METROPOLITAN STATE UNIVERSITY OF DENVER
FINANCIAL AND COMPLIANCE AUDIT

Years Ended June 30, 2020 and 2019

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To the Members of the Legislative Audit Committee

We have completed the financial statement and compliance audit of Metropolitan State University of Denver as of and for the year ended June 30, 2020. 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 audits 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 that we have issued as a result of this engagement are set forth in the table of contents which follows.

Lisa Meacham

Lisa Meacham, Partner

February 24, 2021

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METROPOLITAN STATE UNIVERSITY OF DENVER
REPORT SUMMARY (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged Plante & Moran, PLLC (Plante Moran) 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, 2020. Plante Moran 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. Plante Moran conducted the related fieldwork from June 2020 to February 2021.

The purpose and scope of Plante Moran's audit were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2020. 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 Allocations, Expenditures, Transfers and Reversions of the University for the years ended June 30, 2020 and June 30, 2019. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the Statement of Allocations, Expenditures, Transfers and Reversions performed in accordance with *Government Auditing Standards*.

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, 2020 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

Plante Moran expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2020.

Plante Moran 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.

Plante Moran noted one matter involving the internal control over financial reporting and its operation that Plante Moran considers to be a material weakness, as noted in the 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*, located on page 125.

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 report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. As a result of the testing procedures performed in accordance with Uniform Guidance, one matter related to compliance and internal control over compliance, as described in the schedule of findings and questioned costs section of this report, located on page 9. Because this matter did not indicate a material effect on the financial statements, it is not included in the 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*, located on page 125.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2019 included three findings and recommendations. We determined based on our fiscal year 2020 testing that two findings were fully implemented and one finding was partially implemented. A detailed description of the progress on the audit comments and recommendations are contained in the disposition of prior audit recommendations section located on page 12.

METROPOLITAN STATE UNIVERSITY OF DENVER
RECOMMENDATION LOCATOR (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019

The following table presents the recommendations from the June 30, 2020 audit and their disposition as of June 30, 2020:

Recommendation No.	Page No.	Recommendation Summary	University's Response	Implementation Date
1	5	Metropolitan State University of Denver should improve its internal controls over unusual and significant accounting transactions by fully executing its existing policies and procedures, including allocating the appropriate level of resources to research and implement required accounting procedures and ensuring that all related transactions are correctly recorded and reported.	Agree	February 2021
2	9	Metropolitan State University of Denver should strengthen its internal controls over and ensure it complies with federal Higher Education Emergency Relief Funds Program's reporting requirements for the Student Aid portion of the HEERF grant by developing and implementing policies and procedures for identifying and researching the specific reporting requirements and ensuring that staff submit the required reports within federally required timeframes.	Agree	January 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 96 major fields of study and 94 minors, 28 certificates, and 40 licensure programs through its College of Business, School of Education, School of Hospitality, 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 eight Masters majors and nine 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, pre-medicine, pre-law, and pre-veterinary science. The Master's major 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	Resident	Nonresident	Total
2020	14,067	521	14,588
2019	14,570	538	15,108
2018	14,733	519	15,252

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

Fiscal Year	Faculty	Staff	Total
2020	825	544	1,369
2019	836	533	1,369
2018	853	517	1,370

This schedule should be read in conjunction with the 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* found on page 125.

Incorrect Recording of Asset and Liability Transfer

On August 17, 2010, the University's Board of Trustees approved the incorporation of a special-purpose not-for-profit corporation known as HLC@Metro, Inc. (HLC@Metro) with the intention that HLC@Metro would own the Hotel and Hospitality Learning Center (HLC), and related assets, including a hotel located on the University's campus. After the hotel was built, HLC@Metro established an agreement with Sage Hospitality to manage the hotel and established a franchise agreement with Marriott to market the hotel.

Due to the nature and significance of HLC@Metro's relationship with the University, in accordance with 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, HLC@Metro, Inc is considered to be a discretely presented component unit of the University; therefore, the University reports HLC@Metro's financial statements in a separate column on the face of the University's financial statements.

During Fiscal Year 2020, the University entered into an agreement with HLC@Metro under which the University effectively purchased and transferred most of HLC@Metro's assets and liabilities to the University as of June 30, 2020. The agreement and resulting transfer of assets and liabilities occurred in order to allow the hotel to potentially be used as additional COVID-19 hospital capacity for the State of Colorado, since HLC@Metro's existing bond covenants did not allow for the unconventional use of the hotel space. More specifically, in an effort to make the hotel available to the City and County of Denver and the surrounding communities as possible hospital patient overflow, a complex set of transactions were executed to alleviate use restrictions on the hotel, which resulted in the University acquiring the hotel. Prior to the acquisition, the HLC@Metro Series 2010 bonds, which were used to construct the hotel, only allowed the space to be use as a hotel and not as a care facility. In order to release the use restriction on the hotel, HLC@Metro's Series 2010 bonds needed to be paid off (or defeased).

In April 2020, the University issued Series 2020 bonds, the proceeds of which were used by the University to fund the purchase of most of the assets and liabilities of HLC@Metro, including the hotel. In turn, HLC@Metro used the proceeds from the sale of its assets to pay off its existing Series 2010 bonds, which allowed the University to move forward with potentially using the hotel as a care facility. As part of the bond issuance, the University began steps to enter into an interest rate swap agreement in order to protect, or "hedge," against the potential increase of interest rates. This interest rate swap agreement was executed on September 30, 2020.

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

The purpose of the audit work was to test recorded journal entries related to the transfer of assets and liabilities from HLC@Metro to the University, including entries related to its interest rate swap agreement.

Overall, we performed testing to determine whether the University appropriately recorded the activities related to the transfer of assets and liabilities in its accounting records. Specific testing we performed included the following:

- Review of underlying agreements related to the asset transfers.
- Review of support for the amount of the transferred assets.
- Requested information related to the interest rate swap, including a report obtained by management from an external specialist that concluded on the effectiveness of the interest rate as of June 30, 2020. Effectiveness refers to the extent that the changes in the fair value of the interest rate swap offset the changes in value of the interest rate. The resulting accounting treatment for the recognition of the interest rate swap is determined based on the conclusion about effectiveness.
- Summary of management's accounting considerations and conclusions and related journal entries recorded.

How were the results of the audit work measured? (Criteria)

Governmental accounting standards contained within Governmental Accounting Standards Board (GASB) Statement 69, Government Combinations and Disposals of Government Operations, (GASB 69) addresses requirements for recording activities related to asset and liability transfers. . Specifically, paragraph 43 of GASB 69, states that "the acquiring government should recognize the assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the carrying values of the selling entity." GASB Statement 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, (GASB 56), also addresses related party transactions. Specifically, paragraph 4 discusses the requirement to "recognize the substance of the transaction rather than merely its legal form" with respect to related party transactions. Finally, GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments, (GASB 53) addresses the requirements for accounting for "hedge" instruments, such as interest rate swaps.

What Problem Did the Audit Work Identify? (Condition)

Based on our testing, we determined that the University overstated in its financial statements the value of the capital assets transferred to it from HLC@Metro by approximately $8.3 million and understated the liability and related deferred outflow of resources related to the interest rate swap by approximately $11.5 million. Further, the University originally incorrectly recorded the liability and deferred outflow of resources related to the interest rate swap on HLC@Metro's Statement of Net Position within the University's financial statements instead of on the University's Statement of Net Position.

Why did this problem occur? (Cause)

This problem occurred because the University did not have sufficient internal controls in place to ensure that it executed its existing policies and procedures related to unusual and significant accounting transactions. Specifically, although the University has procedures in place for researching applicable accounting guidance for unusual and significant accounting transactions, it did not sufficiently allocate staff to research and appropriately apply guidance specific to government acquisition of assets within the same financial reporting entity, as outlined in GASB 69 and GASB 56. As a result, the University's internal controls failed to ensure that its evaluation of the transfer of liabilities was complete and included the impact of the interest rate swap liability.

Why do these problems matter? (Effect)

Without proper application of relevant accounting guidance, amounts recorded on the University's financial statements were materially overstated. Additionally, the incomplete analysis related to the interest rate swap liability led to the related balances initially being reported on the wrong reporting unit, which would have resulted in liabilities and deferred outflow of resources on the University's financial statements being materially understated, with an offsetting overstatement on the discretely presented component unit's financial statements.

Classification of Finding: Material weakness

Recommendation No. 1:

Metropolitan State University of Denver should improve its internal controls over unusual and significant accounting transactions by fully executing its existing policies and procedures, including allocating the appropriate level of resources to research and implement required accounting procedures and ensuring that all related transactions are correctly recorded and reported.

Management's Response: (Views of responsible officials and corrective action plan):

Agree. Implementation date: February 2021

The complex nature of the acquisition of the HLC@Metro Inc., coupled with its expedient execution in the last quarter of the fiscal year, a remote work environment with substantial staff changes and position vacancies, combined with agreements and contracts not being finalized until several months after year end, lead to the errors noted above. In order to ensure existing controls are executed MSU Denver has implemented a procedure to document any unusual and significant accounting transactions that will include how the transactions were recorded with supporting relevant accounting guidance. Should an accounting transaction meet the definition of both unusual (not having occurred within the last 7 years) and significant (exceeding $5 million) this documentation will not only be prepared but will be shared with the Chief Financial Officer (CFO) before the draft financials are shared with the auditors.

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 report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. As a result of the testing procedures performed in accordance with Uniform Guidance, the Office of the State Auditor identified one instance of material noncompliance and significant deficiency in internal control over compliance, as described below.

Education Stabilization Fund – Higher Education Emergency Relief Fund Reporting

The University received funds through the Education Stabilization Fund (ESF) that was established under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The ESF included the Higher Education Emergency Relief Fund (HEERF) program, which provided targeted aid to institutions of higher education directly from the U.S. Department of Education (DOE). The University spent funds under two portions of the HEERF program in Fiscal Year 2020, the Student Aid portion (CFDA No. 84.425E; award number P425E200411) and the Institutional portion (CFDA No. 84.425F; award number P425F201523). The University was awarded a total of approximately $14.4 million in HEERF funding in Fiscal Year 2020 and had spent approximately $6.8 million of the award as of June 30, 2020. The University plans to spend the remaining amount of funding during Fiscal Year 2021.

The University signed an agreement called the Certification and Agreement with the federal DOE to indicate the University's acceptance of the funding and the applicable terms and requirements under the HEERF grant. Under the Student Aid portion of the grant, the University was required to report to the Secretary of the DOE specified information related to HEERF Student Aid disbursed to students.

What Was the Purpose of Our Audit Work and What Work Was Performed? (Context)

The purpose of the audit work was to determine whether the University had adequate internal controls in place over and complied with HEERF reporting requirements related to the Student Aid Portion of the grant for Fiscal Year 2020.

As part of our audit work, we inquired with University staff to understand the internal controls it had in place during Fiscal Year 2020 to ensure it complied with the reporting requirements. We also performed testing to determine whether the University met the requirement to report the information in a format and location that was easily accessible to the public (the University's website) by the required due date and whether the information reported was accurate. Based on the timing of the University's receipt of its allocation of HEERF Student Aid funds, the University was required to report twice prior to June 30, 2020 and we tested both reports.

How Were the Results of the Audit Work Measured? (Criteria)

Section 18004(e) of the CARES Act requires each institution that received funds under Section 18004 to "submit a report to the Secretary, at such time and in such manner as the Secretary may require." This reporting, as stated in the Certificate and Agreement, was due 30 days from the date of the Certification and Agreement and every 45 days thereafter. The DOE subsequently clarified the reporting requirements through its issuance of an Electronic Announcement (EA) on May 6, 2020, which specified that the information must be posted "in a location that is easily accessible to the public." The EA also clarified the reporting timeframe to be "30 days after the date when the institution received its allocation under the CARES Act and updated every 45 days thereafter". The DoE obligated the Student Aid Portion of HEERF funds to the University on April 21, 2020, as listed in the Grant Award Notice; therefore, the University was required to post its initial report prior to May 21, 2020 and subsequent reports at least every 45 days thereafter. Because the University posted its initial report on May 11, 2020, the subsequent report should have been posted by June 25, 2020.

What Problem Did the Audit Work Identify? (Condition)

Although the University initially reported the required elements publicly to its website on May 11, 2020, which was within the required timeframe, we found that the University did not post its second report to its website until January 15, 2021, or 204 days after the required due date of June 25, 2021. For both posts, we determined that the information was accurately reported and agreed to underlying supporting documentation.

Why Did This Problem Occur? (Cause)

The University did not have adequate internal controls in place to ensure that it fully complied with the reporting requirements for the Student Aid portion of HEERF. Specifically, it did not have appropriate policies and procedures in place for identifying and researching the specific reporting requirements for the HEERF grant and to ensure that all reports were submitted by the due date.

Why Does This Problem Matter? (Effect)

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

Classification of Finding: Material noncompliance and significant deficiency

Recommendation No. 2:

Metropolitan State University of Denver should strengthen its internal controls over and ensure it complies with federal Higher Education Emergency Relief Funds Program's reporting requirements for the Student Aid portion of the HEERF grant by developing and implementing policies and procedures for identifying and researching the specific reporting requirements and ensuring that staff submit the required reports within federally required timeframes.

Management's Response (Views of responsible officials and corrective action plan):

Agree. Implementation date: January, 2021

Distribution and compliance reporting on the student portion of the HEERF grant was delegated to the Office of Financial Aid and Scholarships (OFAS). OFAS did not adequately assign the responsibility to complete compliance reporting. This was an oversight exacerbated by significant loss in staff, adapting to a remote work environment and frequent changes to guidance surrounding HEERF funding. To address the issue OFAS created a centralized network folder to maintain data for periodic reporting and modified the OFAS CARES Act reporting website to appropriately display periodic reports and disclosures related to compliance. These adjustments to our process were implemented immediately in order to ensure an expedient resolution of the deficiency discovered by the auditors and continued adherence to the dynamic guidance offered by the US Department of Education. In order to better establish the responsibilities for procedures, awarding and reporting HEERF funds, we designated specific tasks to OFAS staff.

- FA Accountant- tracking and reconciliation of the HEERF student share, data collection, collaboration on reporting
- Associate Director of Reporting and Communication- website updates, assist data collection and collaboration on reporting
- Director of FA Operations and Systems- oversight of awarding process and collaboration on reporting
- Executive Director of Financial Aid- internal point of contact, oversight of administration, ED guidance review, compliance and reporting

Staff will meet two weeks prior to the close of each quarter and again prior the reporting deadline to ensure timely and accurate compliance reporting through continuous review and implementation of ED guidance.

METROPOLITAN STATE UNIVERSITY OF DENVER
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2020 AND 2019

The following table presents the recommendations from the June 30, 2018 and 2019 audits and their dispositions as of June 30, 2020:

Recommendation No.	Recommendation Summary	Disposition	Planned Corrective Action
2019-1	The University should improve information technology access controls.	Partially Implemented	MSU Denver has established informal controls in place related to user access and plans to formalize the controls around user access rights review in order to fully implement by November 2020. Current classification: Deficiency in internal control.
2018-2	The University should improve information technology controls over disaster recovery plan.	Partially Implemented	Metropolitan State University of Denver partially implemented this prior audit recommendation in Fiscal Year 2019 and plans to fully implement this recommendation by December 2020. Current classification: Deficiency in internal control.
2019-2	The University should improve change management information technology controls.	Implemented	N/A
2019-3	The University should update its endpoint user protection information technology controls.	Implemented	N/A

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Metropolitan State University of Denver (the "University"), an institution of higher education, which is an enterprise fund of the State of Colorado, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Metropolitan State University of Denver's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements and related notes to the financial statements of Metropolitan State University of Denver Foundation, Inc. (the "Foundation") and HLC @ Metro, Inc., which represent all of the assets, net assets, and revenue of the discretely presented component units as of and for the year ended June 30, 2020. Those financial statements and related notes to the financial statements were audited by other auditors whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the Foundation and HLC @ Metro, Inc., is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of HLC @ Metro were audited under *Government Auditing Standards*. The financial statements of the Foundation were not audited under *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of Metropolitan State University of Denver as of June 30, 2020 and 2019 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As described in Notes 6 and 20 to the financial statements, there was a significant transaction that took place between the University and one of its discretely presented component units. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our opinion is not modified with respect to this matter.

We draw attention to Note 1, which explains that these financial statements present only Metropolitan State University of Denver, an institution of higher education, which is an enterprise fund of the State of Colorado, and do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2020; the changes in its financial position; and the changes in its cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's Proportionate Share of 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The report summary, recommendation locator, and description of Metropolitan State University of Denver are presented for purposes of additional analysis and are not a required part of the basic financial statements. The report summary, recommendation locator, and description of Metropolitan State University of Denver have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021 on our consideration of Metropolitan State University of Denver's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan State University of Denver's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 24, 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, 2020 and 2019. 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) and the HLC @ Metro, Inc. are included in MSU Denver's financial statements as required by GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Management's Discussion and Analysis focuses on the financial activities of the University and not the discretely presented component units.

Financial Highlights

MSU Denver's financial position, as a whole, increased approximately $51.2 million during the year ended June 30, 2020. However, $41.2 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. 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. 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. PERA's fiscal year ended December 31, 2019 marked the first full year of these changes and the second annual state contribution. 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 $40.0 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 $10.1 million.

