



COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY

University of Colorado:Colorado State University:University of Northern Colorado:Colorado Schools of Mines:State of Colorado

**Annual Meeting of the Board of Directors
January 19, 2011
3:00 pm
1560 Broadway, Suite 1600, Denver**

Agenda

- I. Approval of minutes from January 12, 2010 meeting – Rico Munn, Chair
 - attachment 1: draft minutes
- II. Chair's Report – Rico Munn
- III. Annual Financial Update – Michael Evans, DHE Controller
 - attachment 2: summary of financial activity
 - attachment 3: financial forecast
- IV. Research Update and Discussion -- All
 - School of Mines MRSEC
 - CU MRSEC
 - CSU ERC
 - Mines – Urban Water Infrastructure ERC – funded?
- V. Other
 - Annual Audit completed June 30, 2010
 - Attachment 4: audit
 - Annual legislative report preparation coming up (due March 1, 2011)

Colorado Higher Education Competitive Research Authority
 January 2011 Budget Forecast

(**does not include audit fees, interest income and other miscellaneous income and expenses)

	Income	Payments	Balance
January 1, 2011 Balance			1,566,000
Year 2011 Expenses and Income			
transfer from OEDIT	1,000,000		2,566,000
Q1-Q4 waste tire fee distribution	330,000		2,896,000
School of Mines MRSEC (4 of 6)		400,000	2,496,000
CU MRSEC (4 of 6)		400,000	2,096,000
CSU - extreme ultraviolet ERC (2 of 4)		400,000	1,696,000
Mines urban water ERC (1 of 4 pending approval)		400,000	1,296,000
Year 2012 Expenses and Income			
transfer from OEDIT	1,000,000		2,296,000
Q1-Q4 waste tire fee distribution (est)	330,000		2,626,000
School of Mines MRSEC (5 of 6)		400,000	2,226,000
CU MRSEC (5 of 6)		400,000	1,826,000
CSU ERC (3 of 4)		400,000	1,426,000
Mines urban water ERC (2 of 4 pending approval)		400,000	1,026,000
Year 2013 Expenses and Income			
transfer from OEDIT	1,000,000		2,026,000
Q1-Q4 waste tire fee distribution (est)	330,000		2,356,000
School of Mines MRSEC (6 of 6)		400,000	1,956,000
CU MRSEC (6 of 6)		400,000	1,556,000
CSU ERC (4 of 4)		400,000	1,156,000
Mines urban water ERC (3 of 4 pending approval)		400,000	756,000
Year 2014 Expenses and Income			
transfer from OEDIT	1,000,000		1,756,000
Q1-Q4 waste tire fee distribution (est)	0		1,756,000
Mines urban water ERC (4 of 4 pending approval)		400,000	1,356,000

assumes continued transfer from OEDIT of limited gaming revenue/no reduction in waste tire fee allotment until 2014

Colorado Higher Education Competitive Research Authority
 Summary of Financial Activity - Calendar Years 2008 through 2010
 prepared for Board meeting January 19, 2011

	Calendar Year		
	2008	2009	2010
Balance Available January 1	\$ 831,719.08	\$ 565,927.68	\$ 478,207.64
Revenues			
Waste Tire fee distributions Q1 Jan-Mar	\$ 77,781.88	\$ 72,837.62	\$ 81,993.45
Waste Tire fee distributions Q2 Apr-Jun	67,354.65	45,505.75	78,706.21
Waste Tire fee distributions Q3 Jul-Sep	73,631.59	79,369.58	93,469.92
Waste Tire fee distributions Q4 Oct-Dec	91,866.67	113,837.11	119,245.49
Subtotal Waste Tire fee	310,634.79	311,550.06	373,415.07
Limited Gaming Fund	0.00	1,000,000.00	1,904,250.95
interest earnings	24,774.33	4,814.77	14,109.22
Total Revenues	\$ 335,409.12	\$ 1,316,364.83	\$ 2,291,775.24
Disbursements			
Colorado State University			
NSF Extreme Ultraviolet Engineering Research Center	\$ 200,000.00	\$ 200,000.00	
\$200,000 per year/two years			
NSF Extreme Ultraviolet Engineering Research			400,000.00
\$400,000 per year/4 years			
Colorado School of Mines			
Renewable Energy Materials Research Science and Engineering Center	400,000.00	400,000.00	400,000.00
\$400,000 per year/6 years			
University of Colorado - Boulder			
Soft Materials Research Center/Materials Research Science and Engineering Center	0.00	800,000.00	400,000.00
\$400,000 per year/6 years			
legal costs	1,200.52	84.87	116.96
audit cost	0.00	4,000.00	4,000.00
Total Disbursements	\$ 601,200.52	\$ 1,404,084.87	\$ 1,204,116.96
Balance Available at December 31	\$ 565,927.68	\$ 478,207.64	\$ 1,565,865.92

