UNIVERSITY OF COLORADO HEALTH

Basic Financial Statements
For the Years Ended
June 30, 2019 and 2018
(With Independent Auditors' Report Thereon)

Table of Contents

Page

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

Independent Auditor's Report

To the Board of Directors
University of Colorado Health

We have audited the accompanying financial statements of the business-type activities and fiduciary fund information of University of Colorado Health (the "Health System") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise University of Colorado Health'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 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 from material misstatement.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund information of University of Colorado Health as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements

The basic financial statements of the business-type activities and fiduciary fund information of University of Colorado Health as of and for the year ended June 30, 2018 were audited by EKS&H LLLP, which expressed unmodified opinions on the business-type activities and fiduciary fund information. EKS&H LLLP's report was dated September 25, 2018.

To the Board of Directors
University of Colorado Health

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise University of Colorado Health's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Plante & Moran, PLLC

September 24, 2019

This discussion and analysis of the financial performance of University of Colorado Health ("UCHealth" or the "Health System") provides an overall review of UCHealth's financial activities as of and for the years ended June 30, 2019, 2018 and 2017.

The Management's Discussion and Analysis is designed to focus on the current fiscal year while providing comparison information for the previous fiscal years, resulting changes, and currently known facts; therefore, please read it in conjunction with the Health System's basic financial statements.

UCHealth Overview

- Effective July 1, 2012, UCHealth was created through a joint operating agreement with Poudre Valley Health Care Inc. ("PVHS") and the University of Colorado Hospital Authority ("UCHA"). Together, UCHA and PVHS are member organizations in UCHealth. UCHealth previously applied for and received its 501(c)(3) designation from the IRS on June 29, 2013. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions.

- The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other's master trust indenture and, thereby, pledge their gross revenues to secure each member's obligations.

- UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board of Directors approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission, and oversight of other day-to-day operating activities.

- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing Memorial Health System ("MHS"). UCHealth created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS. The original lease is for a 40-year term, with renewals or extensions anticipated.

- Effective October 1, 2012, all employees of MHS became employees of UCHA. Effective January 4, 2013, all employees of PVHS became employees of UCHA. All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA.

- The acquisition cost of MHS to UCHealth was $400,000, with $290,000 paid in cash at closing and $110,000 in lease payments to be paid over 30 years. Effective October 1, 2012, a sublease agreement was executed with Children's Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children's Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City. The net acquisition cost to UCHealth after sublease to Children's Hospital Colorado was $340,000. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and Children's Hospital Colorado. The original rental provisions of the lease were reinstated upon execution of the new Ground Sublease for property at Memorial North Hospital on May 1, 2017. Such rental payments began in 2019 when the new Children's Hospital facility opened in Colorado Springs.

- In August 2017 UCHealth opened the new Longs Peak Hospital facility constructed in Longmont, Colorado. The new facility is a 51 bed licensed facility and also includes an ambulatory surgery center.

UCHealth Overview (continued)

- Effective September 1, 2017, an Integration and Affiliation Agreement with Yampa Valley Medical Center ("YVMC") was executed with the purpose of having YVMC join UCHealth. Terms of the agreement included a $50,000 strategic capital commitment, routine capital funding of $35,000 over a 10-year period, and a contribution up to $20,000 into the YVMC Foundation. YVMC is located in Steamboat Springs, Colorado and is a 39 bed acute care hospital. Effective September 1, 2017, all employees of YVMC became employees of UCHA.

- Effective December 1, 2017, UCHealth purchased the remaining 49.9% of UCHealth Partners, LLC, a Colorado limited liability company that was a Joint Venture with Adeptus Health Colorado Holdings LLC. UCHealth Partners, LLC included operations of Broomfield Hospital, Grandview Hospital, and 17 freestanding emergency departments located in the Denver and Colorado Springs metropolitan areas. Broomfield Hospital is located in Broomfield, Colorado and is licensed for 22 inpatient beds. Grandview Hospital is located in Colorado Springs, Colorado and is licensed for 22 inpatient beds. Effective January 28, 2018, all employees of UCHealth Partners, LLC became employees of UCHA. During 2019 both Broomfield Hospital and Grandview Hospital became individually recognized not-for-profit organizations, and the operations of the freestanding emergency departments have been converted to other uses or other hospitals.