In fiscal year 2019 the combined net position increased $26.2 million over the previous year including GASB 68 and 75 entries; however, excluding those presentation entries there was a $5.3 million increase. The effects on the University's net position from GASB 68 and 75 are shown in the table below:

	Fiscal Year 2020	**Fiscal Year 2019**
Net Position (GAAP)	(79,349,420)	(130,596,910)
Add back in: GASB 68- Pension	186,916,944	227,871,688
Add back in: GASB 75- OPEB	6,463,131	6,662,412
Net Position excluding Pension and OPEB	114,030,655	103,937,190

- In fiscal year 2020, the level of funding for MSU Denver's College Opportunity Fund (COF) stipends was set by the General Assembly at $94 per eligible credit hour, which is $9.00 higher than the fiscal year 2019 rate of $85 per eligible credit hour.
- MSU Denver's June 30, 2020 current assets of $149.3 million were sufficient to cover current liabilities of $61.6 million. The current ratio of 2.42 (current assets/current liabilities) reflects the liquidity of MSU Denver's assets and the availability of funds for current operations. As of June 30, 2019, MSU Denver had $94.0 million in current assets and $27.6 million in current liabilities, resulting in a current ratio of 3.41.
- The University had outstanding bonds payable of $135.2 million and $91.4 million in fiscal year 2020 and 2019 respectively.
- MSU Denver's final headcount had decreases in undergraduate and increases in graduate as reflected in the table below:

Undergraduate Headcount	2019-20	2018-19	(Decrease)
Summer *(End of Term)*	6,378	6,809	(431)
Fall *(End of Term)*	19,193	19,437	(244)
Spring *(End of Term)*	17,815	18,125	(310)

Graduate Headcount	2019-20	2018-19	Increase
Summer *(End of Term)*	335	266	69
Fall *(End of Term)*	887	755	132
Spring *(End of Term)*	872	724	148

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, 2020 and 2019. 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		
		2020	**2019**	**2018**
			(In thousands)*	
Assets:				
Current assets	$	149,265	94,001	81,338
Other non-capital assets		7,595	13,896	9,398
Net capital assets		165,784	128,277	130,777
Total assets	$	322,644	236,174	221,513
Deferred Outflows of resources		21,210	26,283	60,451
Total Assets and Deferred Outflows		343,854	262,457	281,964
Liabilities:				
Current liabilities	$	61,647	27,602	23,474
Noncurrent liabilities		300,728	276,327	401,998
Total liabilities	$	362,375	303,929	425,472
Deferred inflows of resources		60,827	89,125	13,309
Total Liabilities and Deferred Inflows		423,202	393,054	438,781
Net position				
Net investment in Capital Assets	$	26,896	38,926	40,026
Restricted for expendable purposes		1,149	1,220	1,229
Unrestricted		(107,394)	(170,743)	(198,072)
Total net position	$	(79,349)	(130,597)	(156,817)

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

At June 30, 2020 and 2019, MSU Denver's total assets and deferred outflows of resources were $343.9 million and $262.5 million, respectively, which is an increase of $81.4 million and a decrease of $19.5 million, respectively, when compared to the prior years.

At June 30, 2020 and 2019, MSU Denver's total liabilities and deferred inflows of resources were $423.2 million and $393.1 million, respectively, which is an increase of $30.1 million and a decrease of $45.7 million, respectively, when compared to the prior years.

Increases in cash, accounts receivable-other, buildings, leasehold improvements, and deferred outflows-interest rate swap, offset with reductions in restricted cash and deferred outflows of resources-pension and OPEB were the primary reasons for the $81.4 million increase in total assets and deferred outflows of resources in fiscal year 2020 when compared to fiscal year 2019, which is discussed in greater detail below.

Cash and cash equivalents increased by $50.8 million in fiscal year 2020 when compared to fiscal year 2019. $33.5 million of this increase is due to the deposit of the Governor's Coronavirus Relief Funds (CRF), that was transferred in fiscal year 2020 but is intended to be used in fiscal year 2021, and therefore unspent as of June 30, 2020. These CRF funds are to be used in line with federal guidance issued or to be issued on what constitutes a necessary expenditure under the Coronavirus Aid, Relief, and Economic Security Act (CARES) . There were also increases from the 3 percent tuition increase, the 50 percent closure of the tuition window, the 5 percent increase in the Metro Bond Fee, coupled with the closure of that fee's window, and the new Student Technology Fee. Previously, the tuition window allowed students to take 13-18 credit hours for the price of 12; however, beginning in fiscal year 2020 the tuition rate at 13 credit hours and greater increased $134 per credit hour, which is 50% of the per credit hour increase between 1 and 12 credit hours. The Metro Bond fee window worked similarly to the tuition window and with its closure the Metro Bond fee is no longer discounted for taking more credit hours. The tuition and Metro Bond fee windows were originally intended to encourage financially disadvantaged students to take more credit hours. However, research was conducted to determine if the windows were accomplishing their desired effect and it was determined that many students in the window didn't realize there was a price advantage and would have taken the courses anyway. Furthermore, when economically disadvantaged students who were not taking advantage of the window were surveyed said they couldn't take more classes because of work or other life commitments; alerting the University to the fact that this window was not meeting its desired effect and was therefore voted to be closed over three years.

In fiscal year 2020 accounts receivable-other increased by $3.4 million when compared to fiscal year 2019 which was comprised of a timing difference in the payments received for the College Opportunity Fund stipends of approximately $1.6 million. There was also a $1.1 million increase related to the payment of the institutional portion of the federal CARES Funds, and approximately a $550 thousand increase in the timing of the federal interest subsidy on the Series 2009 bonds.

Buildings, net of accumulated depreciation, increased in fiscal year 2020 by $33.4 million and leasehold/land improvements, net of accumulated depreciation, increased $2.8 million when compared to fiscal year 2019. The increase in buildings was primarily from the purchase of the HLC@Metro Inc's hotel, which was precipitated by the University's response to the COVID-19 pandemic. More specifically, in an effort to make the hotel available to the city and county of Denver and the surrounding communities as possible hospital patient overflow, a complex set of transactions were executed to alleviate use restrictions on the hotel, which resulted in the University acquiring the hotel. Prior to the acquisition, the HLC@Metro Inc's. Series 2010 bonds, which were used to construct the hotel, only allowed the space to be used as a hotel and not as a care facility. In order to release that restriction, the Series 2010 bonds needed to be defeased; however, given the pandemic affected the hospitality industry, it was advantageous for the University to issue the new bonds and acquire most of the assets and liabilities of the HLC@Metro Inc.

The increase in leasehold improvements was predominantly from the completion of the PE/Events Center remodel. The PE/Events Center completion is also the primary reason for the $5.2 million reduction in restricted cash.

There was an $11.5 million increase in deferred outflows of resources related to the interest rate swap (please see note 4 for more information on the interest rate swap). Additionally, there was a $16.5 million reduction in the deferred outflows of resources related to the pension and OPEB plans in fiscal year 2020 compared to fiscal year 2019, which is attributable to the change in the University's proportional share of the unfunded PERA pension and OPEB liabilities.

Increases in unearned revenue, other current liabilities, compensated absences, bonds payable, and non-current liabilities related to the interest rate swap offset with decreases in accounts payable, net pension and OPEB liabilities, other non-current liabilities and deferred inflows of resources were the primary reasons for the $30.1 million increase in total liabilities and deferred inflows of resources in fiscal year 2020 when compared to fiscal year 2019, which is discussed in greater detail below.

Unearned Revenue increased $34.6 million in fiscal year 2020, of which $33.4 million was from the Governor's CRF funds discussed above. There was also an increase of approximately $945 thousand due to increases in summer tuition deferrals.

In fiscal year 2020 other current liabilities increased $1.2 million when compared to fiscal year 2019 due to the federal capital contribution (FCC) that was due to the federal government for the terminated Perkins loans. When the Perkins loan program was terminated in fiscal year 2018, higher education institutions could no longer issue Perkins loans, so the FCC portion of the collected amounts needed to be returned to the federal government. No equivalent liability was recorded in fiscal year 2019 because the federal government put a hold on all payments until they could do more research on amounts owed backed to institutions for cancelled loans.

The non-current compensated absences liability increased $2.0 million primarily due to larger unused leave balances given that less vacation time was taken primarily because travel was restricted due to the COVID-19 pandemic. However, fiscal year 2020 was the first year that Administrative staff were eligible for a sick leave payout of a quarter of their sick leave balance upon separation. The adoption of this benefit accounts for $385 thousand of this overall increase.

In fiscal year 2020 non-current bonds payable increased $43.6 million, which is due to the $47.7 million Series 2020 bond, which was issued in April 2020, offset by the timely payments of existing debt (see note 6 for more information on the Series 2020 bond).

The interest rate swap liability increased $11.5 million in fiscal year 2020 as a result of the HLC@Metro Inc. acquisition (please see note 20 for more detailed information).

Accounts payable decreased $2.0 million, of which, $1.4 million was due to a decrease in amounts owed to Wells Fargo, MSU Denver's credit card provider, due to reduced spending. Another $653 thousand of this decrease is a result of the completion of the PE/Events Center remodeling project.

Net pension and net OPEB liabilities, along with deferred inflows of resources decreased by a total of $57.7 million in fiscal year 2020 when compared to fiscal year 2019. This decrease is a result of strong equity markets, PERA receiving its second annual cash contribution from the State of Colorado and having a full year to realize the benefits that came with SB18-200 which was passed in 2018.

Other non-current liabilities decreased $2.9 million, due to a scheduled repayment of the FCC of the Perkins loan program.

In fiscal year 2019, an $11.3 million increase in cash, and a $6.3 million increase in restricted cash, offset with a $34.1 million reduction in deferred outflows, and a $4.0 million decrease in buildings were the primary reasons for the $19.5 million decrease in total assets and deferred outflows when compared to fiscal year 2018, which is discussed in greater detail below.

Cash and cash equivalents increased $11.3 million as a result of several factors. There was an additional $4.5 million in cash primarily from the new online program fee, an increase in treasury interest, and remaining funds from the one-time Classroom to Career Hub (C2Hub) and Cybersecurity funding from the state. There was also a $2.1 million increase in cash due to the Graduate programs, Student Health, and Campus Recreation. Additionally, there was a $2.8 million timing difference in payments related to payroll withholdings/contributions, and lastly, a $1.5 million increase in funds for the federal portion of the Perkins Loan program. The Department of Education put a temporary hold on repayments of the Federal Capital Contribution related to the terminated Perkins Loans, and will be working with institutions in the latter part of calendar year 2019 to determine repayment terms.

The $6.3 million increase in restricted cash is from the issuance of the Series 2019 direct placement bonds issued to fund the renovation of the PE/Events Center. See note 6 for more information related to the University's bonds.

The $34.1 million reduction in deferred outflows is in relation to the pension liability. Senate Bill 18-200 caused a considerable change in the deferred outflow related to a change of assumptions.

The $4.0 million decrease in buildings is related to the normal depreciation of the Jordan Student Success Building and the Advanced Manufacturing and Engineering Sciences Building.

The $45.7 million decrease in total liabilities and deferred inflows is the result of many off-setting factors. There was a $130.9 million decrease in the net pension liability and a $75.8 million increase in the deferred inflows related to the pension and OPEB entries. There was also an overall increase of $5.4 million in bonds payable, which was the result of issuing the Series 2019 bonds and timely payments of the other outstanding bonds. Lastly, there was a $2.1 million increase in accrued payroll related to a timing differences in payments related to payroll withholdings/contributions.

Of the total ($79.3) million in net position in fiscal year 2020, $26.9 million is net investment in capital assets, $1.1 million is restricted for expendable purposes for student loans, and ($107.4) million is unrestricted. Of the total ($130.6) million in net position in fiscal year 2019, $38.9 million is net investment in capital assets, $1.2 million is restricted for expendable purposes for student loans, and ($170.7) 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 2020 and 2019. 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.

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

	June 30		
	2020	2019	2018
		(In thousands)*	
Operating revenues:			
Tuition and fees, net	$ 128,416	$ 117,590	$ 111,182
Fee for service	26,837	23,652	19,660
Sales and services	5,084	5,412	5,934
Grants and contracts	34,206	31,181	27,166
Other operating revenues	4,705	4,147	4,504
Total operating revenues	199,248	181,982	168,446
Operating expenses	193,319	199,330	261,385
Operating income (loss)	5,929	(17,348)	(92,939)
Nonoperating revenues:			
Pell grants	30,525	30,931	31,272
Coronavirus Aid, Relief, and Economic Security	7,036	—	—
Intergovernmental revenue	1,316	1,349	1,377
Investment and interest income	5,705	3,092	764
Interest expense on capital asset-related debt	(4,789)	(4,560)	(4,600)
Debt Issuance Cost	(186)	(63)	—
Gain/(Loss) on sale/disposal of capital assets	(8,348)	(7)	(1,244)
Nonoperating gifts and donations	4,285	4,352	3,543
Other non operating revenue	874	698	585
Perkins loan termination	83	58	(8,272)
State PERA contribution	1,088	1,138	—
Net nonoperating revenues	37,589	36,988	23,425
Income/(Loss) before other revenues	43,518	19,640	(69,514)
Other revenues			
Capital Contributions- State	—	—	—
Capital Student Fee, net	7,729	6,581	6,436
Increase/(Decrease) in net position	51,247	26,221	(63,078)
Net position at beginning of year	(130,596)	(156,817)	(87,233)
Restatement	—	—	(6,506)
Net position at beginning of year as restated	(130,596)	(156,817)	(93,739)
Net position at end of year	$ (79,349)	$ (130,596)	$ (156,817)

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

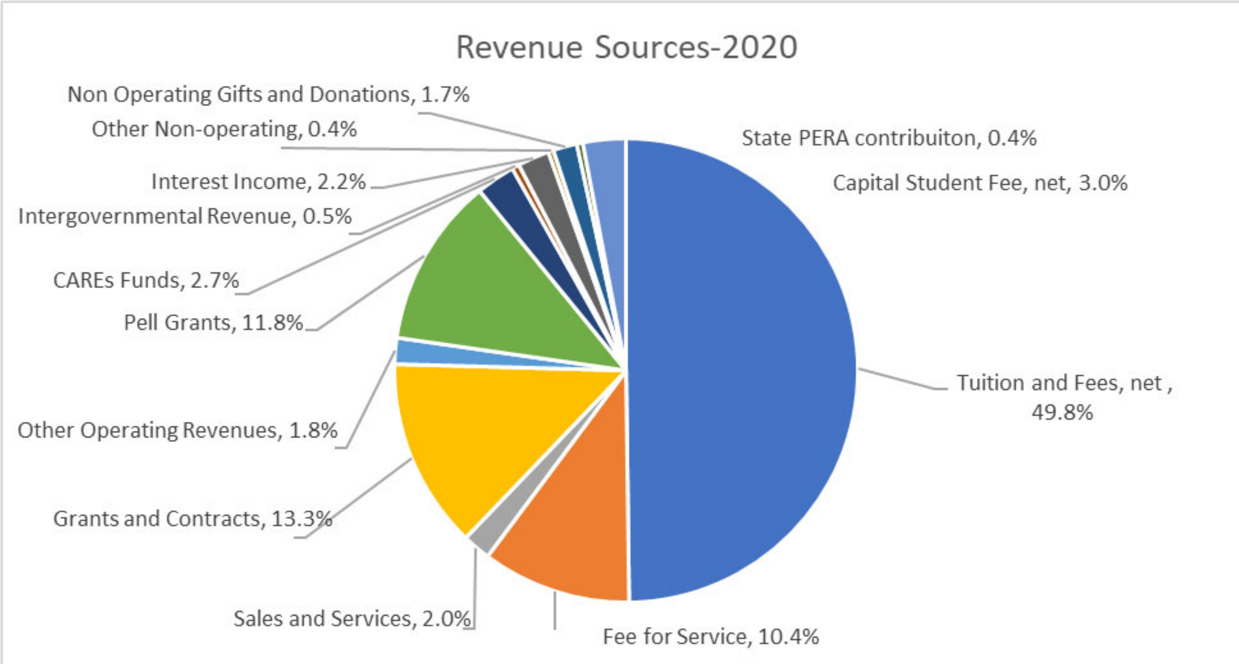
Tuition and fees revenue, net, accounted for $128.4 million of the $199.2 million in operating revenue in fiscal year 2020. The tuition and fees revenue amount is net of scholarship allowances of $59.4 million and bad debt of $3.7 million. Scholarship allowances are defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students.

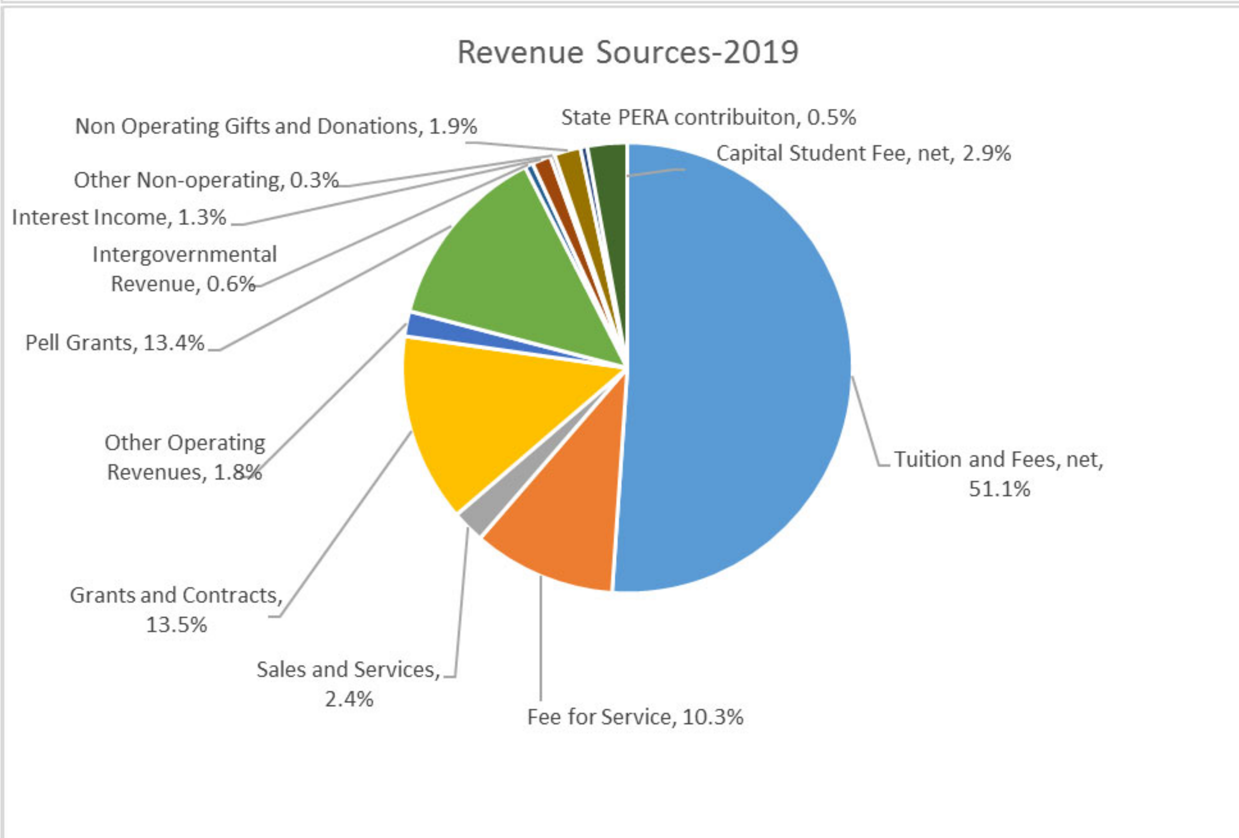
Net tuition and fee revenue increased $10.8 million, or 9.2%, from fiscal year 2019. There was a 3.0% increase in tuition rates in fiscal year 2020 and the tuition window was closed by 50%. There was also a new student technology fee, an increase of 5% in existing student fees and the Metro Bond fee window was closed entirely. Scholarship discounts and allowances increased $3.6 million from fiscal year 2019 almost entirely due to increases in Colorado Student Grants.

