift values of \$6,515,741, fair values of \$6,034,893, and deficiencies of \$480,848 were reported in net assets with donor restrictions. The deficiencies resulted from unfavorable market fluctuations. At June 30, 2021, there were no underwater endowment funds.

Investment and Spending Policies

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

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

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 ENDOWMENT (CONTINUED)

Investment and Spending Policies (Continued)

Changes in Endowment net assets are as follows for the years ended June 30:

	2022		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 1,159,017	\$ 22,016,401	\$ 23,175,418
Transfers, Net	-	(17,477)	(17,477)
Investment Loss, Net	(195,903)	(3,905,730)	(4,101,633)
Contributions	-	1,578,219	1,578,219
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(41,861)	(827,234)	(869,095)
Endowment Net Assets - End of Year	<u>\$ 921,253</u>	<u>\$ 18,844,179</u>	<u>\$ 19,765,432</u>
	2021		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 979,371	\$ 17,076,779	\$ 18,056,150
Transfers, Net	-	15,913	15,913
Investment Return, Net	220,406	3,717,397	3,937,803
Contributions	-	1,776,182	1,776,182
Matching Pursuant to Donor Agreements	-	12,500	12,500
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(40,760)	(642,074)	(682,834)
Change in Donor Intent	-	59,704	59,704
Endowment Net Assets - End of Year	<u>\$ 1,159,017</u>	<u>\$ 22,016,401</u>	<u>\$ 23,175,418</u>

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
<u>Purpose Restricted Net Assets:</u>		
Scholarships	\$ 3,112,026	\$ 3,375,264
Academic, Student, and Other Activities	7,680,599	5,320,583
University Capital Projects	<u>1,831,524</u>	<u>174,396</u>
Total	12,624,149	8,870,243
<u>Endowments:</u>		
Purpose-Restricted Quasi-Endowments Subject to Expenditure for Specified Purpose:		
Scholarships	7,371,341	8,656,276
Academic, Student, and Other Activities	<u>2,524,886</u>	<u>2,511,631</u>
Total	9,896,227	11,167,907
Donor-Restricted Investment Earnings Subject to Appropriation and Expenditure:		
Accumulated Losses on Endowment Funds	(480,848)	-
Scholarships	95,037	1,002,800
Academic, Student, and Other Activities	<u>72,301</u>	<u>906,062</u>
Total	(313,510)	1,908,862
Perpetual in Nature, Earnings from Which are Subject to Endowment Spending Policy and Appropriation:		
Scholarships	5,376,203	5,088,594
Academic, Student, and Other Activities	<u>3,885,259</u>	<u>3,851,038</u>
Total	<u>9,261,462</u>	<u>8,939,632</u>
Total Endowments	<u>18,844,179</u>	<u>22,016,401</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 31,468,328</u></u>	<u><u>\$ 30,886,644</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions, Including Spending-Rate Distributions:		
Scholarships	\$ 2,429,288	\$ 2,324,020
Academic, Student, and Other Activities	2,714,090	2,561,883
University of Capital Projects	137,365	101,650
Extension of Donor Restrictions Under Challenge Match		
Scholarships	-	(12,500)
Total	<u><u>\$ 5,280,743</u></u>	<u><u>\$ 4,975,053</u></u>

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 9 BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following at June 30:

	2022	2021
Endowment	<u>\$ 921,253</u>	<u>\$ 1,159,017</u>

During the year ended June 30, 2017, the Foundation's Board of Directors designated \$1,000,000 as reserve funding for the establishment of a new School within the University; this designation was changed to a board-designated endowment for a Dean position during the year ended June 30, 2019.

Management Designations

The remaining \$1,000,000 was internally designated by management for scholarships and applied to creating matching opportunities for gifts from new or lapsed donors, or stimulating increased levels of support from current donors. During the years ended June 30, 2022 and 2021, \$0- and \$12,500, respectively, of the funds were undesignated and used to satisfy the extension of donor restrictions under the challenge match program.