- Effective April 1, 2018, UCHealth completed an asset purchase agreement to acquire assets of Pikes Peak Regional Hospital from Brim Healthcare of Colorado LLC for cash consideration of $32,150. UCHealth Pikes Peak Regional Hospital ("PPRH") is located in Woodland Park, Colorado and is a critical access hospital licensed for 15 beds. Effective April 1, 2018, all employees of PPRH became employees of UCHA.

- In June 2019, UCHealth opened the new Highlands Ranch Hospital facility constructed in Highlands Ranch, Colorado. The new facility opened as an 87 bed licensed facility with 6 operating rooms and includes an adjacent medical office building.

- In July 2019, UCHealth opened the new Greeley Hospital facility constructed in Greeley, Colorado. The new facility opened as a 50 bed facility with 3 operating rooms and includes an adjacent medical office building.

- In July 2019, UCHealth opened the new UCHealth Steadman Hawkins Clinic Denver constructed in Inverness, Colorado. The new facility is a medical office building and ambulatory surgery center.

UCHealth Financial Highlights

Year Ended June 30, 2019 Compared with Year Ended June 30, 2018

- Inpatient volumes, measured in admissions and patient days, increased over 2018. Volumes include inpatient units at the eleven UCHealth hospital facilities: University of Colorado Hospital, Poudre Valley Hospital, Medical Center of the Rockies, Longs Peak Hospital, Yampa Valley Medical Center, UCHealth Broomfield Hospital, UCHealth Highlands Ranch Hospital, Memorial Hospital Central, Memorial Hospital North, UCHealth Grandview Hospital and UCHealth Pikes Peak Regional Hospital. Volumes exclude activity associated with the Center for Dependency, Addiction, and Rehabilitation ("CeDAR"), Mountain Crest residential activity and normal newborns. Admissions totaled 92,401, which was a 1.4% increase over 2018. Patient days totaled 456,210, a 5.2% increase over the prior year.

- Outpatient volumes, measured by clinic and urgent care visits, were 3,883,870 in 2019, which was a 13.3% increase over 2018. This figure includes activity at the eleven hospital locations, various outpatient and urgent care clinics located throughout the primary service areas, and activity performed by the UCHealth Medical Group.

UCHealth Financial Highlights (continued)

Year Ended June 30, 2019 Compared with Year Ended June 30, 2018 (continued)

- Net patient service revenue of $4,894,880 increased from 2018 by $625,739, or 14.7%. Total operating revenue in 2019 was $4,952,269. Total operating revenue consists of net patient revenue, grant revenue, and other revenue.

- Operating income was $657,306 during the fiscal year, which is a 24.9% increase over 2018 operating income of $526,276.

- According to Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHealth's basic financial statements. Operating income would be $610,610 in 2019 compared to $473,034 in 2018 if interest expense were included as an operating expense.

- Non-operating revenue and expenses in 2019 was a gain of $97,822, which is an $84,574 decrease from 2018. This change was primarily generated from a decrease in investment income and an increase in loss on derivative instruments.

- Income before distributions and contributions was $755,128 in 2019, which increased $46,456 from 2018. Restricted contributions totaled $26,468 for 2019.

- During fiscal year 2019, UCHealth continued investment in a system-wide electronic medical record ("EMR") platform. $10,576 was incurred on this project during the year ended June 30, 2019 for additional facility locations software licenses.

- In October 2014, MHS approved the project to upgrade and expand Memorial North Hospital campus. The project had an original budgeted cost of $98,358, which was increased to $127,933 in February 2017. The project was substantially completed in fiscal year 2019. $62,122 was incurred on this project during the year ended June 30, 2019.

- In February 2016, UCHealth approved the project to construct a hospital, cancer center, and medical office building in Highlands Ranch. The facility opened in June 2019 and includes 87 hospital beds, shelled space for future hospital expansion, and eight total operating or procedure rooms. The project has a total budget of $375,685 and opened June 2019. $185,803 was incurred on this project during the year ended June 30, 2019.

- In February 2016, UCHealth approved the project to construct an ambulatory surgery center and medical office building in Inverness, the UCHealth Steadman Hawkins Clinic Denver. The project includes 4 operating rooms, 24 preparation and recovery rooms, 12 short stay beds and a medical office building. The project has a total budget of $105,954 and opened July 2019. $71,102 was incurred on this project during year ended June 30, 2019.