In fiscal year 2019 tuition and fees revenue, net, accounted for $117.6 million of the $182.0 million in operating revenue. The tuition and fees revenue amount is net of scholarship allowances of $55.8 million and bad debt of $3.1 million. Scholarship allowances are defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students.

Net tuition and fee revenue increased $6.4 million, or 5.8%, from fiscal year 2018. There was a 3.0% increase in tuition rates in fiscal year 2019 as well as a new Mental Health and Online Program fee, but enrollment continued to see decreases. Scholarship discounts and allowances increased $2.9 million from fiscal year 2018 primarily due to increases in Colorado Student Grants.

The following are graphic illustrations of total revenue (operating and nonoperating) by source for MSU Denver for fiscal years 2020 and 2019, respectively. Each major revenue component is displayed relative to its proportionate share of total revenue.


Revenue Sources-2020
Non Operating Gifts and Donations, 1.7%
Other Non-operating, 0.4%
State PERA contribuiton, 0.4%
Capital Student Fee, net, 3.0%
Interest Income, 2.2%
Intergovernmental Revenue, 0.5%
CAREs Funds, 2.7%
Pell Grants, 11.8%
Tuition and Fees, net, 49.8%
Other Operating Revenues, 1.8%
Grants and Contracts, 13.3%
Sales and Services, 2.0%
Fee for Service, 10.4%


Revenue Sources-2019
Non Operating Gifts and Donations, 1.9%
State PERA contribuiton, 0.5%
Capital Student Fee, net, 2.9%
Other Non-operating, 0.3%
Interest Income, 1.3%
Intergovernmental Revenue, 0.6%
Pell Grants, 13.4%
Other Operating Revenues, 1.8%
Tuition and Fees, net, 51.1%
Grants and Contracts, 13.5%
Sales and Services, 2.4%
Fee for Service, 10.3%

In fiscal year 2020 there was a $6.0 million decrease in operating expenses over fiscal year 2019. The entries related to GASB 68 and 75 accounted for $20.3 million of the reduction in operating expense, while true operating expenses increased by $14.3 million.

$8.3 million of the $14.3 million increase in operations was due to increases in salaries and benefits, which was from a 3% across the board salary increase for all faculty, administrators, and classified staff as well as maintaining the University adopted averages of the "College and University Professionals Association" (CUPA) when determining minimum pay.

Another $5.7 million of the total $14.3 million increase in fiscal year 2020 was due to direct student aid payments from the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES), with an additional increase of $1.3 million related to COVID-19 response efforts also funded by CARES funds.

There were offsetting changes of a $1.1 million increase in depreciation and a $1.7 million decrease in travel. The decrease in travel was a direct result of the pandemic.

In fiscal year 2019 there was a $62.1 million decrease in operating expenses over fiscal year 2018. The entries related to GASB 68 and 75 resulted in a $75.9 million reduction in operating expense, while true operating expenses increased $13.9 million.

$8.6 million of the $13.9 million increase in operations when comparing fiscal year 2019 to fiscal year 2018 was due to increases in salaries and benefits, which was from a one-time $2,000.00 stipend payment to all full time faculty and administrators, a 3% base increase for all classified staff, an increase in minimum wage in January, 2019 from $10.20 to $11.10 per hour, and maintaining the University adopted averages of the "College and University Professionals Association" (CUPA) when determining minimum pay.

Another $3.8 million of the total fiscal year 2019 $13.9 million increase over fiscal year 2018 was due to increases in materials and supplies; for example, there was an $800 thousand increase in payments to EAB Global for admission management and research memberships. A $564 thousand increase in the amounts paid for the on-campus library, and amounts paid for the Auraria controlled maintenance and campus operations. An additional $500 thousand increase for amounts paid to search firms, an upgrade to the Center for Advanced Visual and Experiential Analysis (CAVEA) display, and professional services for the creation of a data warehouse. There was also a $1.2 million increase in expenditures related to federal grants which was primarily due to new and continuing Health Resource and Service Administration (HRSA) awards.

An additional $1.1 million increase of the overall $13.9 million increase in operations in fiscal year 2019 was due to an increase in depreciation which was primarily from the Aerospace and Engineering Sciences (AES) Building. The AES building was placed into service in fiscal year 2018 when it only received a half year of depreciation expense; however, fiscal year 2019 it accumulated a full year of depreciation.

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):	2020	2019	2018
Instruction	66,006,372	75,595,723	115,087,555
Research	313,916	532,327	24,110
Public Service	2,608,230	2,772,875	2,476,432
Academic Support	22,525,692	23,162,788	32,919,013
Student Services	18,371,155	20,581,418	27,311,974
Institutional Support	27,674,017	25,749,784	32,115,079
Operation of Plant	13,340,039	13,594,772	13,808,027
Scholarships and Fellowships, net	8,175,047	2,891,407	3,001,068
Auxiliary Enterprise Expenditures	23,863,042	25,079,007	26,378,690
Depreciation	10,441,859	9,370,178	8,263,306
Total Operating Expenses	193,319,370	199,330,279	261,385,254

Operating Expenses excluding the effects of GASB 68 and 75:	2020	2019	2018
Instruction	86,344,837	85,603,764	82,885,967
Research	340,715	566,534	22,600
Public Service	3,008,264	2,963,966	2,128,954
Academic Support	27,775,765	25,627,126	24,537,450
Student Services	22,515,079	22,420,607	18,916,021
Institutional Support	32,251,412	27,724,841	25,530,001
Operation of Plant	13,488,259	13,635,157	13,524,601
Scholarships and Fellowships, net	8,175,047	2,891,407	3,001,068
Auxiliary Enterprise Expenditures	29,043,751	28,266,473	26,378,690
Depreciation	10,441,859	9,370,178	8,263,306
Total Operating Expenses	233,384,988	219,070,054	205,188,658

Statements of Cash Flows

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

Condensed Statements of Cash Flows

		June 30		
		2020	**2019**	**2018**
			(In thousands*)	
Net cash provided by (used in):				
Operating activities	$	(24,274)	(23,139)	(36,183)
Noncapital financing activities		74,227	35,828	30,909
Capital and related financing activities		(9,982)	1,881	(20,762)
Investing activities		5,676	3,084	760
Net (decrease)/increase in cash		45,647	17,654	(25,276)
Cash and cash equivalents:				
Beginning of year		82,308	64,654	89,930
End of year	$	127,955	82,308	64,654

* 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 $45.6 million in fiscal year 2020 when compared to fiscal year 2019. This increase is primarily due to the $33.7 million in Coronavirus Relief Funds (CRF) passed through the Governor's office to the University. All but $249 thousand of the $33.7 million was set aside to be spent in fiscal year 2021. There was also a $10.5 million increase in tuition and fees as a result of the 3% tuition increase, the 50% closure of the tuition window, the 5% increase in the Metro Student Bond fee and the new Student Technology fee.

MSU Denver's cash and cash equivalents increased by $17.7 million in fiscal year 2019 when compared to fiscal year 2018. This increase is primarily due to the $8.3 million Series 2019 bonds that were issued for the renovations in the PE/Events Center. This project was completed in fiscal year 2020, and $7.6 million of bond funding was remaining as of June 30, 2019. There was also approximately $4.5 million of additional cash as a result of the new online program fee, an increase in state treasury interest and some remaining funds from the one time C2Hub and Cybersecurity funding from the state. An additional $2.1 million was on hand from the Master's programs, Student Health, and Campus Recreation. There was also approximately $4.3 million of additional cash due to timing differences related to payments for payroll contributions and the federal capital contributions for the Perkins Loan program.

In addition to the CRF funds in fiscal year 2020, the major sources of unrestricted cash inflows in fiscal year 2020 and 2019 were $126.7 million and $116.1 million, respectively from tuition and fees, $26.8 million and $23.7 million, respectively, from fee for service revenue, $34.5 million and $30.8 million, respectively, from grants and contracts, and $30.5 million and $30.9 million, respectively, in Pell grants. The primary outflows are $149.7 million and $141.6 million, respectively, for payments to or for employees, $66.5 million and $61.7 million, respectively, for payments to suppliers and $56.7 million and $6.2 million, respectively, for the acquisition of capital assets.

Capital Assets

At June 30, 2020, the University had $165.8 million in property, plant, and equipment, net of accumulated depreciation of $67.4 million. Depreciation charges were $10.4 million for the current year compared to $9.4 million in fiscal year 2019 and $8.3 million in fiscal year 2018.

Details of these assets are shown in the table below:

Capital Assets, Net of Depreciation at Year-End

		June 30	
	2020	**2019**	**2018**
		(in thousands)	
Construction in progress	$ 4,540	3,580	2,032
Land	1,005	1,005	1,005
Equipment	6,632	6,239	5,992
Buildings	118,054	84,679	88,652
Leasehold/land improvements	35,552	32,773	33,096
Total	$ 165,783	128,276	130,777

Debt

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

Series 2009 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original % of Subsidy Payments	Modified Interest Subsidy	Modified % of Subsidy Payments	Difference
2010	1,585,672	713,553	45%	713,553	45.00%	(0)
2011	3,052,632	1,373,684	45%	1,373,684	45.00%	(0)
2012	3,039,941	1,367,973	45%	1,367,973	45.00%	(0)
2013	3,010,744	1,354,835	45%	1,296,222	43.05%	(58,612)
2014	2,974,155	1,338,370	45%	1,242,007	41.76%	(96,363)
2015	2,930,379	1,318,671	45%	1,222,408	41.72%	(96,263)
2016	2,879,805	1,295,912	45%	1,207,790	41.94%	(88,122)
2017	2,822,365	1,270,064	45%	1,182,430	41.90%	(87,634)
2018	2,758,975	1,241,539	45%	1,159,597	42.03%	(81,942)
2019	2,690,669	1,210,801	45%	1,135,731	42.21%	(75,070)
2020	2,617,244	1,177,760	45%	1,108,272	42.35%	(69,488)
	Total Reduction in Series 2009 Bond Subsidy Payments					**(653,493)**

Series 2010 Bond Interest Payments and Corresponding Subsidy Receipts

June 30	Interest Payment	Original Interest Subsidy	Original Subsidy % of Interest Payment	Modified Interest Subsidy	Modified Subsidy % of Interest Payment	Difference
2011	543,193	244,437	45%	244,437	45.00%	(0)
2012	568,015	255,607	45%	255,607	45.00%	(0)
2013	563,395	253,528	45%	242,549	43.05%	(10,979)
2014	557,629	250,933	45%	232,866	41.76%	(18,067)
2015	550,508	247,729	45%	229,644	41.71%	(18,085)
2016	542,258	244,016	45%	227,423	41.94%	(16,593)
2017	532,910	239,810	45%	223,263	41.90%	(16,547)
2018	522,413	235,086	45%	219,570	42.03%	(15,516)
2019	510,948	229,926	45%	215,671	42.21%	(14,255)
2020	498,683	224,407	45%	211,167	42.35%	(13,240)
	Total Reduction in Series 2010 Bond Subsidy Payments					**(123,282)**

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 Regency Athletic Complex (RAC). These bonds worked like a line of credit, where the University drew funds on an as needed basis. As of June 30, 2015, the University drew the full $4 million. These bonds are paid with available cash funds and fundraising efforts by the University's Foundation.

On January 27, 2016, the University issued $27.5 million of Series 2016 Institutional Enterprise Revenue Bonds, bearing interest at 2.0% to 5.0%, for the purpose of financing a portion of the construction of 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. These bonds are paid with the student bond fee discussed above.

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 $47,710,000 of direct placement, Series 2020, Institutional Enterprise Revenue Bonds. These bonds were issued at a variable interest rate equal to 80% of LIBOR (with a 1% LIBOR floor) 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 (see note 6 (c) under direct placement bonds for more information).

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 discussed more in note 20. Because it was the intent of University management to attach the interest rate swap with the Series 2020 bonds noted above and all other intended assets and liabilities were transferred in fiscal year 2020, the University is reflecting the interest rate swap on the fiscal 2020 financial statements. 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 $11.5 million as of June 30, 2020. The Swap Agreement has an effective date of September 1, 2020 and a termination date of July 1, 2042.

At June 30, 2020, the University had $138.2 million in outstanding debt payments compared to $94.7 million at June 30, 2019 and $91.7 million at June 30, 2018. The table below summarizes these amounts by type of debt:

Outstanding Debt at Year-End

		June 30	
	2020	**2019**	**2018**
		(In thousands)	
Series 2009	$ 42,695	44,210	45,685
Series 2010	8,290	8,565	8,802
Series 2014	1,858	2,253	2,638
Series 2016	25,285	25,850	28,878
Series 2019	7,165	8,250	—
Series 2020	47,710	—	—
Capital lease	5,159	5,545	5,656
Total	$ 138,162	94,673	91,659

Economic Outlook and Metropolitan State University of Denver's Future

On March 11, 2020, the World Health Organization declared a pandemic as a result of the worldwide impact of the novel coronavirus, known as COVID-19. In response to the COVID-19 pandemic the University quickly pivoted and moved all instruction to an on-line format and conducted its operations remotely. Decisions about course offerings, security measures, and tuition and fee structures were all made with student's safety and success as the focal point. In an effort to minimize the impact of the pandemic on MSU Denver students the Board of Trustees (BOT) temporarily suspended the previously approved 3% tuition increase which was scheduled to begin in fall, 2020. Mandatory fees which are tied to on-campus services, such as the campus recreation fee, the intercollegiate athletics' fee, the AHEC facility and bond fee and the Tivoli Park facility fee were also waived for the fall semester. These suspensions were intended to be temporary and would be re-evaluated for the spring semester. At the September 2020 BOT meeting, knowing that the state would be drastically cutting their funding to the University in fiscal 2021, the Board determined that it was necessary to move forward the 3 percent tuition increase beginning in the spring semester of 2021; however, the previously mentioned fees would remain suspended and reviewed again for future semesters. The Board of Trustees also discussed several ways of helping students who could be negatively impacted by the increase in tuition, including targeting more funding to financial aid, leveraging the CARES Act grant for Hispanic Serving Institutions, and working with Faculty Senate to use more Open Educational Resources to reduce the costs associated with textbooks. The BOT also approved the increase of minimum wage to match the prevailing City and County of Denver minimum wage. Even with the 3 percent tuition increase, MSU Denver maintains the lowest tuition and fees of any university along the Front Range.

In fiscal year 2020 MSU Denver initiated considerable cost saving measures that will continue into fiscal year 2021, including both voluntary and mandatory furloughs, voluntary separations and unfortunately, some positions were eliminated. There were also moratoriums placed on travel and other operational expenditures were limited.

In fiscal year 2020 MSU Denver received grants and other relief from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19. The University was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling $15.4 million, of which more than $7.2 million was allocated as direct aid to students. The University also received other emergency relief in the form of Coronavirus Relief Funds (CRF) funds of $33.7 million to help cover costs associated with the Coronavirus pandemic. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations, and cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, the extent and severity of the impact on the University's community, and whether or not there will be any additional federal support, all of which are uncertain and cannot be predicted. However, MSU Denver remains fully committed and strongly positioned to support its students and their success, via financial aid resources, a safe return to campus plan, a committee dedicated to racial justice (discussed below), and tailored degree programs to keep up with students' real lives- new high school graduates, military veterans, adult learners, and transfer students.

In June 2020 the MSU Denver Board of Trustees issued a resolution to express the University's commitment to engage the anti-racism work necessary to create systemic change. Then in September 2020 the Board members unanimously approved a motion to revise the board's bylaws to create a permanent committee for Sustained Racial Justice. The purpose of the committee will be to provide Board of Trustees oversight regarding University efforts to eradicate systemic racism, including adequate representation of, and opportunity to be heard by, Black, Indigenous and People of Color (BIPOC) at all levels of leadership. The committee will also ensure that sufficient steps are being taken to address potential racial bias across all areas of the University.

MSU Denver retained its Taxpayer's Bill of Rights (TABOR) enterprise status during fiscal year 2020 by receiving less than 10% in state funding. The College Opportunity Fund (COF) stipend was set by the General Assembly for fiscal year 2020 at $94 per eligible credit hour for resident undergraduate students. The stipend was decreased to $40 per eligible credit hour for fiscal year 2021, which is currently appropriated at $16.3 million, per the long bill. MSU Denver received $26.8 million in fee-for-service revenue in fiscal year 2020, and is budgeted to receive $10.4 million in fiscal year 2021.

Beginning in fiscal year 2021 the University is required to adopt GASB Statement No. 84 *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The University is currently evaluating the impact this standard will have on the financial statements once adopted.