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

NOTE 11 RELATED PARTY TRANSACTIONS

Transactions with the University consist of the following during the years ended June 30:

	2022	As Restated 2021
Funding Provided to the University	\$ 4,949,462	\$ 4,739,543
Payable to the University	943,694	357,271
Payments for Salaries and Benefits to the University	507,922	430,784
Payments for Rent to the University	8,274	8,274
Professional Services Donated by the University	3,526,594	2,924,503
Due from University	4,361	3,814
Reimbursement for CVA Operating Expenses	39,314	29,156
Reimbursement for CVA Rent Expense	100,000	100,000

NOTE 12 IN-KIND CONTRIBUTIONS AND SERVICES RECEIVED FROM THE UNIVERSITY

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
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June 30, 2022 and 2021

Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the consolidated statements of activities are as follows for the year ended June 30:

Nonfinancial Asset	2022 Revenue Recognized	2021 Revenue Recognized	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Management and Fundraising Staff Compensation	\$ 2,549,751	\$ 2,224,827	Utilized	Program Services - Alumni Relations Operating Costs; General and Administrative; and Donor Development	No Donor Restrictions	Cost of Staff Salaries and Benefits
Professional Services	976,843	699,676	Utilized	Program Services - Alumni Relations Operating Costs; General and Administrative; and Donor Development	No Donor Restrictions	Allocated Cost of Goods and Services
Materials	24,861	7,381	Utilized	Support Provided to University	Donor Restricted - Purpose	Sales Prices of Comparable Materials
Equipment	31,650	11,414	Utilized	Support Provided to University	Donor Restricted - Purpose	Sales Prices of Comparable Equipment
	<u>\$ 3,583,105</u>	<u>\$ 2,943,298</u>				

University-Contributed Nonfinancial Assets

The Foundation received in-kind contributions, and services from the University as follows during the years ended June 30:

	2022	As Restated 2021
Program Services - Alumni Relations Operating Costs		
Alumni Relations Operations Staff Compensation - University	\$ 389,066	\$ 337,841
Professional Services - University	135,768	65,518
General and Administrative:		
Administration Office Compensation - University	808,165	662,648
Professional Services - University	252,305	256,277
Donor Development:		
Development Office Compensation - University	1,352,520	1,224,338
Professional Services - University	588,770	377,881
Total	<u>\$ 3,526,594</u>	<u>\$ 2,924,503</u>

NOTE 13 RESTATEMENT

The Foundation has restated revenue and expenses for the year ended June 30, 2021 as shown below. The restatement was necessary in order to properly account for services received from an affiliate in accordance with ASC 958-720.

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

The effect of this restatement on the fiscal year 2021 financial statements have been summarized below.