- In May 2016, UCHealth approved the project to construct a hospital and medical office building in Greeley. The project includes 50 hospital beds, a medical office building, and three total operating or procedures rooms. The project has a total budget of $185,137 and opened July 2019. $99,697 was incurred on this project during the year ended June 30, 2019.

UCHealth Financial Highlights (continued)

Year Ended June 30, 2019 Compared with Year Ended June 30, 2018 (continued)

- In July 2018, UCHealth completed an annual ratings update with Moody's, Standard & Poor's, and Fitch Ratings to rate the member organizations. Moody's maintained UCHA and PVHS rating at Aa3 Stable. Standard & Poor's maintained UCHA and PVHS rating at AA- Stable. Fitch Ratings upgraded the UCHA ratings to AA Stable from AA-.

- In July 2018, UCHA issued Series 2018A Revenue Bonds ("Series 2018A") in the amount of $45,915 to fully refund PVHS Series 2005A bonds. Series 2018A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

- In July 2018, UCHA issued Series 2018B Revenue Bonds ("Series 2018B") and Series 2018C Revenue Bonds ("Series 2018C") in the amount of $76,170 and $75,265 respectively to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018B and 2018C are variable rate bonds that bear interest as determined by the Remarketing Agent each week, and principal is paid according to a mandatory sinking fund redemption schedule. UCHA has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B and 2018C. The Standby Bond Purchase Agreement will expire on July 26, 2023 unless extended by the bank. UCHealth previously entered a forward-starting floating-to-fixed interest rate swap to coincide with the July 2018 refunding of the Series 2005 bonds. The forward swap hedges the 2018 Series variable rate bonds issued in July 2018 to refund the fixed rate Series 2005 bonds ranging from 5.20% to 5.25% creating synthetic fixed rate debt. The swap agreement has an initial notional amount of $198,805 and a fixed payer rate of 1.81%, and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are made monthly starting in September 2018.

- In April 2019, UCHealth executed a floating-to-fixed interest rate swap to hedge underlying variable rate debt. The swap agreement has an initial notional amount of $195,195 and a fixed payer rate of 1.971%, and UCHealth will receive 70% of one-month LIBOR for the entire swap term which expires November 2046.

- In June 2019, UCHA executed an escrow agreement to effectively defease Series 2009A bonds. $33,447 was paid into the escrow.

Year Ended June 30, 2018 Compared with Year Ended June 30, 2017

- Inpatient volumes, measured in admissions and patient days, increased over 2017. Admissions totaled 91,109, which was a 4.9% increase over 2017. Patient days totaled 433,586 for fiscal year 2018, an 8.6% increase over 2017.

- Outpatient volumes, measured by clinic and urgent care visits, were 3,427,623 in 2018, which was a 17.3% increase over 2017.

- Net patient service revenue of $4,269,141 increased from 2017 by $668,832, or 18.6%. Total operating revenue in 2018 was $4,341,486.

- Operating income was $526,276 during the fiscal year, which is a 6.5% increase over 2017 operating income of $494,222.

UCHealth Financial Highlights (continued)

Year Ended June 30, 2018 Compared with Year Ended June 30, 2017 (continued)

- Operating income would be $473,034 in 2018 and $443,367 in 2017 if interest expense were included as an operating expense.

- Non-operating revenue and expenses in 2018 was a gain of $182,396, which was a $74,970 decrease from 2017. This change was primarily generated from a decrease in investment income and increase in interest expense.

- Income before distributions and contributions was $708,672 in 2018, which decreased $42,916 from 2017. Restricted contributions totaled $5,497 for 2018. Acquisitions of interests in component units totaled $43,337 for 2018.

- During fiscal year 2018, UCHealth continued investment in a system-wide electronic medical record ("EMR") platform. $9,322 was incurred on this project during the year ended June 30, 2018 for additional facility locations software licenses.

- During fiscal year 2018, UCHA completed construction to build out operating room space in the new patient tower, Anschutz Inpatient Pavilion 2. $12,815 was incurred on this project during the year ended June 30, 2018.

- $49,464 was incurred on the expansion project at the Memorial North Hospital campus during the year ended June 30, 2018.

- In March 2015, UCHealth approved the project to construct Longs Peak Hospital and Ambulatory Surgery Center in Longmont, Colorado. The project was completed in fiscal year 2018. $38,335 was incurred on this project during the year ended June 30, 2018.