Funded Commitments

Colorado State University

NSF Extreme Ultraviolet Engineering Research Center

\$200,000 per year/two years

Total	Paid	Due CY 2011	Remaining
400,000.00	400,000.00	0.00	0.00

NSF Extreme Ultraviolet Engineering Research Center

\$400,000 per year/4 years

1,600,000.00	400,000.00	400,000.00	800,000.00
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Colorado School of Mines

Renewable Energy Materials Research Science and Engineering Center

\$400,000 per year/6 years

2,400,000.00	1,200,000.00	400,000.00	800,000.00
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University of Colorado - Boulder

Soft Materials Research Center/Materials Research Science and Engineering Center

\$400,000 per year/6 years

2,400,000.00	1,200,000.00	400,000.00	800,000.00
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Total

6,800,000.00	3,200,000.00	1,200,000.00	2,400,000.00
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Total Unpaid Commitments at 12/31/2010

3,600,000.00

Outstanding Commitments (offered, award decision pending)

None at this time

**COLORADO HIGHER EDUCATION COMPETITIVE
RESEARCH AUTHORITY**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2010

COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY

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Hiratsuka & Schmitt, L.L.P.
Certified Public Accountants & Consultants

Steven T. Hiratsuka, CPA
Bryan T. Schmitt, CPA, CFP
Don W. Gruenler, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colorado Higher Education Competitive Research Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colorado Higher Education Competitive Research Authority, a component unit of the State of Colorado, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado Higher Education Competitive Research Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colorado Higher Education Competitive Research Authority, a component unit of the State of Colorado, as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Hiratsuka & Schmitt, LLP

October 22, 2010
Denver, Colorado

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MANAGEMENT DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Colorado Higher Education Competitive Research Authority (Authority) for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

The Authority received \$1,330,000 in appropriations from the General Assembly, and disbursed \$800,000 to Colorado Institutions of Higher Education.

The Authority has \$559,336 in cash at June 30, 2010. There were no liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements. The governments-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority has one governmental fund, a General Fund.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 5 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Authority began financial operations during FY 2009.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the Authority's net assets as of June 30, 2009 and 2010:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Current assets	\$ 559,336	\$ 31,744
Liabilities	-	-
Net Assets, Restricted	\$ 559,336	\$ 31,744

The Authority's net assets represent restricted net assets of \$559,336 and \$31,744, for 2010 and 2009 respectively, which may only be used to meet the Authority's authorized purpose.

The following table indicates the changes in net assets:

Revenues		
Distributions from State Treasurer	\$ 1,330,000	\$ 1,231,854
Investment earnings	1,709	1,175
Total Revenues	<u>1,331,709</u>	<u>1,233,029</u>
Expenses		
Distributions to HE institutions	800,000	1,200,000
Administrative	4,117	1,285
Total Expenses	<u>804,117</u>	<u>1,201,285</u>
Increase in Net Assets	<u>\$ 527,592</u>	<u>\$ 31,744</u>

OTHER MATTERS

Through June 30, 2010, the Authority has provided letters of support for nine research proposals. Four of these were funded, two were not funded, and three are in the decision making process. The total amount committed under these four funded projects is \$6.8 million.

House Bill 10-1339, signed by the Governor on April 15, 2010, provided an additional \$2.0 million for the Authority in FY 2011. The source of these funds is limited gaming revenues distributed by the Colorado Department of Revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning the information provided or for additional financial information should be addressed to the Authority, c/o Colorado Department of Higher Education, 1560 Broadway, Suite 1600, Denver, CO 80202.

**COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY
GOVERNMENTAL FUNDS - BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2010**

	General Fund	Adjustments (Note 4)	Statement of Net Assets
Assets:			
Cash and Investments	\$ 559,336	\$ -	\$ 559,336
Total Assets	<u>\$ 559,336</u>	<u>-</u>	<u>\$ 559,336</u>
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Reserved	<u>559,336</u>	<u>(559,336)</u>	<u>-</u>
Total Fund Balance	<u>559,336</u>	<u>(559,336)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 559,336</u>	<u>(559,336)</u>	<u>-</u>
Net Assets			
Restricted		<u>559,336</u>	<u>559,336</u>
Total Net Assets		<u>\$ 559,336</u>	<u>\$ 559,336</u>

The accompanying notes are an integral part of this statement.

**COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Adjustments (Note 4)	Statement of Activities
Revenues:			
Distributions from State Treasurer	\$ 1,330,000	\$ -	\$ 1,330,000
Investment Earnings	<u>1,709</u>	<u>-</u>	<u>1,709</u>
Total Revenues	<u>1,331,709</u>	<u>-</u>	<u>1,331,709</u>
Expenditures/expenses:			
Distributions to higher education institutions	800,000	-	800,000
Adminstrative	<u>4,117</u>	<u>-</u>	<u>4,117</u>
Total Expenditures/expenses	<u>804,117</u>	<u>-</u>	<u>804,117</u>
Change in Net Assets	<u>527,592</u>	<u>-</u>	<u>527,592</u>
Fund Balance/Net Assets at beginning of year	<u>31,744</u>	<u>-</u>	<u>31,744</u>
Fund BalanceNet Assets at end of year	<u><u>\$ 559,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 559,336</u></u>

The accompanying notes are an integral part of this statement.

COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY

Notes to Financial Statements

JUNE 30, 2010

Note 1 – Summary of Significant Accounting Policies:

The accounting and reporting policies of the Colorado Higher Education Competitive Research Authority conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating the Authority's financial statements.

Reporting entity:

Pursuant to Title 23, Article 19.7, the State created the Colorado Higher Education Competitive Research Authority to provide matching funds for proposals of public institutions of higher education in Colorado for federal research funding.

The Authority is a body corporate and a political subdivision of the state. The powers and duties of the Authority are set forth in CRS 23-19.7-103, and the funding for the Authority is set forth in CRS 23-19.7-104. The Authority shall not be an agency of state government, nor shall it be subject to the administrative direction by any department, commission, board, bureau, or agency of the state. The Authority received all of its funding from an appropriation from the Higher Education Innovative Research Cash Fund administered by the Colorado Department of Higher Education.

The financial report of the Authority includes all of the integral parts of the Authority's operations. The Authority has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity.

For financial reporting purposes, the Authority is included as part of the primary government of the State of Colorado. A copy of the state's Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration, Denver, CO 80203.

Government-wide and Fund Financial Statements:

The Authority reports as a special purpose government, GASB 34 SP 20, engaged in a single governmental program. The government-wide financial statements report information on all activities of the primary government. Governmental activities are supported by state appropriations.

Separate financial statements are provided for the General Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. State appropriations are recognized as revenues in the fiscal year they are received as a government mandated non exchange transaction.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within a current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY

Notes to Financial Statements

JUNE 30, 2010

The Authority reports the following major governmental fund:

The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation establishing the Authority or through external restrictions imposed by grantors, laws, or regulations of other governments.

The Authority first applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available.

Capital Assets:

The Authority has no capital assets. Office space and equipment of the Department of Higher Education is used by the Authority.

Budget:

The Authority did not prepare an annual budget.

Note 2 – Contingencies

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Authority does not have specific insurance coverage beyond the insurance policies and risk management of the participating institutions.

In 1992, Colorado voters approved the Taxpayer's Bill of Rights (TABOR). The Authority believes that it is exempt from TABOR since it does not have the authority to levy taxes.

Note 3 – Cash and Investments

The Authority's bank account was entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. Government securities, mortgages and deeds of trust.

At June 30, 2010, the Authority had \$559,336 invested in a business money market account.

COLORADO HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY

Notes to Financial Statements

JUNE 30, 2010

Note 3 – Other Information:

Tax, spending and debt limitations:

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (except bond refunding to lower interest rates and adding employees to pension plans). The amendment also requires units of local government to establish an “Emergency Reserve” which must be equal to 3% of current year’s revenue. Conditions under which these reserves may be spent are severely limited.

The Authority believes that it is exempt from TABOR since it does not have the authority to levy taxes.

Risk management:

The Authority is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries; and natural disasters. The Authority does not have specific insurance coverage beyond the insurance policies and risk management of the participating institutions.

Commitments:

Through June 30, 2010, the Authority had provided letters of support for nine research proposals. Four of these were funded, two were not funded, and three are in the decision making process. The total amount committed under these four funded projects is \$4.4 million.

Note 4 – Reconciliation of *government-wide* financial statements and fund financial statements:

The Governmental Funds - Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments consists of one element, reclassification of amounts reported as fund balance for inclusion in Net Assets.

The Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. However, the Authority does not have any items in need of adjustments during the current year.