Also beginning in fiscal year 2021 the University must adopt GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* in fiscal year 2022. This Statement provides clarifications on the guidance provided in GASB 84, *Fiduciary Activities*. The standard clarifies when a primary government is financially accountable for a potential component unit noting exclusions for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan, i.e. certain Section 457 plans. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and it also clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

Additionally, beginning in fiscal year 2022 the University must adopt GASB Statement No. 87, *Lease Accounting*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the 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 new lease standard is expected to have a significant effect on the University's financial statements as a result of the leases such as building space, copiers, and computers classified as operating leases disclosed in Note 5. 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 should be addressed to MSU Denver at Campus Box 98, P.O. Box 173362, Denver, CO 80217

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020		2019	
Assets	University	HLC@Metro Inc.	University	HLC@Metro Inc.
Current assets:				
Cash and cash equivalents	$ 125,517,749	$ 283,935	$ 74,677,547	$ 230,954
Restricted cash and cash equivalents	-	-	-	9,236,305
Accounts receivable – student (net of allowance for doubtful accounts of $3,635,210 and $3,436,880, respectively)	13,977,419	-	13,713,869	-
Accounts receivable – hotel rooms	-	-	-	172,255
Accounts receivable – other	6,116,559	-	2,763,558	365,095
Loans receivable	1,170,840	-	1,326,602	-
Prepaid expense	2,451,587	-	1,482,434	-
Investments	30,756	-	36,805	-
Other Assets	-	-	-	201,570
Total current assets	**149,264,910**	**283,935**	**94,000,815**	**10,206,179**
Noncurrent assets:				
Restricted cash	2,436,645	-	7,630,325	-
Investments	639,994	-	593,653	-
Prepaid expense	100,205	-	143,249	-
Loans receivable (net of allowance for doubtful accounts $571,477 and $711,887, respectively)	4,418,461	-	5,529,652	-
Land	1,005,185	-	1,005,185	-
Construction in progress	4,539,992	-	3,580,360	297,381
Depreciable assets, net:				
Equipment	6,632,030	-	6,238,968	370,678
Buildings	118,054,129	-	84,679,404	35,811,381
Leasehold and land improvements	35,552,332	-	32,772,761	-
Total depreciable capital assets, net	160,238,491	-	123,691,133	36,182,059
Total noncurrent assets	**173,378,973**	**-**	**142,173,557**	**36,479,440**
Total assets	**322,643,883**	**283,935**	**236,174,372**	**46,685,619**
Deferred Outflows of Resources				
Deferred pension outflow	9,471,963	-	25,945,838	-
Deferred OPEB outflow	281,023	-	336,997	-
Deferred Ouflow Interest Rate Swap	11,457,017	-	-	4,487,433
Total deferred outflows of resources	**21,210,003**	**-**	**26,282,835**	**4,487,433**
Total assets and deferred outflows of resources	**$ 343,853,886**	**$ 283,935**	**$ 262,457,207**	**$ 51,173,052**

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020		2019	
	University	HLC@Metro Inc.	University	HLC@Metro Inc.
Liabilities				
Current liabilities:				
Accounts payable	$ 2,802,161	$ 133,887	$ 4,802,729	$ 223,716
Advance hotel customer deposits	-	-	-	110,596
Accrued interest payable	403,099	-	418,589	1,027,074
Accrued payroll	6,378,694	-	6,140,430	-
Unearned revenue	43,497,503	-	8,894,092	-
Compensated absences	474,439	-	421,305	-
Bonds payable	3,935,000	-	3,835,000	1,316,822
Capital leases	619,656	-	567,278	-
Deposits held in custody and other current liabilities	2,338,390	-	2,522,977	492,994
Other Current Liabiliities	1,198,508	422,475	-	-
Total current liabilities	**61,647,450**	**556,362**	**27,602,400**	**3,171,202**
Noncurrent liabilities:				
Net pension liability	137,007,271	-	164,944,395	-
Net OPEB liability	5,298,418	-	6,747,644	-
Compensated absences	6,034,799	-	3,989,372	-
Interest rate swap liability	11,457,017	-	-	4,487,433
Bonds payable	131,237,571	-	87,601,269	48,918,875
Capital leases	4,539,184	-	4,977,515	-
Other non-current liabilities	5,154,224	194,625	8,066,627	-
Total noncurrent liabilities	**300,728,484**	194,625	**276,326,822**	**53,406,308**
Total liabilities	**362,375,934**	**750,987**	**303,929,222**	**56,577,510**
Deferred Inflows of Resources				
Deferred pension inflow	59,381,636	-	88,873,130	-
Deferred OPEB inflow	1,445,736	-	251,765	-
Total deferred inflows of resources	**60,827,372**	**-**	**89,124,895**	**-**
Total liabilities and deferred inflows of resources	**423,203,306**	**750,987**	**393,054,117**	**56,577,510**
Net position				
Net Investment in Capital Assets	26,895,679	-	38,925,941	(12,285,237)
Restricted for bond requirements	-	-	-	6,738,211
Restricted for expendable purposes, Loans	1,148,458	-	1,219,815	-
Unrestricted	(107,393,557)	(467,052)	(170,742,666)	142,568
Total net position	**(79,349,420)**	**(467,052)**	**(130,596,910)**	**(5,404,458)**

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and Cash Equivalents	$ 1,226,392	$ 954,916
Funds Held for Distribuiton to University	117,528	173,612
Funds Held for Alumni Association	18,884	259,458
Investments	8,939,678	8,845,469
Receivable from University	8,916	10,630
Promises to Give, Net	1,624,727	1,279,201
Prepaids and other assets	38,723	18,455
Property and Equipment, Net	1,370,202	1,405,602
Endowment		
Promises to Give, Net	1,338,203	1,466,302
Investments	16,742,947	15,424,786
Total assets	**$ 31,426,200**	**$ 29,838,431**
Liabilities and Net Assets		
Accounts Payable and Other Liabilities	$ 87,715	$ 104,921
Accounts Payable to University	175,313	515,877
Funds Held for Distribution to University	117,528	173,612
Funds Held for Alumni Association	18,884	259,458
Paycheck Protection Program Loan	71,700	-
Total liabilities	471,140	1,053,868
Net Assets		
Without Donor Restrictions:		
Undesignated	3,175,890	2,913,054
Board-designated	979,371	1,032,500
Invested in property and equipment, net	1,370,202	1,405,602
	5,525,463	5,351,156
With Donor Restrictions	25,429,597	23,433,407
Total Net Assets	30,955,060	28,784,563
Total Liabilities and Net Assets	**$ 31,426,200**	**$ 29,838,431**

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS-TYPE ACTIVITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
	University	Component Unit	University	Component Unit
Operating revenues:				
Student tuition and fees, (including gross tuition of $30,467,990 and $25,499,003, respectively, pledged for bonds) net of scholarship allowances of $59,360,538 and $55,776,378, and bad debt expense of $3,650,472 and $3,077,378, respectively	$ 128,415,563	$ –	$ 117,590,413	$ –
Fee for service	26,836,913	–	23,651,660	–
Room revenue	–	5,374,742	–	8,163,769
Banquet food revenue	–	774,741	–	661,480
Restaurant food revenue	–		–	508,817
Parking revenue	–	500,818	–	736,312
Sales and services of educational departments	172,601	–	147,868	–
Sales and services of auxiliary enterprises	4,911,663	–	5,264,618	–
Federal grants and contracts	8,268,863	–	8,519,838	–
State grants and contracts	25,380,900	–	22,358,238	–
Local grants and contracts	510,129	–	234,719	–
Private grants and contracts	46,123	–	68,313	–
Operating interest income	296,744	–	232,917	–
Other operating revenues	4,409,146	305,904	3,913,694	298,452
Total operating revenues	199,248,644	6,956,205	181,982,278	10,368,830
Operating expenses:				
Instruction	66,006,372	–	75,595,723	–
Research	313,916	–	532,327	–
Public service	2,608,230	–	2,772,875	–
Academic support	22,525,692	–	23,162,788	–
Student services	18,371,155	–	20,581,418	–
Institutional support	27,674,017	–	25,749,784	–
Operation of plant	13,340,039	–	13,594,772	–
Scholarships and fellowships	8,175,047	–	2,891,407	–
Auxiliary enterprise expenditures	23,863,042	–	25,079,007	–
Hotel salaries and benefits	–	2,598,043	–	2,804,182
Hotel support	–	692,423	–	741,397
Hotel operations	–	636,842	–	1,101,943
Franchise fees	–	288,715	–	279,340
Franchise marketing	–	134,280	–	204,721
Franchise shared services	–	1,609	–	1,190
Cost of food, beverage and parking	–	584,897	–	945,200
Professional and contract service fees	–	9,677	–	41,677
Hotel insurance	–	53,904	–	59,354
Fundraising fees and expenses	–	1,943	–	40
Depreciation	10,441,859	686,762	9,370,178	1,219,846
Other expenses	–	1,312,049	–	436,509
Total operating expenses	193,319,370	7,001,144	199,330,279	7,835,399
Operating Income/(loss)	5,929,274	(44,939)	(17,348,001)	2,533,431
Nonoperating revenues (expenses):				
Pell grants	30,525,025	–	30,931,338	–
Coronavirus Aid, Relief, and Economic Security Funds	7,035,777	–	–	–
Intergovernmental revenue (including $1,316,670 and $1,348,975, respectively, pledged for bonds)	1,316,670	792,752	1,348,975	998,052
Investment and interest income (including realized interest of $2,156,177 Investme and $3,798,963, respectively, pledged for bonds)	5,704,920	90,559	3,091,835	169,163
Interest expense on capital asset related debt	(4,789,392)	(3,896,608)	(4,560,182)	(3,072,734)
Debt Issuance Costs	(186,250)	–	(63,000)	–
Gain/(Loss) on sale/disposal of fixed assets	(8,348,441)	7,963,262	(7,210)	(56,628)
Nonoperating gifts and donations	4,285,291	32,380	4,352,473	664
Perkins Loan termination	82,701	–	58,344	–
State PERA contribution	1,088,406	–	1,137,764	–
Other nonoperating	874,411	–	697,803	–
Net nonoperating revenue	37,589,119	4,982,345	36,988,140	(1,961,483)
Loss before other revenues	43,518,393	4,937,406	19,640,139	571,948
Other revenues				
Capital contributions from the state	–		–	
Capital student fees, (including gross fees of $7,913,574 and $6,999,534, respectively, pledged for bonds) net of scholarhip allowances of $3,597,482 and $3,103,568, and bad debt expense of $226,102 and $199,987, respectively	7,729,098	–	6,580,759	–
Total other revenues	7,729,098	–	6,580,759	–
Increase/(Decrease) in net position	51,247,491	4,937,406	26,220,898	571,948
Net position at beginning of year	(130,596,910)	(5,404,458)	(156,817,808)	(5,976,406)
Net position at end of year	$ (79,349,420)	$ (467,052)	$ (130,596,910)	$ (5,404,458)

See accompanying notes to basic financial statements.

METROPOLITAN STATE UNIVERSITY OF DENVER
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue and Gains:						
Contributions	$ 3,371	$ 6,460,088	$ 6,463,459	$ 34,650	$ 5,593,364	$ 5,628,014
Services Received from University	1,927,251	-	1,927,251	1,689,545	-	1,689,545
In-kind Contributions	-	167,172	167,172	-	147,245	147,245
Endowment Management Fees	281,805	-	281,805	209,362	-	209,362
Gross Special Events Revenue	6,884	-	6,884	125,332	178,412	303,744
Less Cost of Direct Benefits to Donors	(3,677)	-	(3,677)	(150,789)	-	(150,789)
Net Special Events Revenue	3,207	-	3,207	(25,457)	178,412	152,955
Net Investment Return	104,447	46,005	150,452	338,065	265,574	603,639
Change in Value of Beneficial Interest in Charitable Trust Held by Others	-	-	-	-	60,151	60,151
Rent and Other Income	276,287	-	276,287	316,515	-	316,515
Net Assets Released from Restrictions	4,677,075	(4,677,075)	-	4,048,727	(4,048,727)	-
Total Support, Revenue, and Gains	7,273,443	1,996,190	9,269,633	6,611,407	2,196,019	8,807,426
Expenses						
Program Services Expense						
Support Provided to University	4,446,466	-	4,446,466	4,021,777	-	4,021,777
CVA Operating Expenses	65,921	-	65,921	62,684	-	62,684
Total Program Services Expense	4,512,387	-	4,512,387	4,084,461	-	4,084,461
Supporting Services Expense						
General and Administrative Costs	619,802	-	619,802	530,298	-	530,298
Donor Development Costs	1,966,947	-	1,966,947	1,741,614	-	1,741,614
Total Supporting Services Expense	2,586,749	-	2,586,749	2,271,911	-	2,271,911
Total Expenses and Losses	7,099,136	-	7,099,136	6,356,372	-	6,356,372
Change in Net Assets	174,307	1,996,190	2,170,497	255,035	2,196,019	2,451,054
Net Assets, Beginning of Year	5,351,156	23,433,407	28,784,563	5,096,121	21,237,388	26,333,509
Net Assets, End of Year	**$ 5,525,463**	**25,429,597**	**$ 30,955,060**	**$ 5,351,156**	**23,433,407**	**$ 28,784,563**

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

		2020	2019
Cash flows from operating activities:			
Cash received:			
Tuition and fees	$	126,660,854	116,129,765
Fee for service		26,836,913	23,651,660
Sales and services		4,497,406	5,372,904
Grants and contracts		34,525,424	30,825,306
Student loans collected		1,602,936	1,505,472
Other operating receipts		5,945,627	5,567,353
Cash payments:			
Payments to or for employees		(149,671,454)	(141,626,031)
Payments to suppliers		(66,496,802)	(61,674,283)
Scholarships disbursed		(8,175,259)	(2,891,407)
Net cash used in operating activities		(24,274,356)	(23,139,261)
Cash flows from noncapital financing activities:			
Coronavirus Aid, Relief, and Economic Security Funds		39,443,462	—
Nonoperating gifts and donations		4,233,475	4,212,013
Pell grants		30,503,845	30,918,750
Agency (direct lending inflows)		75,906,495	74,847,427
Agency (direct lending outflows)		(75,718,765)	(74,797,434)
Other agency (inflows)		11,110,621	11,755,416
Other agency (outflows)		(11,252,148)	(11,108,658)
Net cash provided by noncapital financing activities		74,226,986	35,827,514
Cash flows from capital and related financing activities:			
Interest subsidy		773,338	1,351,402
Debt issuance costs		(186,250)	(63,000)
Interest on capital asset related debt		(4,943,580)	(4,694,945)
Proceeds from bond sale		47,710,000	8,250,000
Principal paid on bonds		(3,835,000)	(2,675,000)
Principal paid on capital leases		(609,690)	(537,812)
Non operating gifts and donations		228,610	—
Proceeds for capital student fee		7,557,447	6,459,840
Proceeds for sale of capital assets		7,041	—
Acquisition of capital assets		(56,683,902)	(6,209,234)
Net cash provided by (used in) capital and related financing activities		(9,981,985)	1,881,251
Cash flows from investing activity:			
Investment earnings		5,685,840	3,072,908
Collection of loans		11,250	15,000
Sale of investments		38,788	36,579
Purchase of investments		(60,000)	(40,000)
Net cash provided by investing activities		5,675,877	3,084,487
Net increase/(decrease) in cash		45,646,522	17,653,991
Beginning cash and cash equivalents including restricted cash		82,307,872	64,653,881
Ending cash and cash equivalents including restricted cash	$	127,954,394	82,307,872

METROPOLITAN STATE UNIVERSITY OF DENVER
BUSINESS TYPE ACTIVITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

		2020	2019
		University	University
Reconciliation of net operating loss to net cash used in operating activities:			
Operating Income (loss)	$	5,929,274	(17,348,001)
Adjustment to reconcile:			
Depreciation expense		10,441,859	9,370,178
Provision for bad debt		4,915,729	4,329,133
Nonoperating revenue		728,501	697,803
State PERA contribution		1,088,406	1,137,764
Decrease (increase) in assets:			
Accounts receivable – student		(5,027,710)	(4,720,177)
Loans receivable		1,153,783	1,312,561
Prepaid expense		(929,469)	391,853
Accounts receivable – other		(1,774,939)	(726,923)
Increase in deferred outflows:			
Deferred pension outflow		16,529,849	34,167,818
Increase (decrease) in liabilities/deferred inflows:			
Net pension liability		(29,386,350)	(130,860,694)
Deferred pension inflow		(28,297,524)	75,815,337
Accounts payable		(1,417,328)	(41,541)
Unearned revenue		1,158,490	475,214
Accrued payroll		284,605	2,066,620
Other liabilities		328,466	793,794
Net cash used in operating activities	$	(24,274,356)	(23,139,261)
Noncash transactions			
Retirement of capital assets	$	(22,404)	(7,210)
Donation of capital assets		50,000	80,942
Write-off of uncollectible accounts receivable		4,629,696	3,374,832
Write-off of uncollectible loans receivable		240,879	153,893
Amortization of premiums and discounts on debt		138,698	140,894
Unrealized gain on investments		19,081	18,927

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) *Governance*

The accompanying financial statements reflect the financial activities of Metropolitan State University of Denver (the University or MSU Denver) for the fiscal years ended June 30, 2020 and 2019. 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, 2020 and 2019, 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, 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., are reported as a separate column on the face of the University's financial statements. The Authority's financial statements would be blended into the University's; however, no transactions were incurred as of June 30, 2020 or 2019. 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 19 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 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.

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. Non-current investments represent those items that are intended to be held longer than twelve months regardless of their original maturity date.

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 years for software, 3 to 50 years for other equipment, 12 years for modular buildings, 27 to 40 years for buildings, 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 the University makes subsequent to PERA's measurement date results in a deferred outflow of resources, as does the net difference between projected and actual experience, changes of assumptions or other inputs, and the net difference between projected and actual investment earnings by PERA. Additionally, there is a mark to market valuation on the University's swap agreement that is reported as a deferred outflow of resouces.

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 an estimate that half are earned in the current year. Any grant funds received in excess of grant expenditures are also recorded as unearned revenues.

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

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

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. 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 assets 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.

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

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

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. Tuition and fee revenue for the summer term which are conducted over two fiscal years are allocated based on a fifty-fifty proration.
- *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 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 unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2020 or 2019.

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, 2019, the University adopted GASB Statement No. 88 "Certain Debt Disclosures Relating to Debt, Including Direct Borrowings and Direct Placement, (GASB 88). This statement required additional information related to debt be disclosed in the financial statements. The adoption for GASB 88 has been applied retroactively and impacts note 6 of the financial statements. As of June 30, 2020 the University had three direct placements, and as of June 30, 2019 there were two.

(2) Cash and Cash Equivalents and Investments

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

		2020	
		Bank Balance	Carrying Amount
Cash on hand	$	—	34,386
Cash in checking and depository accounts at banks		2,141,835	1,114,742
Total cash on hand and in banks	$	2,141,835	1,149,128

		2019	
		Bank Balance	Carrying Amount
Cash on hand	$	—	41,562
Cash in checking and depository accounts at banks		1,748,560	643,315
Total cash on hand and in banks	$	1,748,560	684,877

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.

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.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be recovered. To manage custodial credit risk, deposits with financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the

PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2020, $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, 2020 and 2019, the University had cash on deposit with the State Treasurer of $126,805,266 and $81,622,995, respectively, which represented approximately 1.31 percent of the total $9,633.8 million and .90 percent of the total $9,096.5 million of investments in the State Treasurer's Pool (Pool). The $126,805,266 and $81,622,995 on deposit as of June 30, 2020 and 2019, respectively, includes $2,436,644 and $7,630,325 of restricted cash as of June 30, 2020 and 2019, respectively, which as of June 30, 2020 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 6 for further information pertaining to bonds). As of June 30, 2019 the restricted cash balance is made up entirely of the unspent Series 2019 bond proceeds.