- $131,322 was incurred on the Highlands Ranch hospital, cancer center and medical office building project during the year ended June 30, 2018.

- $12,246 was incurred on the UCHealth Steadman Hawkins Clinic Denver project during year ended June 30, 2018.

- $90,816 was incurred on the Greeley hospital and medical office building project during the year ended June 30, 2018.

Overview of the Basic Financial Statements

- This discussion and analysis is intended to serve as an introduction to UCHealth's basic financial statements, which consist of the enterprise fund, including its blended component units, the pension trust fund, and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

- UCHealth has two types of funds: an enterprise fund that accounts for all transactions related to UCHealth hospitals, physician groups, and the foundations' business, and a fiduciary fund for UCHA's employee pension plan.

Overview of the Basic Financial Statements (continued)

- The statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHealth's financial health. The statements of net position include all of UCHealth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.

- Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. Required supplementary information relates to UCHA's progress in funding its obligation to provide pension benefits to its employees.

($s in thousands)

Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30 are summarized in Table 1 and are discussed below:

Table 1
University of Colorado Health
Statements of Net Position

	2019	2018	2017
Current assets	$ 1,311,527	$ 1,146,610	$ 987,837
Capital assets, net of accumulated depreciation	2,788,982	2,420,379	1,994,673
Non-current assets and other assets	3,831,437	3,643,824	3,342,505
Total assets	7,931,946	7,210,813	6,325,015
Deferred outflows of resources	99,294	67,753	53,628
Total assets and deferred outflows of resources	$ 8,031,240	$ 7,278,566	$ 6,378,643
Current liabilities	$ 1,143,605	$ 943,941	$ 801,179
Long-term liabilities	1,653,687	1,866,705	1,864,097
Total liabilities	2,797,292	2,810,646	2,665,276
Deferred inflows of resources	5,762	13,360	5,817
Net position			
Invested in capital assets, net of related debt	1,025,837	538,843	114,671
Restricted			
Expendable			
Held by trustee for debt service	811	23,495	145,365
Restricted by donors	38,177	38,012	16,452
Non-expendable			
Permanent endowments	28,044	27,960	27,989
Minority interest in component unit	33,355	28,352	24,706
Unrestricted	4,101,962	3,797,898	3,378,367
Total net position	5,228,186	4,454,560	3,707,550
Total liabilities, deferred inflows of resources, and net position	$ 8,031,240	$ 7,278,566	$ 6,378,643

Financial Analysis and Results of Operations (continued)

At June 30, 2019, UCHealth's total net position was $5,228,186, which is an increase in total net position of $773,626, or, 17.4% from the prior year-end. UCHealth classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Net position invested in capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by strong operating performance and investment returns. At June 30, 2018, UCHealth's total net position was $4,454,560, which was an increase in total net position of $747,010, or, 20.1% from June 30, 2017. UCHealth classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Net position invested in capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by strong operating performance and investment returns.

At June 30, 2019, UCHealth's cash and investment position was $4,176,823, which is an increase of $256,468, or 6.5%, over June 30, 2018. Days cash on hand were 345.8 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 42.3 as of June 30, 2019. At June 30, 2018, UCHealth's cash and investment position was $3,920,355, which was an increase of $469,307, or 13.6%, over June 30, 2017. Days cash on hand were 366.4 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 41.4 as of June 30, 2018.

($s in thousands)

Financial Analysis and Results of Operations (continued)

Revenues, Expenses, and Change in Net Position

Revenues, expenses, and change in net position are summarized in Table 2 and are discussed below:

Table 2
University of Colorado Health
Revenue, Expenses, and Changes in Net Position