Statement of Activities for the Year Ended June 30, 2021									
	As Originally Reported			As Restated			Effect of Change		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS									
Contributions of Financial Assets	\$ 159,248	\$ 6,720,908	\$ 6,880,156	\$ 159,248	\$ 6,720,908	\$ 6,880,156	\$ -	\$ -	\$ -
Contributions of Nonfinancial Assets:									
In-Kind Contributions	-	18,795	18,795	-	18,795	18,795	-	-	-
Endowment Management Fees	340,517	-	340,517	340,517	-	340,517	-	-	-
Net Investment Return	1,974,181	3,717,397	5,691,578	1,974,181	3,717,397	5,691,578	-	-	-
Rent and Other Income	311,188	-	311,188	311,188	-	311,188	-	-	-
Net Assets Released from Restrictions	4,975,053	(4,975,053)	-	4,975,053	(4,975,053)	-	-	-	-
Total Revenue, Support, and Gains	7,760,187	5,482,047	13,242,234	7,760,187	5,482,047	13,242,234	-	-	-
EXPENSES									
Program Services Expense:									
Support Provided to University	4,739,543	-	4,739,543	4,739,543	-	4,739,543	-	-	-
Alumni Relations Operating Expenses	62,030	-	62,030	465,389	-	465,389	403,359	-	403,359
Total Program Expenses	4,801,573	-	4,801,573	5,204,932	-	5,204,932	403,359	-	403,359
Supporting Services Expense:									
General and Administrative Costs	589,516	-	589,516	1,508,441	-	1,508,441	918,925	-	918,925
Donor Development Costs	1,955,334	-	1,955,334	1,639,647	-	1,639,647	(315,687)	-	(315,687)
Total Supporting Services Expenses	2,544,850	-	2,544,850	3,148,088	-	3,148,088	603,238	-	603,238
Total Expenses	7,346,423	-	7,346,423	8,353,020	-	8,353,020	1,006,597	-	1,006,597
CHANGE IN NET ASSETS BEFORE EQUITY TRANSFER	413,764	5,482,047	5,895,811	(592,833)	5,482,047	4,889,214	(1,006,597)	-	(1,006,597)
Equity Transfer - Donated Services from Affiliate	1,917,906	-	1,917,906	2,924,503	-	2,924,503	1,006,597	-	1,006,597
CHANGE IN NET ASSETS	2,331,670	5,482,047	7,813,717	2,331,670	5,482,047	7,813,717	-	-	-
Net Assets - Beginning of Year	5,525,463	25,404,597	30,930,060	5,525,463	25,404,597	30,930,060	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 7,857,133</u>	<u>\$ 30,886,644</u>	<u>\$ 38,743,777</u>	<u>\$ 7,857,133</u>	<u>\$ 30,886,644</u>	<u>\$ 38,743,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 13 RESTATEMENT (CONTINUED)

Statement of Functional Expenses for the Year Ended June 30, 2021							
As Originally Reported							
	Program Services			General and Administrative	Donor Development	Cost of Goods Sold	Total
	Support Provided to University	Alumni Relations Operating Costs	Total				
Scholarships and Other Assistance	\$ 4,739,543	\$ -	\$ 4,739,543	\$ -	\$ -	\$ -	\$ 4,739,543
Salaries, Wages, Benefits, and Taxes	-	-	-	400,824	1,955,334	-	2,356,158
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Professional Services	-	-	-	30,838	-	-	30,838
Other	-	-	-	37,217	-	-	37,217
Office Expenses	-	-	-	82,370	-	-	82,370
Depreciation	-	35,400	35,400	-	-	-	35,400
Occupancy	-	26,630	26,630	8,274	-	-	34,904
Conferences, Conventions, and Meetings	-	-	-	12,106	-	-	12,106
Insurance	-	-	-	17,887	-	-	17,887
Total Expenses by Function	4,739,543	62,030	4,801,573	589,516	1,955,334	-	7,346,423
Less: Expenses Included with Revenues on the Consolidated Statements of Activities:							
Investment Management Fees	-	-	-	-	-	-	-
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	\$ 4,739,543	\$ 62,030	\$ 4,801,573	\$ 589,516	\$ 1,955,334	\$ -	\$ 7,346,423

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 13 RESTATEMENT (CONTINUED)

Statement of Functional Expenses for the Year Ended June 30, 2021							
As Restated							
	Program Services						
	Support Provided to University	Alumni Relations Operating Costs	Total	General and Administrative	Donor Development	Cost of Goods Sold	Total
Scholarships and Other Assistance	\$ 4,739,543	\$ -	\$ 4,739,543	\$ -	\$ -	\$ -	\$ 4,739,543
Salaries, Wages, Benefits, and Taxes	-	337,841	337,841	1,063,472	1,261,766	-	2,663,079
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Professional Services	-	65,518	65,518	287,115	377,881	-	730,514
Other	-	-	-	37,217	-	-	37,217
Office Expenses	-	-	-	82,370	-	-	82,370
Depreciation	-	35,400	35,400	-	-	-	35,400
Occupancy	-	26,630	26,630	8,274	-	-	34,904
Conferences, Conventions, and Meetings	-	-	-	12,106	-	-	12,106
Insurance	-	-	-	17,887	-	-	17,887
Total Expenses by Function	4,739,543	465,389	5,204,932	1,508,441	1,639,647	-	8,353,020
Less: Expenses Included with Revenues on the Consolidated Statements of Activities:							
Investment Management Fees	-	-	-	-	-	-	-
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	<u>\$ 4,739,543</u>	<u>\$ 465,389</u>	<u>\$ 5,204,932</u>	<u>\$ 1,508,441</u>	<u>\$ 1,639,647</u>	<u>\$ -</u>	<u>\$ 8,353,020</u>

METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 13 RESTATEMENT (CONTINUED)

Statement of Functional Expenses for the Year Ended June 30, 2021							
Effect of Change							
	Program Services			General and Administrative	Donor Development	Cost of Goods Sold	Total
	Support Provided to University	Alumni Relations Operating Costs	Total				
Scholarships and Other Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries, Wages, Benefits, and Taxes	-	337,841	337,841	662,648	(693,568)	-	306,921
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Professional Services	-	65,518	65,518	256,277	377,881	-	699,676
Other	-	-	-	-	-	-	-
Office Expenses	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	-
Conferences, Conventions, and Meetings	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Total Expenses by Function	-	403,359	403,359	918,925	(315,687)	-	1,006,597
Less: Expenses Included with Revenues on the Consolidated Statements of Activities:							
Investment Management Fees	-	-	-	-	-	-	-
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	\$ -	\$ 403,359	\$ 403,359	\$ 918,925	\$ (315,687)	\$ -	\$ 1,006,597

**METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 and 2021**

As required by GASB 68 and GASB 75, the schedules and footnotes below contains 10 years of changes in pension liability, net OPEB liability, and disclosures; however, historical information prior to implementing GASB 68 and GASB 75 is neither required nor available.

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA PENSION LIABILITY:

Pension Plan's Fiscal Year Ending December 31, Ten Year Schedule

	2021	2020	2019	2018	2017
Employer % of collective net pension liability	1.2126080767%	1.3041813264%	1.4118924030%	1.4495925395%	1.4781270908%
Employer share of collective net pension liability	89,430,319	123,698,899	137,007,271	164,944,395	295,891,215
Employer's covered payroll	42,391,318	45,363,720	46,777,134	45,816,626	44,952,251
Employer's share of the collective net pension liability as a % of employer's covered payroll	210.96%	272.68%	292.89%	360.01%	658.23%
Pension plan's fiduciary net position as a % of total pension liability	73.05%	65.34%	62.24%	55.11%	43.20%

**METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 and 2021**

Pension Plan's Fiscal Year Ending December 31, Ten Year Schedule- continued

	2016	2015	2014	2013	2012
Employer % of collective net pension liability	1.4924559492%	1.5215440022%	1.5816063970%	1.6167918453%	N/A
Employer share of collective net pension liability	274,136,264	160,234,301	148,774,027	144,023,349	N/A
Employer's covered payroll	43,902,245	43,884,297	44,178,569	43,104,113	N/A
Employer's share of the collective net pension liability as a % of employer's covered payroll	624.42%	365.13%	336.76%	334.13%	N/A
Pension plan's fiduciary net position as a % of total pension liability	42.59%	56.11%	59.84%	61.08%	N/A

Information is not available prior to 2013. In future reports, additional years will be added until 10 years of historical data are presented.

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF PERA OPEB LIABILITY:

Ten Year Schedule					
Other Post Employment Benefit Plan's Fiscal Year Ending December 31,					
	2021	2020	2019	2018	2017
Employer % of collective net OPEB liability	0.4337505140%	0.4337505140%	0.4713903360%	0.4959526592%	0.5125821473%
Employer share of collective net OPEB liability	3,408,702	4,121,606	5,298,418	6,747,644	6,661,518
Employer's covered payroll	37,837,584	46,777,134	46,777,134	45,816,626	44,952,251
Employer's share of the collective net OPEB liability as a % of employer's covered payroll	9.01%	8.81%	11.33%	14.73%	14.82%
Pension plan's fiduciary net position as a % of total OPEB liability	39.40%	32.78%	24.49%	17.03%	17.53%

**METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 and 2021**

Ten Year Schedule- continued

Other Post Employment Benefit Plan's Fiscal Year Ending December 31,					
	2016	2015	2014	2013	2012
Employer % of collective net OPEB liability	0.5190749732%	N/A	N/A	N/A	N/A
Employer share of collective net OPEB liability	6,729,984	N/A	N/A	N/A	N/A
Employer's covered payroll	43,902,245	N/A	N/A	N/A	N/A
Employer's share of the collective net OPEB liability as a % of employer's covered payroll	15.33%	N/A	N/A	N/A	N/A
Pension plan's fiduciary net position as a % of total OPEB liability	16.72%	N/A	N/A	N/A	N/A

Information is not available prior to 2016. In future reports, additional years will be added until 10 years of historical data are presented.

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA PENSION PLAN:

**METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 and 2021**

Pension Plan and OPEB Liability Ten Year Schedule								
MSU Denver's Fiscal Year Ending June 30,								
	2022		2021		2020		2019	
	Jan-June 2022	July- Dec 2021	Jan-June 2021	July- Dec 2020	Jan-June 2020	July- Dec 2019	Jan-June 2019	July- Dec 2018
Required employer base contribution	10.40%	10.40%	10.40%	10.40%	10.40%	10.15%	10.15%	10.15%
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Net required employer base contribution apportioned to the SDTF	9.38%	9.38%	9.38%	9.38%	9.38%	9.13%	9.13%	9.13%
Required employer Amortization								
Equalization Disbursement contribution	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Required employer Supplemental Amortization Equalization Disbursement contribution	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Required Automatic Adjustment	1.00%	0.50%	0.50%	0.50%				
Required Defined Contribution Supplement	0.10%	0.05%	0.05%					
Total Required PERA contribution to the SDTF	20.48%	19.93%	19.93%	19.88%	19.38%	19.13%	19.13%	19.13%

	2022	2021	2020	2019
	July 1, 2021- June 30, 2022	July 1, 2020- June 30, 2021	July 1, 2019- June 30, 2020	July 1, 2018- June 30, 2019
Pension contributions recognized by PERA (not including HCTF)	\$ 8,015,652	\$ 7,984,867	\$ 8,742,261	\$ 8,423,882
Difference between required pension contributions and those recognized by PERA	\$ -	\$ -	\$ -	\$ -
OPEB contributions recognized by PERA (only HCTF)	\$ 385,943	\$ 388,510	\$ 425,445	\$ 428,417
Difference between required OPEB contributions and those recognized by PERA	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 44,978,872	\$ 42,756,410	\$ 47,401,811	\$ 46,012,848
Percent of contributions recognized by pension plan of employers covered payroll	18%	19%	18%	18%
Percent of contributions recognized by OPEB plan of employers covered payroll	1%	1%	1%	1%

SCHEDULE OF UNIVERSITY'S CONTRIBUTIONS TO PERA OPEB PLAN:

**METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 and 2021**

Pension Plan and OPEB Liability Ten Year Schedule

MSU Denver's Fiscal Year Ending June 30,

	2018		2017		2016		2015		2014	
	Jan-June 2018	July- Dec 2017	Jan-June 2017	July- Dec 2016	Jan-June 2016	July- Dec 2015	Jan-June 2015	July- Dec 2014	Jan-June 2014	July- Dec 2013
	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Required employer base contribution										
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Net required employer base contribution apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Required employer Amortization Equalization Disbursement contribution	5.00%	5.00%	5.00%	4.60%	4.60%	4.20%	4.20%	3.80%	3.80%	3.40%
Required employer Supplemental Amortization Equalization Disbursement contribution	5.00%	5.00%	5.00%	4.50%	4.50%	4.00%	4.00%	3.50%	3.50%	3.00%
Required Automatic Adjustment										
Required Defined Contribution Supplement										
Total Required PERA contribution to the SDTF	19.13%	19.13%	19.13%	18.23%	18.23%	17.33%	17.33%	16.43%	16.43%	15.53%