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 gain of $3,444,730 and $1,149,953 in fiscal year 2020 and 2019, respectively. These net unrealized gains are included in cash and cash equivalents on the statements of net position.

Additional information on investments of the Pool may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2020.

(a) Other Investments

1) As of June 30 2020 and 2019, the University has invested $190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is a 2a7-like investment pool, and the University's investment is rated as AAAm by Standard and Poor's. COLOTRUST pooled investments are excluded

from the custodial credit risk and interest rate risk disclosure requirements, and is exempt from the fair value requirements of GASB 72. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2020 and 2019, the fair value of the University's investment remained at $190,634.

2) The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of June 30, 2020, and 2019, the University has reoccurring fair value measurements of $480,117 and $439,824, 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, 2020 and 2019 are reflected in the table below *(percents may not total to 100.00% due to rounding)*:

Current Asset Allocation for TIAA-CREF Lifecycle 2020 Fund		
	06/30/20	06/30/19
US Equity	29.6%	33.5%
Fixed Income	40.2%	35.4%
International Equity	13.8%	14.3%
Inflation-Protected Assets	5.9%	5.5%
Short-Term Fixed Income	5.9%	6.5%
Direct Real Estate	4.3%	4.7%
Short-Term Investments, Other Assets & Liabilities, Net	0.2%	0.3%
	100%	**100%**

Current Asset Allocation for TIAA-CREF Lifecycle 2030 Fund		
	06/30/20	06/30/19
US Equity	44.5%	45.4%
Fixed Income	28.0%	27.0%
International Equity	19.1%	19.4%
Inflation-Protected Assets	2.0%	1.6%
Short-Term Fixed Income	2.0%	1.6%
Direct Real Estate	4.3%	5%
Short-Term Investments, Other Assets & Liabilities, Net	0.2%	0.0%
	100%	**100%**

(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 fund five out of five stars and the Lifecycle 2030 fund four out of five stars for the Retirement category. 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 13.8% and 14.3% in international equities in fiscal year 2020 and 2019 respectively. It may also invest up to 20% of its bond assets in fixed income securities of foreign issuers, including emerging markets.

(3) Capital Assets

The following tables, present changes in capital assets and accumulated depreciation for the years ended June 30, 2020 and 2019:

	Balance, June 30, 2019	Additions	CIP transfers	Retirements	Balance, June 30, 2020
Land	1,005,185	-	-	-	1,005,185
Construction in progress	3,580,360	8,721,395	(7,761,763)	-	4,539,992
Depreciable capital assets					
Equipment	21,863,574	1,974,121	-	(347,712)	23,489,983
Buildings	102,810,082	37,056,264	731,154	-	140,597,500
Leasehold improvements	56,292,363	219,472	7,030,609	-	63,542,444
Less accumulated depreciation:					
Equipment	(15,624,606)	(1,558,656)	-	325,309	(16,857,953)
Buildings	(18,130,678)	(4,412,693)	-	-	(22,543,371)
Leasehold improvements	(23,519,602)	(4,470,510)	-	-	(27,990,112)
Net depreciable capital assets	123,691,133	28,807,998	7,761,763	(22,403)	160,238,491
Total capital assets, net	128,276,678	37,529,393	-	(22,403)	165,783,668

	Balance, June 30, 2018	Additions	CIP transfers	Retirements	Balance, June 30, 2019
Land	1,005,185	-	-	-	1,005,185
Construction in progress	2,031,846	4,631,928	(3,083,414)	-	3,580,360
Depreciable capital assets					
Equipment	20,195,155	1,596,107	197,753	(125,441)	21,863,574
Buildings	102,810,082	-	-	-	102,810,082
Leasehold improvements	52,757,758	648,944	2,885,661	-	56,292,363
Less accumulated depreciation:					
Equipment	(14,202,952)	(1,539,885)	-	118,231	(15,624,606)
Buildings	(14,158,474)	(3,972,204)	-	-	(18,130,678)
Leasehold improvements	(19,661,512)	(3,858,090)	-	-	(23,519,602)
Net depreciable capital assets	127,740,057	(7,125,128)	3,083,414	(7,210)	123,691,133
Total capital assets, net	130,777,088	(2,493,200)	-	(7,210)	128,276,678

(4) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2020 is as follows:

		June 30, 2019	Additions	Deletions	June 30, 2020	Amounts due within one year
Bonds payable	$	91,436,269	47,710,000	(3,973,698)	135,172,571	3,935,000
Capital lease payable		5,544,793	223,738	(609,690)	5,158,841	619,656
Compensated absences		4,410,677	2,098,561	-	6,509,238	474,439
Interest Rate Swap Agreement		-	11,457,017	-	11,457,017	-
Total noncurrent liabilities		101,391,739	61,489,315	(4,583,388)	158,297,666	5,029,095

A summary of the changes in long-term liabilities for the year ended June 30, 2019 is as follows:

		June 30, 2018	Additions	Deletions	June 30, 2019	Amounts due within one year
Bonds payable	$	86,002,162	8,250,000	(2,815,893)	91,436,269	3,835,000
Capital lease payable		5,656,420	426,185	(537,812)	5,544,793	567,278
Compensated absences		3,641,503	769,507	(333)	4,410,677	421,305
Total noncurrent liabilities		95,300,085	9,445,692	(3,354,038)	101,391,739	4,823,583

Interest Rate Swap Agreement

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 discussed more in note 20. Because it was the intent of University management to attach the interest rate swap with the Series 2020 bonds that were issued on April 17, 2020 and all other intended assets and liabilities were transferred in fiscal year 2020, the University is reflecting the interest rate swap on the fiscal 2020 financial statements. The Swap Agreement was entered with the objective of protecting against the potential increase of interest rates. The Swap Agreement had a notional value of $48.7 million and a negative fair value of $11.5 million as of June 30, 2020. 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, 2020. The Swap Agreement has an effective date of September 1, 2020 and a termination date of July 1, 2042.

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 will pay JPMorgan, as owner of the Series 2020 Bonds, 80% of LIBOR (with a 1% floor) plus 150 basis points. This arrangement will produce an interest rate on the Series 2020 Bonds equal to approximately 4.612% and helps ensure the University can leverage a low interest rate in an otherwise unpredictable market. RBC, counterparty to the Swap Agreement, determined the fair value as of June 30, 2020 using an indicative mid-market valuation.

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, 2020, RBC's credit rating is rated Aa2 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.

(5) Lease Obligations

Operating Leases

The University leases building space, land, copiers, computers, and small off-site storage units under operating lease agreements with AHEC and with private organizations. The University has three ground leases with AHEC totaling $3.00 for the ground where the HLC, the Student Success Building (SSB) and the Aerospace Building (AES) were built. Total rental payments for the years ended June 30, 2020 and 2019 under all agreements was $3,739,459 and $3,240,323, respectively. As of June 30, 2020, minimum future rentals required by these agreements are as follows:

Fiscal years ending:	
2021	3,286,019
2022	2,325,782
2023	1,733,638
2024	1,009,051
2025	755,221
2026-2027	1,120,138
	$ 10,229,849

In addition to these operating leases, the University occupies other space on the Auraria Campus owned by AHEC. The use of this space is not formalized under an official lease agreement (with a lease term and future payment obligations) but is rather a component of the shared campus costs and is, therefore, reflected in note 16.

Capital Leases

During fiscal year 2009, the University entered into a capital lease with AHEC in the amount of $8,986,165 to finance the construction and acquisition of leasehold improvements for the new Science building on the Auraria Campus. The lease requires annual principal payments and semiannual interest payments. In fiscal years 2020 and 2019, the principal payments totaled $466,384 and $439,606, respectively, and interest payments equaled $269,906 and $294,820, respectively. In fiscal year 2018, the University entered into a capital lease for a digital computer storage unit. The lease requires annual principal payments with imputed interest payments. In fiscal year 2020 and 2019, the principal payments totaled $17,940 and $17,417, respectively, and the interest payments totaled $538 and $1,061, respectively. In fiscal year 2019, the University entered into a capital lease for a storage array and 4-nodes unit. The lease requires annual principal payments with imputed interest payments. In fiscal year 2020 2019, the principal payments were $82,954 and $80,789, and the interest payments were $9,257 and $11,422, respectively. In fiscal year 2020 the University entered into a capital lease for VMWare. The lease requires annual principal payments with imputed interest payments. In fiscal year 2020 the principal payment totaled $42,412 and the interest payment totaled $5,996.

The following is a schedule of future minimum capital lease payments as of June 30, 2020:

		Principal	Interest	Total
Fiscal year(s) ending June 30:				
2021		619,656	251,790	871,446
2022		649,884	221,629	871,513
2023		680,205	189,970	870,175
2024		622,872	156,654	779,526
2025		606,968	123,060	730,028
2026 – 2029		1,979,255	153,416	2,132,671
Total	$	5,158,840	1,096,519	6,255,359

As of June 30, 2020, assets acquired under a capital lease obligation included leasehold improvements totaling $8,581,884 and equipment/software totaling $720,589, with total accumulated amortization totaling $4,598,023 and $168,816, respectively. The associated amortization expense on those assets is included in depreciation expense. During fiscal year 2020, amortization of $535,871 was recorded.

As of June 30, 2019, assets acquired under a capital lease obligation included leasehold improvements totaling $8,581,884 and equipment totaling $496,852, with total accumulated amortization totaling $4,178,669 and $52,299, respectively. The associated amortization expense on those assets is included in depreciation expense. During fiscal year 2019, amortization of $469,039 was recorded.

(6) Bond Obligations

Total outstanding bonds are summarized below:

Issue	Date issued	Amount issued	June 30 2020	June 30 2019
2009 Taxable Institutional Enterprise Revenue Bonds	11/17/09	$ 55,190,000	42,695,000	44,210,000
2010 Taxable Institutional Enterprise Revenue Bonds	6/11/10	10,575,000	8,290,000	8,565,000
Less discount on 2010 Bonds, net of amortization			(29,908)	(31,403)
2014 (Direct Placement) Institutional Enterprise Revenue Bonds	6/13/2014	4,000,000	1,857,540	2,252,540
2016 Institutional Enterprise Revenue Bonds	1/27/2016	27,450,000	25,285,000	25,850,000
Plus premium on 2016 Bonds, net of amortization			2,199,938	2,340,132
2019 (Direct Placement) Bank Qualified Enterprise Revenue Bonds	1/31/2019	8,250,000	7,165,000	8,250,000
2020 (Direct Placement) Bank Qualified Enterprise Revenue Bonds	4/17/2020	47,710,000	47,710,000	—
Total			$ 135,172,570	91,436,269

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, 2020 are summarized in the table below. All non-direct placement debt has a fixed interest rate.

Fiscal year	Principal	Interest	Total
2021	$ 2,415,000	4,075,462	6,490,462
2022	2,490,000	3,959,415	6,449,415
2023	2,560,000	3,836,672	6,396,672
2024	2,640,000	3,709,415	6,349,415
2025	2,720,000	3,573,263	6,293,263
2026 – 2030	15,135,000	15,393,593	30,528,593
2031 – 2035	18,040,000	10,731,105	28,771,105
2036 – 2040	21,400,000	5,274,995	26,674,995
2041 – 2045	7,310,000	1,278,750	8,588,750
2046	1,560,000	39,000	1,599,000
	76,270,000	$ 51,871,670	128,141,670
Unamortized discount, net	(29,908)		
Unamortized premium, net	2,199,938		
	$ 78,440,030		

(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, 2020, the University received $653,493 less in subsidy payments than what was expected before sequester. As of June 30, 2020 and 2019, the University has received $13,009,668 and $11,901,396, respectively, in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

(b) Series 2010

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

The bonds are due in semiannual installments beginning in fiscal year 2012 with annual principal payments ranging from $240,000 to $535,000 through December 1, 2040. The interest payments on the bonds are eligible to receive a 45% subsidy from the federal government; however, in fiscal year 2013 the federal government issued a sequestration order which reduced the amount of the subsidy. As of June 30, 2020 the University received $123,282 less in subsidy payments than what was expected before sequester. As of June 30, 2020 and 2019, the University has received $2,302,196 and $2,091,029, respectively, in subsidy payments since the bond's inception. These bonds are collateralized by future revenues the University has pledged. See note 7 for more information on pledged revenues.

The Series 2010 bonds are shown net of unamortized discount of $29,908.

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

The Series 2016 bonds are shown net of unamortized premium of $2,199,938.

Direct Placement Bonds

The University has three 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 7 for more information on pledged revenues). Principal and interest requirements on all non-direct placement outstanding bonds at June 30, 2020 are summarized in the table below. The Series 2019 non-direct placement debt has a fixed interest rate and the Series 2014 and Series 2020 have a variable interest rate that is 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 (with a 1% LIBOR floor) plus 150 basis points for the Series 2020. For purposes of this table the rate used to calculate future interest owed on the Series 2014 and Series 2020 was the rate that was in effect as of June 30, 2020.

Fiscal year	Principal	Interest	Total
2021	$ 1,520,000	1,294,113	2,814,113
2022	2,925,000	1,227,878	4,152,878
2023	3,020,000	1,159,512	4,179,512
2024	3,110,000	1,089,015	4,199,015
2025	2,952,540	1,015,993	3,968,533
2026 – 2030	9,865,000	4,261,160	14,126,160
2031 – 2035	10,405,000	3,134,670	13,539,670
2036 – 2040	12,615,000	1,789,630	14,404,630
2041 – 2045	10,320,000	276,920	10,596,920
	56,732,540	$ 15,248,891	71,981,431

(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 athletic fields, which are 12.5 acres with 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 principle 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 subject to 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 subject to the bond subsidy payments from the federal government.

(c) Series 2020

On April 17, 2020, the University issued $47,710,000 of Series 2020 Institutional Enterprise Revenue bonds. These bonds were issued at a variable interest rate equal to 80% of LIBOR (with a 1% LIBOR floor) plus 150 basis points per annum. 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, and the HLC@Metro Inc. used the proceeds of that sale to defease the Series 2010 bonds in substance.

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 July 1, 2021. The maturity date of these bonds is July 1, 2043. 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, 2020 are summarized in the table below.

Fiscal year	Principal	Interest	Total
2021	3,935,000	6,291,968	10,226,968
2022	5,415,000	6,262,498	11,677,498
2023	5,580,000	6,038,560	11,618,560
2024	5,750,000	5,806,818	11,556,818
2025	5,672,540	5,562,032	11,234,572
2026 – 2030	25,000,000	23,935,733	48,935,733
2031 – 2035	28,445,000	17,027,703	45,472,703
2036 – 2040	34,015,000	8,869,817	42,884,817
2041 – 2045	17,630,000	1,834,998	19,464,998
2046	1,560,000	39,000	1,599,000
	133,002,540	$ 81,669,127	214,671,667
Unamortized discount, net	(29,908)		
Unamortized premium, net	2,199,938		
	$ 135,172,570		

(7) Pledged Revenue

None of the University's buildings are used as collateral for the bonds; rather the University has pledged future revenues to repay $133,002,540 in outstanding revenue bonds. Pledged revenue includes 10% of resident and nonresident tuition, all revenues derived from the facilities construction fee, all revenues derived from indirect cost recoveries (overhead) payable to research contracts and grants performed within the University's facilities, all revenues derived from mandatory fees for the provision of student and faculty services at the University, all revenues, net of operation and maintenance expenses, for the provision of continuing education services at the University, interest income, and federal interest subsidy payments received in connection with the bonds.

Proceeds from the bonds provided financing for the construction of the SSB, the RAC, 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 $214,671,668 payable through fiscal year 2046. The total revenue pledged was $42,526,830 and 38,237,607 for June 30, 2020 and 2019, respectively.

The following table shows information for pledged revenues for fiscal years 2020 and 2019:

		2020	2019
Tuition	$	17,080,016	16,003,009
Mandatory Fees		13,387,974	9,495,994
Facility fee		7,913,574	6,999,534
Unrestricted Net Income		2,156,177	3,798,963
Net Continuing Education		137,015	-
Federal Subsidy		1,316,670	1,348,975
Indirect cost recovery		535,404	591,132
	$	42,526,830	38,237,607

(8) 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, 2020 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 Current Liability" in fiscal year 2020. However, in May, 2019 the Department of Education (ED) posted an announcement delaying the repayment of the FCC back to the ED. This temporary reprieve came as the ED was exploring options to reimburse institutions their portion of the cancelled loans, so the FCC portion of excess liquid capital in fiscal year 2019 is recorded in "Other Non-Current Liabilities".

(9) 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, 2020 and 2019 are $474,439 and $421,305, respectively.

The estimated costs of noncurrent compensated absences for which employees are vested for the years ended June 30, 2020 and 2019 are $6,034,799 and $3,989,372, respectively. Fiscal years 2020 and 2019 operating expenses include an increase of $2,098,561 and $769,174, respectively for the estimated compensated absence liability.

(10) 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 11) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

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

The University's contributions to the ORP for the fiscal year ended June 30, 2020, and 2019 were $7,785,745 and $7,153,697, respectively. The plan members' contributions for the fiscal year ended June 30, 2020, and 2019 were $5,529,742 and $5,118,516, 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.

(11) Defined Benefit Pension Plan

i) Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

ii) General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. 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.

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent 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, 2020. Eligible employees and MSU Denver 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 2019 through June 2020 are summarized in the table below:

	July 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through June 30, 2021
Employee contribution (all employees except State Troopers)	8.75%	8.75%	10.00%
State Troopers Only	10.75%	10.75%	12.00%

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

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

	July 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.40%	10.40%	10.90%
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	9.38%	9.38%	9.88%
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%
Total employer contribution rate to the SDTF [1]	**19.38%**	**19.38%**	**19.88%**

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

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. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes. As of December 31, 2019 and 2018, MSU Denver's proportionate share of this contribution was $1,088,406 and $1,137,764, respectively.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 $8,742,261 and $8,423,882 for the years ended June 30, 2020 and 2019 respectively.

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

At June 30, 2020 and 2019, MSU Denver reported a liability of $137,007,271 and $164,944,395, respectively for its proportionate share of the net pension liability. The net pension liability for the SDTF as of June 30, 2019 and 2018 was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2019 and 2018. MSU Denver's proportion of the net pension liability was based on MSU Denver's contributions to the SDTF for the calendar year 2019 and 2018 relative to the total contributions of participating employers to the SDTF.

At December 31, 2019 and 2018, MSU Denver's proportion was 1.41 and 1.45 percent, respectively, which was a decrease of 4 basis points. MSU Denver's proportion was 1.48 percent at December 31, 2017, resulting in a decrease of 3 basis point from December 31, 2017 to 2018.