	Fiscal Years Ended June 30,		
	2019	2018	2017
Operating revenue			
Net patient service revenue	$ 4,894,880	$ 4,269,141	$ 3,600,309
Other operating revenue	57,389	72,345	67,967
Total operating revenue	4,952,269	4,341,486	3,668,276
Operating expenses			
Wages, contract labor, and benefits	2,030,439	1,806,406	1,514,706
Supplies	1,051,757	907,000	762,071
Purchased services and other expenses	1,003,207	902,673	723,000
Depreciation and amortization	209,560	199,131	174,277
Total operating expenses	4,294,963	3,815,210	3,174,054
Operating income	657,306	526,276	494,222
Non-operating revenues and expenses			
Interest expense	(46,696)	(53,242)	(50,855)
Investment income	242,238	263,253	335,110
Unrealized (loss) gain on derivative investments	(42,054)	13,599	12,045
(Loss) gain on disposal of capital assets	(382)	(432)	327
Other, net	(55,284)	(40,782)	(39,261)
Total non-operating revenue and expenses	97,822	182,396	257,366
Income before distributions, contributions, and acquisitions	755,128	708,672	751,588
Distributions to minority interest in component unit	(7,970)	(10,496)	(4,684)
Contributions restricted for capital assets	19,694	12	10
Contributions restricted, other	6,774	5,485	4,016
Acquisitions of interests in component units	-	43,337	-
Change in net position	773,626	747,010	750,930
Net position, beginning of year	4,454,560	3,707,550	2,956,620
Net position, end of year	$ 5,228,186	$ 4,454,560	$ 3,707,550

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2019 Compared with Year Ended June 30, 2018

Net patient service revenue increased by $625,739, or 14.7%, in 2019 compared to 2018. The detail of net patient revenue can be found in Note 4 of the basic financial statements.

UCHealth provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of these services was $94,155 in 2019, an increase of $9,534, or 10.1% over 2018.

UCHealth maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which varies by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. The self-pay discounts and packages for 2019 were $213,014, an increase of $38,862, or 22.3% over 2018.

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act") authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. For the year ended June 30, 2019, UCHealth was charged $179,030 in hospital provider fees, an increase of $14,092, or 8.5% over 2018, and received $250,872 in disproportionate share (“DSH”) and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of $20,819, or 9.0% over 2018. The 2010 DSH guidance including Frequently Asked Questions (“FAQs”) 33 and 34 required that the Medicare and private insurance payments received on behalf of Medicaid-eligible patients to be subtracted from the costs of care for the Inpatient and Outpatient services to Medicaid-eligible patients, which reduced the hospital-specific DSH payment limit for many hospitals. Pursuant to those FAQs, if the cost of care for those patients, including indigent and uninsured patients, less reimbursement received for those patients exceeded the amount of DSH payment made to the hospital, then a portion of the DSH payment would be recouped. The System carried reserves for estimates of such recoupments as a result of those FAQs. As of December 31, 2018, and in light of recent appellate court decisions, CMS revoked these FAQs for services furnished prior to June 2, 2017. As a result, the reserves carried for 2015 and 2016 are no longer required. Therefore, the System released $72,072 in such reserves, which is included in net patient revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

UCHealth benefits the community by providing programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHealth's communities for these programs was $367,361 in 2019, which is an increase of $8,448, or 2.4% over 2018, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating expenses were $4,294,963 in 2019. This was an increase of $479,753, or 12.6%, compared to 2018.

Wages, contract labor, and benefits expense of $2,030,439 was a $224,033, or 12.4%, increase over the 2018 expense. This includes a 14.7% increase in salaries, a 17.1% decrease in contract labor, and an 8.6% increase in benefits.

Medical and non-medical supplies expense of $1,051,757 increased by $144,757, or 16.0%, in 2019. Purchased services and other expenses of $1,003,207 increased over 2018 by $100,534, or 11.1%.

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2019 Compared with Year Ended June 30, 2018 (continued)

In accordance with GASB Statement No. 34, UCHealth records interest expense as a non-operating expense. Interest expense in 2019 was $46,696, a decrease of $6,546, or 12.3% compared to 2018.

Non-operating gain from UCHealth's equity, fixed income, and cash investments was $242,238 in 2019, a decrease of $ 21,015 from 2018.

The equity portfolio gain was $120,858 in 2019, a decrease of $126,002 compared to 2018. Interest and dividend income on the portfolio was $28,543, and realized and unrealized gains on the portfolio were $92,315. The realized and unrealized gains were due to performance in the investment markets.

The fixed-income portfolio gain was $116,170 in 2019, an increase of $106,806 compared to 2018. Interest and dividend income from the fixed income portfolio was $34,796, an increase of $12,455. Realized and unrealized gains were $81,374 in 2019. The realized/unrealized gains were due to falling interest rates.

Restricted investments from UCHealth foundations generated gains of $3,480 in 2019, an increase of $774 over 2018. Other investment income totaled $8,695 for fiscal year 2019, and investment expense was $6,965 for the year.

UCHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps involve counterparty credit risk, and UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. UCHA is party to two floating-to-fixed payer swap agreements tied to the Series 2013A and 2013C Revenue Bonds. UCHealth is party to two floating-to-fixed rate swap agreements to hedge underlying floating-rate debt and is also party to a total return fixed-to-floating swap agreement tied to the Series 2017A Revenue Bonds. These agreements are used to create synthetic fixed rate bonds by converting the variable rates on those series to a fixed rate, reducing interest rate risk, or reducing the overall cost of capital. Therefore, cash flows on these agreements are recorded as interest expense. These agreements are discussed in greater detail in Note 7 to the basic financial statements.

Management presents portfolio performance reports to the Finance Committee of the UCHealth Board of Directors on a quarterly basis. Management meets regularly with UCHealth's investment advisor to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy. The operating portfolio asset allocation has been modified to increase investment manager diversification and create different allocations to better align investment expectations with future liabilities. Investment expenses consist of fees paid to UCHealth's investment managers and advisor.

Other net non-operating expenses were $46,038 in 2019 due to accruals for unrelated business income taxes due, donations made, and fundraising expenses. During 2019, the System made a decision to close down and not repurpose a location for which there was a long-term non-cancellable lease, and recognized $9,246 in loss on discontinued operations for the estimated future lease payments, reduced by estimated sublease rental income.

Year Ended June 30, 2018 Compared with Year Ended June 30, 2017

Net patient service revenue increased by $668,832, or 18.6%, in 2018 compared to 2017. The detail of net patient revenue can be found in Note 4 of the basic financial statements.

Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of charity care services was $84,621 and $59,499 in 2018 and 2017, respectively.

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2018 Compared with Year Ended June 30, 2017 (continued)

The self-pay discounts and packages for 2018 and 2017 were approximately $174,152 and $134,155, respectively.

For the year ended June 30, 2018, UCHealth was charged $164,938 in hospital provider fees, compared to $129,620 in 2017, and received $230,053 in 2018 in disproportionate share revenue as compensation for indigent and uninsured care services provided compared to $202,105 in 2017.

The total benefit to UCHealth's communities for services to uninsured and underinsured patients was $358,913 in 2018, which is an increase of $99,327 over the 2017 benefit of $259,586.

Operating expenses were $3,815,210 in 2018. This was an increase of $641,156, or 20.2%, in 2018 compared to 2017.

Wages, contract labor, and benefits expense of $1,806,406 was a $291,700, or 19.3%, increase over the 2017 expense of $1,514,706. This includes a 20.1% increase in salaries, a 3.4% decrease in contract labor, and a 20.9% increase in benefits.

Medical and non-medical supplies expense of $907,000 increased by $144,929, or 19.0%, in 2018. Purchased services and other expenses of $902,673 increased over 2017 by $179,673, or 24.9%.

Interest expense in 2018 was $53,242 compared to $50,855 in 2017.

Non-operating gain from UCHealth's equity, fixed income, and cash investments was $263,253 in 2018 and $335,110 in 2017.

The equity portfolio gain was $246,860 in 2018 compared to $306,251 in 2017. Interest and dividend income on the portfolio was $22,782, and realized and unrealized gains on the portfolio were $224,078. The realized/unrealized gains were due to strong performance in the investment markets.

The fixed-income portfolio gain was $9,364 in 2018 compared to a gain of $28,710 in 2017. Interest and dividend income from the fixed income portfolio was $22,341. Realized and unrealized losses were $12,977 in 2018 compared to a $4,979 gain in 2017. The loss was due to rising interest rates.

Restricted investments from UCHealth foundations generated gains of $2,706 and $3,868 in 2018 and 2017, respectively. Other investment income totaled $9,360 for fiscal year 2018, and investment expense was $5,037 for the year.

Other net non-operating expenses were $40,782 in 2018 due to accruals for unrelated business income taxes due, donations made, and fundraising expenses.

($s in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation and impairment, at June 30, 2019, 2018 and 2017 are summarized in Table 3 and are discussed below.