	2018	2017	2016	2015	2014
	July 1, 2017- June 30, 2018	July 1, 2016-June 30, 2017	July 1, 2015-June 30, 2016	July 1, 2014-June 30, 2015	July 1, 2013-June 30, 2014
Pension contributions recognized by PERA (not including HCTF)	\$ 8,353,678	\$ 8,111,165	\$ 7,443,386	\$ 7,203,967	N/A
Difference between required pension contributions and those recognized by PERA	\$ -	\$ -	\$ -	\$ -	N/A
OPEB contributions recognized by PERA (only HCTF)	\$ 426,763	\$ 426,779	N/A	N/A	N/A
Difference between required OPEB contributions and those recognized by PERA	\$ -	\$ -	N/A	N/A	N/A
Employer's covered payroll	\$ 45,201,242	\$ 44,800,352	\$ 43,503,821	\$ 44,356,828	N/A
Percent of contributions recognized by pension plan of employers covered payroll	18%	18%	17%	16%	N/A
Percent of contributions recognized by OPEB plan of employers covered payroll	1%	1%	N/A	N/A	N/A

Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021

(A) Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information related to the pension liability.

Changes in assumptions or other inputs used for the net pension liability during 2022 and 2021 are discussed in note 11. However, significant changes in assumptions or other inputs affecting trends in actuarial information related to the pension liability for the remaining years in the schedules above are discussed below.

2021 Changes in Plan Provisions Since 2020

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
 - Member contribution rates increase by 0.50%.
 - Employer contribution rates increase by 0.50%.
 - Annual Increase (AI) cap is lowered from 1.25% per year to 1.00% per year.

2020 Changes in Plan Provisions Since 2019

- House Bill (HB) 20-1379, enacted on June 29, 2020, suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

2019 Changes in Plan Provisions Since 2018

- SB 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision (AAP). The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
 - Member contribution rates increased by 0.50 percent.
 - Employer contribution rates increased by 0.50 percent.
 - Annual Increase (AI) cap is lowered from 1.50 percent per year to 1.25 percent per year.

2018 Changes in Assumptions or Other Inputs Since 2017

- The single equivalent interest rate (SEIR) for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projections valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.

2017 Changes in Assumptions or Other Inputs Since 2016

- The single equivalent interest rate (SEIR) for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projections valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR for the State, School, and Judicial Divisions changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date

**METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021**

2016 Changes in Assumptions or Other Inputs Since 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020 for females.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The SEIR for the State and School Divisions was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

2015 Changes in Assumptions or Other Inputs Since 2014

There were no significant changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

(B) Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information Related to the Other Post-Employment Benefit (OPEB) Liability.

Changes in assumptions or other inputs used for the OPEB liability during calendar year 2021 and 2020 are discussed in note 14. However, significant changes in assumptions or other inputs affecting trends in actuarial information related to the OPEB liability for the remaining years in the schedules above are discussed below.

2021 Changes in Assumptions or Other Inputs Since 2020

- There were no changes made to the actuarial methods or assumptions

2020 Changes in Assumptions or Other Inputs Since 2019

- There were no additional changes made to the actuarial methods or assumptions

2019 Changes in Assumptions or Other Inputs Since 2018

- There were no changes made to the actuarial methods or assumptions

**METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021**

2018 Changes in Assumptions or Other Inputs Since 2017

- There were no changes made to the actuarial methods or assumptions

2017 Changes in Assumptions or Other Inputs Since 2016

- There were no changes made to the actuarial methods or assumptions



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Legislative Audit Committee and
The Board of Trustees of the Metropolitan University of Denver

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 16, 2022. The financial statements of the Metropolitan State University of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Denver, Colorado
December 16, 2022



December 16, 2022

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

Ladies and Gentlemen:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2022, and have issued our report thereon dated December 16, 2022.