For the year ended June 30, 2020, and 2019, MSU Denver recognized pension expense of ($31,124,075) and ($11,390,728), respectively. At June 30, 2020 and 2019, MSU Denver reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30 2020		June 30 2019	
	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,118,887		$ 4,716,858	-
Changes of assumptions or other inputs	-	39,296,637	8,685,161	85,174,738
Net difference between projected and actual earnings on pension plan investments	-	14,760,912	8,331,561	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	5,324,088	-	3,698,392
Contributions subsequent to the measurement date	4,353,076		4,212,256	-
Total	9,471,963	59,381,636	25,945,836	88,873,130

The $4,353,076 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	$	(26,912,629)
2022		(19,969,665)
2023		(3,690,228)
2024		(3,690,228)

Actuarial Assumptions. The total pension liability in the December 31, 2018 and 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	Dec 31, 2018	Dec 31, 2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 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)	1.25 percent compounded annually	2.00 percent compounded annually
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption, as well as of the prior year, of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate. As of December 31, 2019 and 2018 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 3.50%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July

1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- 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 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

- 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, 2019 and 2018, 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, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	176,255,635	137,007,271	103,793,491

As of June 30, 2019	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	205,054,273	164,944,395	131,007,781

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

IV. Payables to the pension plan

MSU Denver had a $674,080 and $659,135 payable to the SDTF as of June 30, 2020 and 2019, respectively, which was comprised entirely of the June contributions legally required to be made to the plan.

(12) Other Retirement Plans

i) Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. 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 CAFR 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 2019 through June 2020 are summarized in the tables below:

	July 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through June 30, 2021
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	8.75%	8.75%	10.00%
State Troopers Only	10.75%	10.75%	12.00%
Employer Contribution Rates:			
On behalf of all employees except State Troopers)	10.40%	10.40%	10.90%
State Troopers Only	13.10%	13.10%	13.60%

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

	As of June 30, 2020	As of June 30, 2019
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%
Total employer contribution rate to the SDTF[1]	**10.00%**	**10.00%**

[1]Rates 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 2020 MSU Denver had one member in the PERA DC Plan with employer contributions totaling $1,433, and employee contributions totaling $615, each equal to the required contribution amounts. This employee is no longer with the University; therefore, as of June 30, 2020 and 2019 the University has zero members in the PERA DC plan. There were no outstanding payables due to PERA as of June 30, 2020, or 2019 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 a provided in Section 403(b) of the IRC, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees taking fewer than six hours each semester are required to participate. The plan requires a 7.5%

contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan for the University for the fiscal years ended June 30, 2020 and 2019 was $2,587,699 and $1,773,331, respectively. Employee contributions for the fiscal years ended June 30, 2020 and 2019 were 7.5% of the covered payroll in the amount of $193,832 and $132,971, respectively.

(13) 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 by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report 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. In calendar year 2019, participants were 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 $19,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2019. Contributions and earnings are tax-deferred. At December 31, 2019, the Plan had 48 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, 2020 the 415(m) plan had two participants.

(14) 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 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. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 comprehensive annual financial 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.

Enrollment in the PERACare 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 $425,445 and $428,417 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, the University reported a liability of $5,298,418 and $6,747,644, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019 and 2018, the University's proportion was .47 percent and .50 percent, respectively, which was a decrease of 2.5 and 1.6 basis points from its proportion measured as of December 31, 2018 and 2017, respectively.

For the years ended June 30, 2020 and 2019 the University recognized OPEB expense of $226,163 and $503,251, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	17,583	890.329	24,490	10,271
Changes of assumptions or other inputs	43,957	-	47,334	-
Net difference between projected and actual earnings on OPEB plan investments	-	88,438	38,803	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	466,969	-	241,494
Contributions subsequent to the measurement date	219,483	-	226,370	-
Total	281,023	1,445,736	336,997	251,765

$219,483 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, 2021. 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:		
2021	$	(291,037)
2022		(291,037)
2023		(291,037)
2024		(278,178)
2025		(219,806)
Thereafter		(13,101)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 and 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	Dec 31, 2018	Dec 31, 2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate	3.50 percent in aggregate
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	5.60 percent for 2019, gradually decreasing to 4.50 percent in 2029	5.00 percent
Medicare Part A premiums	3.50 percent for 2019, gradually rising to 4.50 percent in 2029	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
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.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is $437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	**Cost for Members Without Medicare Part A**
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%

Year	PERACare Medicare Plans	Medicare Part A Premiums
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Post-retirement non-disability mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

Post-retirement non-disability mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

- 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.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 percentage and then adding expected inflation.

As of the most recent adoption, and as of the prior year, of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

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:

As of June 30, 2020	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
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	5,172,557	5,298,418	5,443,861

As of June 30, 2019	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	6,561,315	6,747,644	6,961,955

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, 2019, 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 3.50%.

- 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.

- 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 HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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 June 30, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	5,990,928	5,298,418	4,706,177

As of June 30, 2019	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	7,550,026	6,747,644	6,061,682

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

Payables to the OPEB plan

MSU Denver had a $35,478 and $32,904 payable to the HCTF as of June 30, 2020 and 2019, 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.

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.

(15) 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 risks 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 building additions with outstanding amounts totaling $42,829 and $810,318 as of June 30, 2020, and 2019, respectively.

(16) Campus Shared Controlled Costs

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

	Year ended June 30	
	2020	2019
Administration of Auraria Higher Education Center and operation and maintenance of plant	$ 10,868,839	10,427,896
Controlled Maintenance	1,010,400	947,910
Library and Media Center	4,971,331	4,727,295
Total	$ 16,850,570	16,103,101

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, 2021, the University's portion of shared costs is estimated to be $17,154,027 (unaudited).

(17) 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, 2020 and 2019, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2020 and 2019, the University had a total re-appropriation of $63,969,142 and $58,343,983, respectively. For years ended June 30, 2020 and 2019, the University's appropriated funds consisted of $37,132,229 and $34,692,323, respectively, received from students that qualified for stipends from the College Opportunity Fund and $26,836,912 and $23,651,660, respectively, as fee-for-service contract revenue. As of June 30, 2020, and 2019 the University's total appropriation of cash funds for the student's share of tuition was $118,684,107 and $112,664,652, 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.

(18) Federal Funding

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the University's operations were also impacted. Due to the "shelter-at-home" guidelines beginning in March 2020, MSU Denver shifted to a remote online learning environment and sent students home. There were also many events cancelled or temporarily postponed until the "shelter-at-home" guidelines were reduced or removed, which resulted in lost revenues for the University for the year ended June 30, 2020. As a result of lost revenue and in preparation for the known reduction in state funding the University implemented both voluntary and mandatory furloughs, voluntary separations and unfortunately, some positions were eliminated. There were also moratoriums placed on travel and other operational expenditures were limited. Additionally the fiscal year 2021 tuition and fee structures went through additional reviews and approval processes, in an attempt to only charge fees for services that were being provided to students in the remote environment, as well as ensure the University could remain viable while not putting an undue burden on our students. To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, MSU Denver received grants and other relief from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The University was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling $14.4 million of which 50 percent was required to be given directly to students. For the year ended June 30, 2020, the University recognized HEERF grant revenue totaling $6.8 million. In addition, the University also received other emergency relief in the form of Coronavirus Relief Funds (CRF) funds of $33.7 million. As of June 30, 2020 $249 thousand of CRF funds were expended and therefore recognized as revenue, and the remaining $33.1 million was recorded in unearned revenue. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted.

(19) Component Unit Disclosures

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

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

On August 17, 2010, the University's Board of Trustees approved the incorporation of the HLC@Metro, Inc., a not-for-profit, special-purpose corporation in order to create the HLC. The HLC@Metro, Inc. 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 is that the hotel is to provide services to the community-at-large, and not to the exclusive or even primary benefit of MSU Denver or MSU Denver's students, faculty, and staff. The financial statements of HLC@Metro, Inc. are prepared on the accrual basis and are prepared in conformity with applicable GASB standards. 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 and liabilities of the HLC@Metro Inc. to the University in consideration for the in substance defeasance of the HLC@Metro Inc's Series 2010 bonds. This transfer included the transfer of all the HLC@Metro Inc's contracts and agreements with the exception of the HLC's Paycheck Protection Program (PPP) loan (see the HLC's footnote 11 for more information on the PPP). Therefore, as of June 30, 2020 the HLC@Metro Inc's. financial statements include only those items that were not transferred by fiscal year end.

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 and the HLC@Metro, Inc.'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/. The financial report for the HLC@Metro, Inc. can be obtained by calling 303 605-5965.

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 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.

(20) Acquisition of the HLC@METRO INC.

On June 30, 2020, the University's Board of Trustees's provided the final approval for their acquisition of the HLC@Metro Inc. In exchange for $47.5 million of cash, the University received $37.9 million in property, plant and equipment; $1.3 million in cash; $364 thousand in accounts receivable and other assets; $367 thousand in liabilities; as well as an $11.5 million deferred outflow of resources and an offsetting $11.5 million long term liability, both of which are related to the interest rate swap. There was also a recognition of an $8.3 million loss. Beginning in fiscal year 2021 the HLC@Metro Inc. will not have any financial transactions and will become a part of the University. However, the HLC@Metro Inc. Board of Directors will remain as an advisory board to the University on matters that pertain to the operations of the hotel.

(21) Related-Party Transactions

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

The University leased office space to the Foundation for $8,274 for each of the fiscal years ending June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, the Foundation provided $4,051,590 and $3,911,961, 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, 2020 and 2019, these expenses were $359,100 and $334,664, respectively. In addition, the University donates development and certain personnel costs to the Foundation, which totaled $1,697,236 and $1,831,160 for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the University had receivables of $292,812 and $688,813, respectively, due from the Foundation. As of June 30, 2020 and 2019, the University had no outstanding payables due to the Foundation.

At June 30, 2020 and 2019, the University had no payables due to the HLC@Metro Inc. As of June 30, 2020 and 2019 there were receivables due from the HLC@Metro Inc. of $150,000 and $0, respectively.

(22) Subsequent Event

On December 31, 2020, an amendment to the pricing certificate for the Series 2020 bonds was executed, resulting in a change to the interest rate payable to JP Morgan Chase Bank, Prior to the amendment these bonds had a variable interest rate equal to 80% of LIBOR with a 1% LIBOR floor plus 150 basis points per annum. However, the amendment removed the 1% LIBOR floor with all other terms and conditions unchanged. Should the rates stay where they are as of this report date, this modification is expected to result in approximately $4 million in interest savings over the life of the bond.

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”.

Adoption of FASB Accounting Standards Updated

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASU’s to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The financial statements reflect the application of ASC 606 guidance beginning in July 1, 2019 under the modified retrospective approach. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Foundation’s reported historical revenue.

The Foundation has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The consolidated financial statements reflect the application of ASU 2018-08 beginning July 1, 2019 using the prospective approach. The adoption of this ASU did not result in an impact on the Foundation's reported historical revenue.

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 University consists of receipts for Athletic Fields, HLC@Metro, and athletic camps hosted by the University.

	2020	2019
Cash and Cash Equivalents	$ 1,226,392	$ 954,916
Cash Restricted for Distribution to University	117,528	173,612
Cash Restricted for Alumni Association	18,884	259,458
	$ 1,362,804	$ 1,387,986

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.

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, 2020 and 2019.

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

Beneficial Interest in Charitable Trust Held by Others

The Foundation was named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by the donor and was administered by an outside agent designated by the donor. Therefore, the Foundation had neither possession nor control over the assets of the trust. At the date the Foundation received notice of the beneficial interest, a contribution with donor restrictions was recorded in the consolidated statements of activities, and a beneficial interest in charitable trust held by others was recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, the beneficial interest in the trust has been reported at fair value in the consolidated statements of financial position. During the year ended June 30, 2019, the donor passed away and the Foundation received a full distribution of the remaining fair market value of the trust. The trust assets were transferred to the scholarship endowment.

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.

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 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 10).

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.

Functional Allocation of Expenses (Continued)

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.

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.

Reclassification

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.

Financial Instruments and Credit Risk

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

Subsequent Events

The Foundation has evaluated subsequent events through October 16, 2020, 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:

	2020	2019
Cash and Cash Equivalents	$ 1,226,392	$ 954,916
Investments	1,248,078	1,514,089
Receivable from University	8,916	10,630
Total	$ 2,483,386	$ 2,479,635

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 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 individual'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.

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.

The following table presents 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:

	2020				
		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)	$ 1,205,908	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds					
U.S. Government Securities	1,415,860	1,415,860	-	-	-
Bond	1,464,736	1,464,736	-	-	-
High-Yield Bond	310,038	310,038	-	-	-
Equity and Other Mutual Funds					
U.S. Common Stocks	2,357,583	2,357,583	-	-	-
Small to Mid-Cap Equity	800,104	800,104	-	-	-
International Equity	601,996	601,996	-	-	-
Emerging Market	302,073	302,073	-	-	-
Futures and Commodity	203,317	203,317	-	-	-
Real Estate Investment Trusts	84,553	84,553	-	-	-
Limited Partnership	184,300	-	-	-	184,300
Private Equity	9,210	-	-	9,210	-
Total	$ 8,939,678	$ 7,540,260	$ -	$ 9,210	$ 184,300
Endowment Investments:					
Cash and Money Market Funds (at Cost)	$ 657,751	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds					
U.S. Government Securities	728,573	728,573	-	-	-
Bond	3,632,907	3,632,907	-	-	-
High-Yield Bond	703,180	703,180	-	-	-
Equity and Other Mutual Funds					
U.S. Common Stocks	5,640,861	5,640,861	-	-	-
Small to Mid-Cap Equity	1,914,267	1,914,267	-	-	-
International Equity	1,504,378	1,504,378	-	-	-
Emerging Market	747,479	747,479	-	-	-
Futures and Commodity	844,128	844,128	-	-	-
Real Estate Investment Trusts	189,620	189,620	-	-	-
Limited Partnership	179,803	-	-	-	179,803
Total	$ 16,742,947	$ 15,905,393	$ -	$ -	$ 179,803

The following table presents 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:

	2019				
		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)	$ 747,749	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds					
U.S. Government Securities	1,858,489	1,858,489	-	-	-
Bond	1,403,267	1,403,267	-	-	-
High-Yield Bond	281,747	281,747	-	-	-
Equity and Other Mutual Funds					
U.S. Common Stocks	1,973,682	1,973,682	-	-	-
Small to Mid-Cap Equity	812,496	812,496	-	-	-
International Equity	707,701	707,701	-	-	-
Emerging Market	293,700	293,700	-	-	-
Futures and Commodity	322,260	322,260	-	-	-
Real Estate Investment Trusts	126,056	126,056	-	-	-
Limited Partnership	248,047	-	-	-	248,047
Private Equity	70,275	-	-	70,275	-
Total	$ 8,845,469	$ 7,779,398	$ -	$ 70,275	$ 248,047
Endowment Investments:					
Cash and Money Market Funds (at Cost)	$ 1,611,311	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds					-
U.S. Government Securities	718,711	718,711	-	-	-
Bond	2,957,949	2,957,949	-	-	-
High-Yield Bond	687,424	687,424	-	-	-
Equity and Other Mutual Funds					
U.S. Common Stocks	4,154,365	4,154,365	-	-	-
Small to Mid-Cap Equity	1,775,025	1,775,025	-	-	-
International Equity	1,492,787	1,492,787	-	-	-
Emerging Market	641,565	641,565	-	-	-
Futures and Commodity	869,507	869,507	-	-	-
Real Estate Investment Trusts	277,083	277,083	-	-	-
Limited Partnership	239,059	-	-	-	239,059
Total	$ 15,424,786	$ 13,574,416	$ -	$ -	$ 239,059

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:

	2020 Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Charitable Trust	Private Equity
Balance - Beginning of Year	$ -	$ 70,275
Net Realized and Unrealized Loss	-	(61,065)
Distributions	-	-
Balance - End of Year	$ -	$ 9,210
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, 2020	$ -	$ (61,065)

	2019 Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Charitable Trust	Private Equity
Balance - Beginning of Year	$ 151,946	$ 79,496
Net Realized and Unrealized Gain (Loss)	60,151	(9,221)
Distributions	(212,097)	-
Balance - End of Year	$ -	$ 70,275
Unrealized Gain (Loss) Included in Net Investment Return and Change in Beneficial Interest in the Statement of Activities Relating to Assets Still Held at June 30, 2019	$ -	$ (9,221)

The Foundation has an investment in a limited liability company that calculates NAV per share, with a fair value of, $364,103 and 487,106 at June 30, 2020 and 2019, respectively. Redemptions are permitted monthly and quarterly with a 90-day redemption notice. The Foundation has no unfunded commitments as of June 30, 2020 and 2019. 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.

Note 4 - Promises to Give

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

	2020	2019
Within One Year	$ 2,160,073	$ 1,114,309
In One to Five Years	851,749	1,762,634
Over Five Years	-	4,256
Total	3,011,822	2,881,199
Less: Discount to Net Present Value at Rates Ranging from 3.25% to 5.50%	(48,892)	(110,696)
Less: Allowance for Uncollectible Promises to Give	(25,000)	(25,000)
Total	$ 2,937,930	$ 2,745,503

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

	2020	2019
Promises to Give, Net	$ 1,624,727	$ 1,279,201
Endowment Promises to Give, Net	1,313,203	1,466,302
Total	$ 2,937,930	$ 2,745,503

At June 30, 2020 and 2019, four donors accounted for 55% and 66% of total promises to give, respectively.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
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	(371,620)	(336,220)
Subtotal	1,108,252	1,143,652
Nondepreciated Artwork	261,950	261,950
Total Property and Equipment	$ 1,370,202	$ 1,405,602

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, 2021. Under the agreement, the University paid annual rent for the years ended June 30, 2020 and 2019 in the amount of $100,000. In addition to the annual minimum rent, the University reimburses the LLC for actual expenses incurred for the maintenance and operation of the premises, which approximate $33,000 and $25,000 for the years ended June 30, 2020 and 2019.