Table 3
University of Colorado Health
Capital Assets, Net of Depreciation and Impairment

	2019	2018	2017
Land	$ 124,969	$ 125,621	$ 120,770
Buildings and Improvements	1,895,303	1,465,798	1,299,708
Equipment	547,605	387,310	313,347
Construction in progress	221,105	441,650	260,848
Total	$ 2,788,982	$ 2,420,379	$ 1,994,673

In 2019, the additions to capital assets in excess of $10,000 included the following:

- Greeley Hospital and Medical Office Building $99,697
- University of Colorado Hospital Anschutz Inpatient Pavilion Tower III 11,750
- Cherry Creek Medical Office Building and Ambulatory Surgery Center 29,076
- Highlands Ranch Hospital 185,803
- Steadman Hawkins Clinic Denver 71,102
- Memorial North Expansion 62,122

In 2018, the additions to capital assets in excess of $10,000, exclusive of additions from acquisitions of component units of $93,128, included the following:

- Longs Peak Hospital $38,335
- Greeley Hospital and Medical Office Building 90,816
- University of Colorado Hospital Inpatient Operating Room Expansion 12,815
- Highlands Ranch Hospital 131,322
- Pikes Peak Regional Hospital 22,352
- Steadman Hawkins Clinic Denver 12,246
- Memorial North Expansion 49,464

($s in thousands)

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. UCHealth's annual capital budget, exclusive of the larger strategic projects, was $79,300, $89,700, and $71,331 in 2019, 2018, and 2017, respectively. Cash flows related to capital expenditures totaled $607,197 in 2019, compared to $499,773 and $367,913 in 2018 and 2017, respectively. Total depreciation expense on capital assets during 2019 was $209,560, compared to $199,131 and $174,277 in 2018 and 2017, respectively. At June 30, 2019 and 2018, the Health System had planned future capital spending of approximately $778,275 and $668,949, respectively, for ongoing significant strategic IT and facility expansion projects.

Long-Term Debt

Long-term debt is summarized and discussed below.

Table 4
University of Colorado Health
Outstanding Long-Term Debt, Less Current Portion, at Year-End

		2019	2018	2017
Combined	Capital leases	$ 16,024	$ 19,236	$ 22,726
MHS	City of Colorado Springs lease agreement	93,227	95,936	98,563
Combined	Loan payable	3,455	3,661	3,853
PVHS	2005A Revenue Bonds	-	49,926	49,920
PVHS	2005B Revenue Bonds	-	82,846	82,837
PVHS	2005C Revenue Bonds	-	81,490	81,467
UCHA	2009A Revenue Bonds	-	37,704	39,610
UCHA	2011B Revenue Bonds	96,330	97,430	98,515
UCHA	2011C Revenue Bonds	31,300	38,170	44,705
UCHA	2012A Revenue Bonds	255,171	258,276	261,617
UCHA	2012B Revenue Bonds	50,000	50,000	50,000
UCHA	2012C Revenue Bonds	87,510	87,510	87,510
UCHA	2013A Revenue Bonds	84,490	86,630	88,720
UCHA	2013B Revenue Bonds	7,970	9,080	10,140
UCHA	2013C Revenue Bonds	60,605	62,245	63,825
UCHA	2015D Revenue Bonds	198,210	198,640	199,100
UCHA	2017A Revenue Bonds	152,075	152,075	152,075
UCHA	2017B-1 Revenue Bonds	57,685	57,685	57,685
UCHA	2017B-2 Revenue Bonds	44,630	51,025	57,125
UCHA	2017C Revenue Bonds	286,736	292,908	299,081
UCHA	2018A Revenue Bonds	45,915	-	-
UCHA	2018B Revenue Bonds	76,170	-	-
UCHA	2018C Revenue Bonds	75,265	-	-
	Less current portion	(32,262)	(30,172)	(29,653)
	Less long-term debt subject to short-term remarketing arrangements	(283,195)	(102,315)	(108,710)
		$ 1,407,311	$ 1,679,986	$ 1,710,711

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. For more information about the Health System's outstanding debt, please see Note 12 of the basic financial statements.

The maximum annual debt service coverage ratio was 11.54 at June 30, 2019, compared to 8.71 and 7.63 at June 30, 2018 and 2017, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 25.0% at June 30, 2019, compared to 29.2% and 33.6% at June 30, 2018 and 2017, respectively, and bond covenants require an indebtedness ratio of less than 65.0%.