We have previously communicated to the Board of Trustees information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our planning communication dated December 16, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

As described in Note 22, the University implemented GASB Statement No. 87, *Leases*, during the fiscal year ending June 30, 2022. GASB Statement No. 87 improves the accounting and financial reporting for leases. As a result of the implementation of this standard, the University restated its June 30, 2021 beginning net position as discussed in Note 22. The effect on net position was not material.

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

Accounting estimates

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

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

- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service.
- Summer tuition revenue and fees are recognized based on an estimate that fifty percent of summer courses occur during the fiscal year and the other fifty percent deferred for the courses that occur in the subsequent fiscal year.
- Management's estimate of the net pension liability related to its participation in the PERA pension plan is based on actuarial assumptions and other inputs as described in Note 11 to the financial statements.
- Management's estimate of the net OPEB liability related to its participation in the PERA Health Care Trust Fund plan is based on actuarial assumptions and other inputs as described in Note 13 to the financial statements.
- Fair Value of Derivative Instruments (Interest Rate Swap) - Management has established an estimate for the fair value of the interest rate swaps based on an indicative mid-market valuation. The University obtains a report from an independent specialist to determine the fair value reported as of June 30, 2022.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2022.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Required supplementary information

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

Other information in documents containing audited financial statements

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in the financial report and is comprised of the description of the University. Our responsibility for other information included in the annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in the annual report. We are required by professional standards to read the other information included in the annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

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



CliftonLarsonAllen LLP

Denver, Colorado
December 16, 2022

**METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
INTRODUCTION
YEAR ENDED JUNE 30, 2022**

The Metropolitan State University of Denver (the University) is governed by the Metropolitan State University of Denver Board of Trustees. The University is a state-supported institution of higher education.

Our audit of the various state-funded student financial assistance programs at the University for the year ended June 30, 2022, was directed toward the objectives and criteria set forth in the Colorado Department of Higher Education (CDHE) Financial Aid Policy, adopted April 2004.

State-Funded Student Financial Assistance Programs

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

- Colorado Need-Based Grants
- Colorado Graduate Grant
- Colorado Work-Study
- Early Childhood Educators (ECE) Scholarships

The total state-funded student financial assistance programs expenditures made by the University were \$26,004,559 during the year ended June 30, 2022.

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

During the year ended June 30, 2022, the University obtained authorizations to award federal student financial aid funds as follows:

Pell Grants	\$ 25,200,668
Direct Lending	51,248,371
Supplemental Educational Opportunity Grant	918,381
College Work-Study	844,882
Teacher Education Assistance for College and Higher Education Grant	12,259

During the year ended June 30, 2022, the University obtained authorizations to award state student financial aid funds as follows:

Colorado Student Grant Program	\$ 23,042,483
Colorado Graduate Grant Program	50,428
Colorado Work-Study Program	2,755,271
ECE Scholarships	156,377

**METROPOLITAN STATE UNIVERSITY OF DENVER
STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
REPORT SUMMARY
YEAR ENDED JUNE 30, 2020**

Report Summary

Purpose and Scope of Audit

Our audit of the state-funded student assistance programs was performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of student aid program appropriations, expenditures, and reversions for the fiscal year ending June 30, 2022 and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Governing Board directives which were set forth in the State-Funded Student Assistance Programs handbook.

Our audit included:

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

Summary of Current Year Comments

The audit report for the year ended June 30, 2022, contained no findings or recommendations related to state-funded assistance programs.

Summary of Progress in Implementing Prior Comments

There were no findings or recommendations to be reported for the fiscal year ended June 30, 2020, the most recent audit of the System's state-funded student assistance programs.



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

Members of the Legislative Audit Committee and
The Board of Trustees of the Metropolitan University of Denver

Report on the Audit of the Statement

Opinion

We have audited the accompanying statement of student aid program allocations, expenditures, and reversions of the State of Colorado State-Funded Assistance Programs (the Statement) of the Metropolitan State University of Denver (the University) for the year ended June 30, 2022, and the related notes.