Note 7 – Endowment

The Foundation's endowment (Endowment) is composed of 71 individual funds established by donors (Perpetual Endowment) and 135 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 restriction 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, 2020 and 2019, 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 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 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:

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 979,371	$ -	$ 979,371
Purpose-Restricted Quasi-Endowment Funds	-	8,256,610	8,256,610
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	8,516,200	8,516,200
Accumulated Investment Gains	-	303,969	303,969
Total	$ 979,371	$ 17,076,779	$ 18,056,150
	2019		
Board-Designated Endowment Funds	$ 1,000,000	$ -	$ 1,000,000
Purpose-Restricted Quasi-Endowment Funds	-	7,656,833	7,656,833
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	7,728,867	7,728,867
Accumulated Investment Gains	23,178	482,210	505,388
Total	$ 1,023,178	$ 15,867,910	$ 16,891,088

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 endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 and 2019, deficiencies of $34,543 and $1,742 have been reported in net assets with donor restriction on those dates, respectively. The deficiencies resulted from unfavorable market fluctuations. The Foundation has suspended distributions from these funds until such time as the deficiencies are recovered via market returns; however, there is no legal obligation for the Foundation to fund the deficiencies.

Investment and Spending Policies

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

Effective January 1, 2014, the Foundation adopted a banded inflation method to determine endowment distributions based on the Higher Education Price Index (HEPI), with the resulting rate subject to a minimum of 3% and a maximum of 5%. Barring specific requirements for each individual endowment, distributions from 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.

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

	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 1,023,178	$ 15,867,910	$ 16,891,088
Transfers, Net		15,369	15,369
Investment Return, Net	(3,807)	46,005	42,198
Contributions	-	1,696,648	1,696,648
Matching Pursuant to Donor Agreements	-	20,000	20,000
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(40,000)	(623,310)	(663,310)
Change in Donor Intent	-	54,157	54,157
Endowment Net Assets - End of Year	$ 979,371	$ 17,076,779	$ 18,056,150

	2019		
Endowment Net Assets - Beginning of Year	$ -	$ 13,259,727	$ 13,259,727
Investment Return, Net	23,178	265,574	288,752
Contributions	-	2,157,827	2,157,827
Board-Designations	1,000,000	-	1,000,000
Distributions from Beneficial Interest in Charitable Trusts Held by Others	-	212,097	212,097
Matching Pursuant to Donor Agreements	-	166,067	166,067
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(250,343)	(250,343)
Change in Donor Intent	-	56,961	56,961
Endowment Net Assets - End of Year	$ 1,023,178	$ 15,867,910	$ 16,891,088

Note 8 - Net Assets with Donor Restrictions

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

	2020	2019
Subject to Expenditure for Specified Purpose:		
Scholarships	$ 2,469,531	$ 2,287,429
Academic, Student, and Other Activities	5,695,225	5,062,251
University Capital Projects	163,062	215,817
Total	8,327,818	7,565,497
Endowments:		
Subject to Appropriation and Expenditure		
Scholarships	151,985	236,076
Academic, Student, and Other Activities	151,985	246,134
Total	303,969	482,210
Subject to Expenditure for Specified Purpose		
Purpose-Restricted Quasi-Endowments		
Scholarships	7,133,610	6,502,279
Academic, Student, and Other Activities	1,123,000	1,154,554
Total	8,256,610	7,656,833
Perpetual in Nature, Earnings from Which are Subject to Endowment Spending Policy and Appropriation		
Scholarships	4,873,783	4,108,250
Academic, Student, and Other Activities	3,642,417	3,620,617
Total	8,516,200	7,728,867
Total Endowments	17,076,779	15,867,910
Total Net Assets with Donor Restrictions	$ 25,404,597	$ 23,433,407

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:

	2020	2019
Satisfaction of Purpose Restrictions, Including Spending-Rate Distributions		
Scholarships	$ 1,959,614	$ 1,791,652
Academic, Student, and Other Activities	2,466,751	1,914,602
University of Capital Projects	297,350	508,540
Extension of Donor Restrictions Under Challenge Match		
Scholarships	(21,640)	(166,067)
Total	$ 4,702,075	$ 4,048,727

Note 9 – Board Designated Net Assets

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

	2020	2019
Endowment	$ 979,371	$ 1,000,000
Matching	-	32,500
Total	$ 979,371	$ 1,032,500

HLC@Metro transferred excess revenues of $2,000,000 to the Foundation during the year ended June 30, 2017. The 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. 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, 2020 and 2019, $21,640 and $166,067, respectively, of the funds were undesignated and used to satisfy the extension of donor restrictions under the challenge match program.

Note 10 - In-kind Contributions and Services Received from the University

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

	2020	2019
Program Services:		
Materials	$ 56,992	$ 56,370
Equipment	110,180	90,875
Donor Development		
Development Office Compensations - University	1,927,251	1,689,545
Special Events		
Cost of Direct Benefits to Donors	3,677	150,789
Total	$ 2,098,100	$ 1,987,579

Note 11- Paycheck Protection Program Loan

The Foundation received a loan in the amount of $71,700 to fund payroll, rent, and utilities through the federal Paycheck Protection Program. This loan may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program administered by the U.S. Small Business Administration. The loan originated on May 3, 2020 at a 1% fixed interest rate. If terms for complete forgiveness are not met, payments are deferred for the first 6 months and then 18 monthly payments are required until paid in full on May 3, 2022. The amount outstanding of the loan as of June 30, 2020 was $71,700.

Note 12 - Commitments and Contingencies

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

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

Note 13 - Related Party Transactions

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

	2020	2019
Funding Provided to the University	$ 4,446,466	$ 4,021,777
Payable to the University	292,841	689,489
Payments for Salaries and Benefits to the University	379,276	339,128
Payments for Rent to the University	8,274	8,274
Professional Services Donated by the University	1,927,251	1,689,545
Support Provided by University for Presidential Inauguration	-	95,819
Support Provided by University for Athletic Auction	-	34,313
Due from University	8,916	10,630
Reimbursement for CVA Operating Expenses	32,763	27,284
Reimbursement for CVA Rent Expense	100,000	100,000

Note 14 - Global Pandemic

The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results, including investment valuations, return on investments, and ability to secure contributions. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 1 ORGANIZATION

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

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

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

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

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

On April 17, 2020, the University issued $47,710,000 of Series 2020 Institutional Enterprise Revenue Bonds. The purpose of the University's Series 2020 Bonds was to pay off (defease) the HLC's Series 2010 bonds 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 to plan for additional hospital capacity. The hotel would have been a possible solution to provide additional beds for hospital patient overflow, but the HLC's Series 2010 Bonds would not allow for this unconventional use of the hotel space. In order to serve the community and the needs of the State, the University issued the Series 2020 Bonds which expanded the permitted uses of the hotel to include using the hotel as a hospital facility. The University's Series 2020 Bond Proceeds were used to acquire most of the HLC's assets and liabilities, including the hotel, and the HLC used the proceeds of that sale to defease the Series 2010 bonds. Beginning July 1, 2020 all financial transactions of the hotel will be reported directly on the University's financial statements and the HLC Board will continue to serve in an advisory capacity on hotel operations, without any financial transactions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements include accounts of the HLC. The University Board of Trustees gives the final approval in the appointment process of the HLC Board of Directors. As of June 30, 2020, three of the eleven members are a University Vice President or officer. Accordingly, and in conformity with standards promulgated by the Governmental Accounting Standards Board, the HLC is reported as a component unit of the University in their financial statements for the year ended June 30, 2020 and 2019.

(a) Basis of Accounting

The accounting policies of HLC conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The accompanying financial statements are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The statements are prepared in conformity with applicable Governmental Accounting Standards Board (GASB) standards.

(b) Accounting Policies/Definitions

Cash and Cash Equivalents

HLC considers all cash and highly liquid investments with an original maturity of three months or less and which are available for use in current operations to be cash and cash equivalents. Cash and cash equivalents held pursuant to bond requirements are excluded from cash and cash equivalents.

Net Position

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

Net Investment in Capital Assets represents the total investment in capital assets and any unspent bond proceeds, net of outstanding debt obligations related to those capital assets.

Restricted for Bond Requirements represents the total amount of restricted cash and cash equivalents as stipulated by the Trust Indenture Agreement related to the issuance of the Series 2010 Revenue Bonds, reduced by any accrued interest payable associated with these bonds.

Unrestricted Net Position represents net resources derived from hotel revenue and other sources of income. These resources may be used by the Board of Directors to meet current expenses for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are considered expended first.

Capital Assets

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

Accounts Receivable

A summary of accounts receivable balances is as follows:

	2020	2019
Build America Bonds Subsidy	$ -	$ 332,921.00
Dur from the Founation	-	624.00
Receivables of Hotel	-	203,805.00
Less: Allowance for Doubtful Accounts	-	-
Total Accounts Receivable	$ -	$ 537,350.00

The hotel does not have any receivable balances that are greater than 90 days past due.

An allowance for uncollectible accounts is determined based on a specific review of outstanding balances. As of June 30, 2020 and 2019, the allowance for doubtful accounts was $-0-.

Use of Land

As discussed in Note 7, the University leased land under an operating lease agreement with Auraria Higher Education Center totaling $1.00 for the ground where the HLC hotel is built. This land was, in turn, subleased by the University to HLC for a period of 50 years for $1.00 beginning on October 28, 2010. As of June 30, 2020, that sublease was terminated.

Accounts Payable

As of June 30, 2020 and 2019, accounts payable primarily consists of amounts due to numerous vendors with small balances from Hotel operations.

Revenue Recognition

Operating Revenue and Expenses

Operating revenues and expenses generally have the characteristics of exchange revenues.

<u>Hotel Revenue</u> – HLC has performance obligations to provide accommodations and other ancillary services to hotel guests. As compensation for such goods and services, HLC is typically entitled to a fixed nightly fee for an agreed upon period and additional fixed fees for any ancillary services purchased. These fees are generally payable at the time the hotel guest checks out of the hotel. HLC generally satisfies the performance obligations over time, and they recognize the revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied and HLC has rendered the services.

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

<u>Nonoperating Revenues and Expenses</u>

Nonoperating revenues and expenses are those primarily unrelated to the operations of the hotel, and include interest subsidy receipts, contributions, investment income, gains or losses on the disposal of capital assets, and debt interest payments.

<u>Use of Estimates</u>

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

<u>Reclassifications</u>

Certain prior year balances have been reclassified to conform to current year presentation.

(c) <u>Adoption of New Accounting Standards</u>

Effective for the fiscal year ended June 30, 2020, the HLC early implemented GASB Statement No. 89 "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", (GASB 89). This Statement requires that interest costs incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred and no longer included in the historical cost of the capital asset.

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2020 and 2019, cash and cash equivalents in banks consisted of the following:

	2020	2019
Cash in Bank Accounts	$ 8,602	$ 8,129,393
Cash and Cash Equivalents Invested with State Treasury	-	1,106,912
Cash for Hotel Operations (Sage)	275,285	230,954
Total Cash and Cash Equivalents	$ 283,887	$ 9,467,259

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits with HLC's operating account are made in accordance with University 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 102% 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 HLC's name.

Cash Invested with State Treasury and Related Unrealized Gains

HLC 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, 2020 and 2019, HLC had cash on deposit with the State Treasurer of $1,535 and $1,106,912, which represented approximately 0% of the total $9,633.8 million and approximately .012% of the total $9,096.5 million, respectively, in fair value of deposits in the State Treasurer's Pool. As of June 30, 2020, the Pool's resources included $16.0 million of cash on hand and $9,617.9 million of investments. As of June 30, 2019, the Pool's resources included $73.7 million of cash on hand and $9,022.8 million of investments.

On the basis of HLC's participation in the Pool, the HLC 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 HLC's deposits with the State Treasury, the net unrealized gain for fiscal year 2020 was $48. The net unrealized gain for fiscal year 2019 was $5,159. This net unrealized gain is included in cash and cash equivalents on the statement of net position.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2020 and 2019.

At June 30, 2020 and 2019 all of the HLC's deposits within the Treasurer's Pool are a part of an internal investment pool and are considered to be cash and cash equivalents.

Additional information on the State Treasurer's pooled cash and investments may be obtained in the State's comprehensive annual financial report for the year ended June 30, 2020 and 2019.

Restricted Cash and Investments

As was required by the Series 2010 Bond resolutions, Wells Fargo established and maintained certain funds as discussed below; however, in fiscal year 2020 the Series 2010 bonds were defeased in substance and these funds were released:

(a) The Debt Service Funds are to be used solely for the payment of principal and interest on the bonds to make such payments when due, whether on an interest payment date, redemption date, sinking fund redemption date, maturity date, or otherwise. At June 30, 2020 and 2019 deposits of $0 and $3,599,896, respectively were held in these funds.

(b) Other Funds required under the bond agreements include an Operating Reserve Fund, Renewal/Replacement Fund, Administrative Expense Fund, Tax/Insurance Fund, Foundation payment Account, Foundation Reserve Account, Cash Trap Fund, Excess Revenue Fund, Available Revenue Fund, and Termination Cost Recovery Fund. At June 30, 2020 and 2019, remaining deposits of $0 and $5,636,409 respectively, were held in these various funds.

At June 30, 2020 and 2019, none of HLC's financial instruments is required to be leveled in the fair value hierarchy.

NOTE 4 CAPITAL ASSETS

Changes in capital assets consist of the following for the year ended June 30, 2020:

	June 30, 2019	Additions	Deletions	June 30, 2020
Building	$ 42,759,886	2,176,403	(44,936,289)	$ -
Furniture and Equipment	2,106,708	540,747	(2,647,455)	-
Construction in Progress	297,382	3,078,275	(3,375,657)	-
	45,163,976	5,795,425	(50,959,401)	-
Accumulated Depreciation	(8,684,536)	(991,165)	9,675,701	-
Net Capital Assets	$ 36,479,440	4,804,260	(41,283,700)	$ -

Changes in capital assets consist of the following for the year ended June 30, 2019:

	June 30, 2018	Additions	Deletions	June 30, 2019
Building	$ 42,759,886	-	-	$ 42,759,886
Furniture and Equipment	2,057,723	99,058	(50,073)	2,106,708
Construction in Progress	34,877	297,381	(34,876)	297,382
	44,852,486	396,439	(84,949)	45,163,976
Accumulated Depreciation	(7,493,011)	(1,219,846)	28,321	(8,684,536)
Net Capital Assets	$ 37,359,475	(823,407)	(56,628)	$ 36,479,440

NOTE 5 BOND OBLIGATIONS

Total outstanding bonds at June 30 are summarized below:

	Date of Issue	Amount Issued	2020	2019
2010(A) Taxable Revenue Bonds				
(Build America Bonds)	10/28/2010	49,640,000	$ -	$ 49,640,000
2010(B) Tax Exempt Revenue Bonds	10/28/2010	4,500,000	$ -	975,000
Premium and Discount on 2010				
Serie Bonds, Net of Amortization			$ -	$ (379,303.00)
			$ -	$ 50,235,697

Additions and deletions of the bonds, and unamortized discounts and premiums are outlined in the tables below:

	June 30, 2019	Additions	Deletions	June 30, 2020	Due in One Year
2010(A) Taxable Revenue Bonds					
(Build America Bonds)	$ 49,640,000		(49,640,000)	$ -	-
2010(B) Tax-Exempt Revenue Bonds	975,000		(975,000)	-	-
Unamortized Premium and					
Discount on 2010 Series Bonds	(379,303)		379,303	-	-
	$ 50,235,697	$ -	$ (50,235,697)	$ -	

	June 30, 2018	Additions	Deletions	June 30, 2019	Due in One Year
2010(A) Taxable Revenue Bonds					
(Build America Bonds)	$ 49,640,000	-		$ 49,640,000	325,000
2010(B) Tax-Exempt Revenue Bonds	2,225,000		(1,250,000)	975,000	975,000
Unamortized Premium and					
Discount on 2010 Series Bonds	(362,481)	(16,822)		(379,303)	16,822
	$ 51,502,519	$ (16,822)	$ (1,250,000)	$ 50,235,697	$ 1,316,822

The Series 2010 bonds were considered to be extinguished through an in-substance defeaseance under generally accepted accounting principles and are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to $49,315,000 as of June 30, 2020.

Series 2010 Bonds

The RRRAFA issued Series 2010 bonds on October 28, 2010 for the purpose of constructing the Hotel and Hospitality Learning Center. The proceeds of the bonds and its obligations were transferred to the HLC in fiscal year 2011. The University entered into a guarantee agreement dated October 1, 2010 with the HLC. Per this agreement, the University absolutely and unconditionally guarantees to Wells Fargo, the HLC's trustee, the timely payments of all debt service payments on the Series 2010 bonds on a gross basis (without netting of any federal subsidy payments received or to be received) while said bonds are outstanding in the event HLC does not make the required debt service payments. The guaranteed amounts are payable solely from available pledged revenues of the University. For the year ended June 30, 2020 and 2019, the University was not required to, and did not make, any debt service payments on behalf of the HLC.

Series 2010A

On October 28, 2010, Series 2010A taxable revenue BABS were issued for $49,640,000, bearing interest rates from 4.04% to 6.45%. The principal and interest were due on a semiannual basis with a maturity date of September 1, 2042. These payments ranged from $1,039,426 to $4,743,189. The bonds were qualified to receive a 35% interest subsidy from the federal government, which was expected to be $24,742,234 over the life of the bonds. However, due to a government sequestration, the subsidy was reduced by 5.9% and 6.2% as of June 30, 2020 and 2019, respectively. A total of $9,557,829 and $8,765,076 had been earned as of June 30, 2020 and 2019, respectively. A receivable of $0 and $332,921 was recorded as of June 30, 2020 and 2019, respectively.

Series 2010B

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

NOTE 6 FEDERAL PAYCHECK PROTECTION PROGRAM LOAN

Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Government fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 21, 2020 to October 8, 2020 is the time that the HLC has to spend their PPP Loan funds. The HLC has not yet received forgiveness; however, management anticipates that these amounts will be forgiven and the HLC will not be required to repay this obligation.

If the HLC does not obtain forgiveness for the PPP loan, principal and interest payments are summarized as follows at June 20, 2020:

Fiscal Year	Principal	Interest	Total
2021	$ 272,475	$ 2,725	$ 275,200
2022	$ 194,625	$ 1,946	$ 196,571
	$ 467,100	$ 4,671	$ 471,771

NOTE 7 UNIVERSITY ACQUISITION OF THE HLC@METRO INC.

On June 30, 2020, the University's Board of Trustees provided the final approval for their acquisition of the HLC@Metro Inc. and in exchange for $47.5 million of cash from the University most assets and liabilities were transferred to the University with a few exceptions including the PPP loan, the unrealized gain, minimal cash balances and the liability and deferred outflow of resources related to the interest rate swap. The HLC transferred all of its property, plant and equipment totaling $37.9 million, as well as accounts receivable of $647 thousand, cash of $993 thousand, and accounts payable of $367 thousand, resulting in a gain of $8.3 million. The interest rate swap was transferred to the University and assigned as a hedging instrument to the acquisition debt.

During the year, HLC also paid $228,610 for the interest on the University's Series 2020 bonds for the period from April 17, 2020 through June 30, 2020.

NOTE 8 METROPOLITAN STATE UNIVERSITY OF DENVER FOUNDATION CONTRIBUTIONS

The Foundation exists for the purpose of soliciting and investing donations for the University. On September 21, 2010, the Foundation's board of directors adopted the Foundation Resolution providing a plan to use its best effort to raise approximately $12 million in donations, sufficient to retire a portion of the HLC 2010 bonds. However, due to the difficulty of raising the remaining portion of the agreed upon $12 million, the agreement was amended to include a more attainable fundraising goal of $3.5 million. For the year ended June 30, 2020 and 2019, the Foundation contributed a total of $32,380 and $664, respectively, to the HLC. All amounts contributed by the Foundation for the years ended June 30, 2020 and 2019 were cash contributions to be used for the HLC's debt service requirements.

The memorandum of understanding (MOU) between the HLC and Foundation calls for the HLC to distribute excess revenue, as defined by the official statement of the 2010 series bonds, derived from the operation of HLC to the Foundation. As of June 30, 2020 and 2019 HLC disbursed a total of $0 of excess revenue to the Foundation.

NOTE 9 GROUND LEASE

As of June 30, 2020 and 2019, the HLC has no lease obligations. Trustees of the University have leased the HLC land from the Auraria Higher Education Center for a period of fifty (50) years in the amount of one dollar ($1.00) for the term of the lease. This lease is specifically for the purpose of construction and operation of the Hotel and Hospitality Learning Center.

NOTE 10 INCOME TAX STATUS

The income of the HLC is derived from the exercise of essential government functions and, as such, is excluded from federal income tax under Section 115 of the Code; however, it would be subject to tax on any unrelated business income under Section 511(a)(2)(B). HLC believes that there was no unrelated business income for the year ended June 30, 2020 and 2019.

NOTE 11 INTEREST RATE SWAP LIABILITY AND DEFERRED INFLOWS OF RESOURCES

On April 4, 2018, HLC entered into a forward starting interest rate swap to economically hedge the cash outflows on its planned issuance of variable rate debt in the future. HLC entered into an interest rate swap with a total notional amount of $48,660,000, which amortizes each month beginning on October 1, 2020.

Under the terms of the swap, HLC pays monthly fixed payments at a rate of 2.41% and receives a variable rate of 80% of one-month LIBOR. The effective date of the swap is September 1, 2020 and the termination date is July 1, 2042.

The interest rate swap agreement is recorded at fair value as an Interest Rate Swap Option liability on the statement of net position, which totaled a liability of $4,487,433 as of June 30, 2019, respectively. HLC was using this interest rate swap to mitigate its exposure to interest rate fluctuations associated with its variable rate debt. HLC did not use this agreement for speculative or trading purposes.

The fair value of the interest rate bond swap option is classified as a noncurrent liability and the change in fair value of the swap is recorded as a deferred outflow of resources in the statements of net position as of June 30, 2019.

This interest rate swap was acquired by the University as a part of the transaction described in Note 7.

NOTE 12 RISK MANAGEMENT

HLC is subject to risks of loss from liability for accident, properly damage, and personal injury. To mitigate these risks HLC has purchased insurance coverage at various levels for major lines of insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the part three fiscal years, nor have there been any significant reductions in insurance coverage from the prior year.

NOTE 13 COMMITMENTS AND CONTINGENCIES

On April 21, 2020 the HLC applied for and was awarded a $467,100 forgivable loan under the Paycheck Protection Program (PPP). These funds were to be used, primarily to retain the employees who were serving the hotel. The HLC is currently awaiting instructions from FirstBank, the lender, on the procedures to have the loan forgiven.

In the opinion of HLC's management, there is no pending litigation or other legal claims which would materially affect the financial statements of HLC.

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

	Pension Plan's Fiscal Year Ending December 31,			
	2019	2018	2017	2016
Employer % of collective net pension liability	1.4118924030%	1.4495925395%	1.4781270908%	1.4924559492%
Employer share of collective net pension liability	137,007,271	164,944,395	295,891,215	274,136,264
Employer's covered payroll	46,777,134	45,816,626	44,952,251	43,902,245
Employer's share of the collective net pension liability as a % of employer's covered payroll	292.89%	360.01%	658.23%	624.42%
Pension plan's fiduciary net position as a % of total pension liability	62.24%	55.11%	43.20%	42.59%

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

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

	2015	2014	2013	2012
Employer % of collective net pension liability	1.5215440022%	1.5816063970%	1.6167918453%	N/A
Employer share of collective net pension liability	160,234,301	148,774,027	144,023,349	N/A
Employer's covered payroll	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	365.13%	336.76%	334.13%	N/A
Pension plan's fiduciary net position as a % of total pension liability	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.

Ten Year Schedule

Other Post Employment Benefit Plan's Fiscal Year Ending December 31,

	2019	2018	2017	2016
Employer % of collective net OPEB liability	0.4713903360%	0.4959526592%	0.5125821473%	0.5190749732%
Employer share of collective net OPEB liability	5,298,418	6,747,644	6,661,518	6,729,984
Employer's covered payroll	46,777,134	45,816,626	44,952,251	43,902,245
Employer's share of the collective net OPEB liability as a % of employer's covered payroll	11.33%	14.73%	14.82%	15.33%
Pension plan's fiduciary net position as a % of total OPEB liability	24.49%	17.03%	17.53%	16.72%

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

Ten Year Schedule- continued

Other Post Employment Benefit Plan's Fiscal Year Ending December 31,	2015	2014	2013	2012
Employer % of collective net OPEB liability	N/A	N/A	N/A	N/A
Employer share of collective net OPEB liability	N/A	N/A	N/A	N/A
Employer's covered payroll	N/A	N/A	N/A	N/A
Employer's share of the collective net OPEB liability as a % of employer's covered payroll	N/A	N/A	N/A	N/A
Pension plan's fiduciary net position as a % of total OPEB liability	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.

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

Pension Plan and OPEB Liability Ten Year Schedule

	MSU Denver's Fiscal Year Ending June 30,							
	2020		2019		2018		2017	
	Jan-June 2020	July- Dec 2019	Jan-June 2019	July- Dec 2018	Jan-June 2018	July- Dec 2017	Jan-June 2017	July- Dec 2016
Required employer base contribution	*10.40%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*
Net required employer base contribution apportioned to the SDTF	9.38%	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%	5.00%	5.00%	5.00%	5.00%	4.60%
Required employer Supplimental Amortization Equalization Disbursement contribution	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.50%
Total Required PERA contribution to the SDTF	**19.38%**	**19.13%**	**19.13%**	**19.13%**	**19.13%**	**19.13%**	**19.13%**	**18.23%**

	2020	2019	2018	2017
	July 1, 2019-June 30, 2020	**July 1, 2018-June 30, 2019**	**July 1, 2017-June 30, 2018**	**July 1, 2016-June 30, 2017**
Pension contributions recognized by PERA (not including HCTF)	$ 8,742,261	$ 8,423,882	$ 8,353,678	$ 8,111,165
Difference between required pension contributions and those recognized by PERA	$ -	$ -	$ -	$ -
OPEB contributions recognized by PERA (only HCTF)	$ 425,445	$ 428,417	$ 426,763	$ 426,779
Difference between required OPEB contributions and those recognized by PERA	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 47,401,811	$ 46,012,848	$ 45,201,242	$ 44,800,352
Percent of contributions recognized by pension plan of employers covered payroll	18%	18%	18%	18%
Percent of contributions recognized by OPEB plan of employers covered payroll	1%	1%	1%	1%

METROPOLITAN STATE UNIVERSITY OF DENVER
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

Pension Plan and OPEB Liability Ten Year Schedule-continued

	MSU Denver's Fiscal Year Ending June 30,					
	2016		2015		2014	
	Jan-June 2016	July- Dec 2015	Jan-June 2015	July- Dec 2014	Jan-June 2014	July- Dec 2013
Required employer base contribution	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*	*10.15%*
Portion of Required employer base contribution apportioned to the Health Care Trust Fund	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*	*1.02%*
Net required employer base contribution apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Required employer Amortization Equalization Disbursement contribution	4.60%	4.20%	4.20%	3.80%	3.80%	3.40%
Required employer Supplimental Amortization Equalization Disbursement contribution	4.50%	4.00%	4.00%	3.50%	3.50%	3.00%
Total Required PERA contribution to the SDTF	**18.23%**	**17.33%**	**17.33%**	**16.43%**	**16.43%**	**15.53%**

	2016	2015	2014
	July 1, 2015-June 30, 2016	**July 1, 2014-June 30, 2015**	**July 1, 2013-June 30, 2014**
Contributions recognized by PERA (not including HCTF)	$ 7,443,386	$ 7,203,967	N/A
Difference between required contributions and those recognized by PERA	$ -	$ -	N/A
OPEB contributions recognized by PERA (only HCTF)	N/A	N/A	N/A
Difference between required contributions and those recognized by PERA	N/A	N/A	N/A
Employer's covered payroll	$ 43,503,821	$ 44,356,828	N/A
Percent of contributions recognized by pension plan of employers covered payroll	17%	16%	N/A
Percent of contributions recognized by OPEB plan of employers covered payroll	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.

(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 2020 and 2019 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.

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

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) Lability.

Changes in assumptions or other inputs used for the OPEB liability during 2019 and 2018 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.

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

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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*

Independent Auditor's Report

To Management, the Members of the Legislative
Audit Committee, and the Board of Trustees
Metropolitan State 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 financial statements of the business-type activities and the discretely presented component units of Metropolitan State University of Denver (the "University"), an institution of higher education, which is an enterprise fund of the State of Colorado, as of and for the year ended June 30, 2020 and the related financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 24, 2021. Our report includes a reference to other auditors who audited the financial statements of Metropolitan State University of Denver Foundation, Inc. and HLC @ Metro, Inc., as described in our report on the Metropolitan State University of Denver's financial statements. The financial statements of Metropolitan State University of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards,* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Metropolitan State University of Denver Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of Metropolitan State University of Denver Foundation, Inc. and HLC @ Metro, Inc.

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 opinion 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University'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 preceding paragraph 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs on page 7 as recommendation No. 1, that we consider to be a material weakness.

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*.

To Management, the Members of the Legislative
Audit Committee, and the Board of Trustees
Metropolitan State University of Denver

We noted certain matters that we have reported to management of the University in a separate letter dated February 24, 2021.

The University's Response to Finding

The University's response to the finding identified in our audit is described in the schedule of findings and questioned costs on page 8. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.

Plante & Moran, PLLC

February 24, 2021

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

We have audited the financial statements of the business-type activities and the discretely presented component units of Metropolitan State university of Denver (the "University" or MSUD), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2020 and have issued our report thereon dated February 24, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our contract with the State of Colorado, Colorado Office of the State Auditor (OSA), dated May 5, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the University. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the University's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the University, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated February 24, 2021, regarding 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to OSA and the MSUD management in our meeting about planning matters on May 13, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our contract we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020.

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

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 as follows:

- **Student Accounts Receivable Allowance for Uncollectible Accounts** - The University's management has established the student accounts receivable allowance by applying estimated uncollectible percentages to the balances based upon the aging. The uncollectible percentages were estimated based upon prior experience at the University.

- **Student Loans Receivable Allowance for Uncollectible Accounts** - The University's management has established the student loans receivable allowance by applying estimated uncollectible percentages to the balance upon their status (e.g., current, past due, and in default). The uncollectible percentages were estimated based upon prior experience at the University.

- **Liability for Unused Sick Days** - Management calculated the liability for unused sick days based on eligible service requirements and sick leave years worked. The liability is calculated based upon past historical experience and the limitations related to payments made under the terms offered.

- **Pension and OPEB Liability** - Management's estimate of the unfunded liability for the pension plan and OPEB plan was calculated by multiplying the University's portion of the contributions made to the respective pension plans by the total pension liability of the plans provided by an independent actuary. The independent actuary used a number of assumptions to determine the overall unfunded liability of the plans.

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was in Note 18 related to the impact of the COVID-19 pandemic on the University. To assist with the economic impact of the pandemic, the University was awarded Higher Education Emergency Relief Fund (HEERF) grants of $14.4 million, of which 50 percent is required to be given to students as emergency grants. As of June 30, 2020, the University had disbursed $5.7 million in emergency grants to students and expensed approximately $1 million in institutional support. Additionally, in May, the University received an allocation of Coronavirus Relief Funds (CRF) of $33.7 million from the State of Colorado that must be spent by December 30, 2020 on expenditures related to COVID-19. As of June 30, 2020, approximately $250,000 had been spent of the CRF grant.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Material misstatements related to the transfer of assets and liabilities to the University from one of its discretely presented component units were detected as a result of audit procedures were subsequently corrected by management. These adjustments included an approximately $8.4 million reduction in the amount of capital assets recognized by the University and recognizing a liability of approximately $11.5 million related to an interest rate swap agreement.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the University, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 24, 2021.

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 University's financial statements or a determination of the type of auditor's 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.

This information is intended solely for the 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.

Plante & Moran, PLLC

February 24, 2021

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE
PROGRAMS INTRODUCTION (UNAUDITED)
YEAR ENDED JUNE 30, 2020 AND 2019

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

Our financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2020 and 2019 was directed toward the objectives and criteria set forth in 2019-20 and 2018-19 Audit Guide's for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees. The State-Funded Student Financial Assistance Programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2020 and 2019.

State-Funded Student Financial Assistance Programs

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

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

The total state-funded student financial assistance programs expenditures made by the University were approximately $24.9 million and $21.9 million during the year ended June 30, 2020 and 2019, respectively.

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

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE
PROGRAMS INTRODUCTION (UNAUDITED)
YEAR ENDED JUNE 30, 2020 AND 2019

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2020 and 2019. The University also obtained authorizations for federal student financial aid funds as follows:

	2020
Pell Grants	$30,525,025
Direct Lending	68,928,279
Supplemental Educational Opportunity Grant	601,915
College Work-Study	1,081,220
Teacher Education Assistance for College and Higher Education Grant	29,143

	2019
Pell Grants	$30,971,833
Direct Lending	68,757,672
Supplemental Educational Opportunity Grant	888,555
College Work-Study	805,898
Teacher Education Assistance for College and Higher Education Grant	34,628

**METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE
PROGRAMS REPORT SUMMARY (UNAUDITED)
YEAR ENDED JUNE 30, 2020 AND 2019**

Report Summary

Purpose and Scope of Audit

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of *Government Auditing Standards* issued by the Comptroller General of the United States. The purpose of the audit was to formulate an opinion on the statement of appropriations, expenditures, transfers and reversions of the state-funded student financial assistance programs of the University for the fiscal years ending June 30, 2020 and 2019.

Our examination included:

- Expressing an opinion on the statement of student aid program appropriations, expenditures, transfers 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, as described in the *Colorado-Funded Student Aid Audit Guide for State and Private Non-Profit Institutions of Higher Education*, applicable for the respective year-ends audited, and approved Governing Board policies.

Summary of Current Year Comments

The audit covered the periods July 1, 2019 through June 30, 2020 and July 1, 2018 through June 30, 2019.

Summary of Progress in Implementing Prior Comments

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

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

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

Report on the Statement

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the "Statement") of Metropolitan State University of Denver (the "University"), an institution of higher education of the State of Colorado, for the years ended June 30, 2020 and 2019 and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the format as set forth in the *Colorado-Funded Student Aid Audit Guide for State and Private Non-Profit Institutions of Higher Education,* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University, as described in Notes 1 and 2; 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the University for the years ended June 30, 2020 and 2019 in accordance with the format as set forth in the *Colorado-Funded Student Aid Audit Guide for State and Private Non-Profit Institutions of Higher Education,* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the board of trustees of the University described in Note 1 to the Statement.

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

Basis of Accounting

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

Other Matter

Other Information

The introduction and report summary on pages 130 and 132, respectively, have not been subjected to the auditing procedures applied in the audit of the Statement, and, accordingly, we do not express an opinion or prove any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Restriction on Use

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

Plante & Moran, PLLC

February 24, 2021

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
YEARS ENDED JUNE 30, 2020 and 2019

June 30, 2020

	Total Financial Aid	Colorado Need-Based Grants	Colorado Work-Study	Colorado Merit
Appropriations:				
Original official allocation notice	$ 24,274,456	20,956,382	2,708,394	609,680
Additional funds reallocated by CCHE	565,000	174,161	270,839	120,000
Funds released to CCHE	-	-	-	-
Total appropriations	24,839,456	21,130,543	2,979,233	729,680
Total expenditures	24,839,456	21,130,543	2,979,233	729,680
Reversions	$ -	-	-	-

June 30, 2019

	Total Financial Aid	Colorado Need-Based Grants	Colorado Work-Study	Colorado Merit
Appropriations:				
Original official allocation notice	$ 21,270,678	17,952,604	2,708,394	609,680
Additional funds reallocated by CCHE	650,000	300,000	300,000	50,000
Funds released to CCHE	-	-	-	-
Total appropriations	21,920,678	18,252,604	3,008,394	659,680
Total expenditures	21,920,678	18,252,604	3,008,394	659,680
Reversions	$ -	-	-	-

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

METROPOLITAN STATE UNIVERSITY OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
NOTES TO STATEMENT OF APPROPRIATIONS,
EXPENDITURES, TRANSFERS, AND REVERSIONS
YEARS ENDED JUNE 30, 2020 and 2019

(1) Basis of Presentation

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *Colorado-Funded Student Aid Audit Guide for State and Private Non-Profit Institutions of Higher Education* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Metropolitan State University of Denver. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the years ended June 30, 2020 and 2019.

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

(2) Basis of Accounting

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

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

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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 Revisions of the State of Colorado State-Funded Student Assistance Programs Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Members of the Legislative
Audit Committee, and the Board of Trustees
Metropolitan State 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 revisions of the State of Colorado State-Funded Student Assistance Programs (the "Statement") of Metropolitan State University of Denver (the "University"), an institution of higher education of the State of Colorado, for the years ended June 30, 2020 and 2019, and the related notes to the Statement and have issued our report thereon dated February 24, 2021.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement. 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*.

To Management, the Members of the Legislative
Audit Committee, and the Board of Trustees
Metropolitan State University of Denver

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.

Plante & Moran, PLLC

February 24, 2021