In our opinion, the Statement referred to above presents fairly, in all material respects, the student aid allocations, expenditures, and reversions of the State of Colorado State-Funded Student Assistance Programs of the System for the year ended June 30, 2022, in accordance with the format set forth in the *2021-2022 Audit Guide, Colorado-Funded Student Aid* issued by the Department of Higher Educations (DHE) and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; as described in Note 1 to the Statement.

Basis for Opinion

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

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the Statement. The Statement was prepared in accordance with the format set forth in the *2021-2022 Audit Guide, Colorado-Funded Student Aid* issued by the DHE and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Governors of the University; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statement.

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

Emphasis of Matter - Basis of Accounting

We draw your attention to Note 2 of the Statement, which describes the basis of accounting. The Statement is a summary of cash activity of the State-Funded financial assistance programs with the exception of the Colorado Work-Study program, and does not present certain transactions that would be included in the Statement of the State-Funded financial assistance 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, and does not present the financial position, changes in financial position or cash flows of the University in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

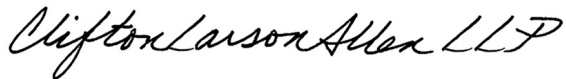
Members of the Legislative Audit Committee:
Board of Trustees of the Metropolitan State University of Denver

Other Matter Paragraph - Restriction on Use

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 16, 2022

METROPOLITAN STATE UNIVERSITY OF DENVER
STATEMENT OF APPROPRIATIONS, EXPENDITURES, AND REVERSIONS OF STATE-FUNDED
STUDENT FINANCIAL ASSISTANCE PROGRAMS
YEAR ENDED JUNE 30, 2022

	<u><i>Total Financial Aid</i></u>	<u><i>Colorado Need-Based Grant</i></u>	<u><i>Colorado Graduate Grant</i></u>	<u><i>Colorado Work- Study</i></u>	<u><i>ECE Scholarship</i></u>
Consolidated					
Appropriations:					
Original Official					
Allocation Notice	\$ 25,783,085	\$ 22,977,386	\$ 50,428	\$ 2,755,271	\$ -
Additional Funds					
Allocated by CCHE	221,474	65,097	-	-	156,377
Funds Released to CCHE	-	-	-	-	-
Total Appropriations	<u>\$ 26,004,559</u>	<u>\$ 23,042,483</u>	<u>\$ 50,428</u>	<u>\$ 2,755,271</u>	<u>\$ 156,377</u>
Total Expenditures	<u>26,004,559</u>	<u>23,042,483</u>	<u>50,428</u>	<u>2,755,271</u>	<u>156,377</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

METROPOLITAN STATE UNIVERSITY OF DENVER
NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES, AND REVERSIONS OF
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies and Basis of Presentation

The Metropolitan State University of Denver's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The statement of appropriations, expenditures and reversions of the state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2021-2022 Audit Guide, Colorado-Funded Student Aid* issued by the Department of Higher Education and in conformity with the University's policies. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University's three institutions for the fiscal year ended June 30, 2022.

All student aid is expended on a cash basis except for the Colorado Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed. This basis differs from accounting principles generally accepted in the United States of America primarily because allocations are presented instead of revenue and because assets, liabilities and net position are not included in the financial statements.

2. Contingencies

The student financial assistance program is subject to periodic reviews by the Colorado Commission on Higher Education. If disallowances should occur as a result of the program reviews, the University could be required to repay the disallowed amounts.

**METROPOLITAN STATE UNIVERSITY OF DENVER
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND REVERSIONS OF STATE-FUNDED
STUDENT FINANCIAL ASSISTANCE PROGRAMS
COLORADO STATE UNIVERSITY SYSTEM
YEAR ENDED JUNE 30, 2022**

There are no audit comments and recommendations related to the state-funded student financial assistance programs.



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

Members of the Legislative Audit Committee
The Board of Trustees of the Metropolitan University of Denver

We have audited, 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 statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of the Metropolitan State University of Denver (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2022, and the related notes to the Statement, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

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

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

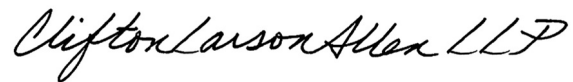
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 16, 2022