Economic Factors and Next Year's Activities, Budgets, and Rates

Demand for services at UCHealth facilities is anticipated to grow in the upcoming year. Growth at the Anschutz Medical Campus, Medical Center of the Rockies and Memorial Health System is expected to produce high occupancy rates in fiscal year 2020 and Longs Peak Hospital volumes are anticipated to grow in the 3rd year of operations. Additionally, UCHealth will have a full year of operations at Highlands Ranch Hospital and the UCHealth Steadman Hawkins Clinic Denver, which opened in June 2019, and Greeley Hospital, which opened in July 2019.

UCHealth expects to maintain a stable payor mix. Continued growth in high-deductible benefit plans is anticipated, creating higher out-of-pocket costs for patients and a greater burden on UCHealth in managing receivables. UCHealth expects to remain in-network with all major payors in 2020.

The 2019-2020 budget, as approved by UCHealth's Board of Directors, projects operating revenue at $5,030,343 and an operating margin of 6.8%. EBITDA is budgeted at $667,661 with an EBITDA margin of 13.3% and an increase in net position of $526,610.

Requests for Information

This financial report is designed to provide a general overview of UCHealth's financial results for all those with an interest in the organization's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the UCHealth Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

UCHA, a component unit of UCHealth, issues a separate financial report. That report may be obtained by writing to UCHA Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

UNIVERSITY OF COLORADO HEALTH

Statements of Net Position
June 30, 2019 and 2018
($s in thousands)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 224,254	$ 330,353
Patient accounts receivable, less allowances for uncollectible accounts of $523,602 and $440,657, respectively	583,403	522,159
Other receivables	44,474	35,922
Inventories	105,400	88,226
Prepaid expenses	70,801	67,635
Investments designated for liquidity support	283,195	102,315
Total current assets	1,311,527	1,146,610
Non-current assets		
Restricted investments, bonds	811	23,495
Restricted investments, other	578	843
Restricted investments and pledges, donors	47,237	44,153
Capital assets, net of accumulated depreciation	2,788,982	2,420,379
Long-term investments	3,669,374	3,487,687
Other investments	63,419	55,251
Long-term prepaid expenses	-	8,428
Other assets	50,018	23,967
Total non-current assets	6,620,419	6,064,203
Total assets	7,931,946	7,210,813
Deferred Outflows of Resources		
Deferred amortization on refundings	18,905	5,977
Deferred amortization related to pension plan	58,786	38,501
Deferred amortization on acquisitions	21,603	23,275
Total deferred outflows of resources	99,294	67,753
Total assets and deferred outflows of resources	$ 8,031,240	$ 7,278,566

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Net Position
June 30, 2019 and 2018
($s in thousands)

	2019	2018
Liabilities		
Current liabilities		
Current portion of long-term debt	$ 32,262	$ 30,172
Accounts payable and accrued expenses	548,045	424,994
Accounts payable - construction	40,955	78,333
Accrued compensated absences	92,133	83,079
Accrued interest payable	6,910	10,464
Fair value of derivative instruments	4,832	2,635
Estimated third-party settlements, net	135,273	211,949
Long-term debt subject to short-term remarketing arrangements	283,195	102,315
Total current liabilities	1,143,605	943,941
Long-term liabilities		
Long-term debt, less current portion	1,407,311	1,679,986
Fair value of derivative instruments, less current portion	54,364	14,507
Net pension liability	143,656	122,591
Other long-term liabilities	48,356	49,621
Total liabilities	2,797,292	2,810,646
Deferred Inflows of Resources		
Deferred amortization related to pension plan	5,762	13,360
Total deferred inflows of resources	5,762	13,360
Total liabilities and deferred inflows of resources	2,803,054	2,824,006
Net Position		
Invested in capital assets, net of related debt	1,025,837	538,843
Restricted		
Expendable		
Held by trustee for debt service	811	23,495
Restricted by donors	38,177	38,012
Non-expendable		
Permanent endowments	28,044	27,960
Minority interest in component unit	33,355	28,352
Unrestricted	4,101,962	3,797,898
Total net position	5,228,186	4,454,560
Total liabilities, deferred inflows of resources, and net position	$ 8,031,240	$ 7,278,566

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018
($s in thousands)

	2019	2018
Operating revenue		
Net patient service revenue, net of provision for bad debts of $229,636 and $205,124, respectively	$ 4,894,880	$ 4,269,141
Other operating revenue	57,389	72,345
Total operating revenue	4,952,269	4,341,486
Operating expenses		
Wages, contract labor, and benefits	2,030,439	1,806,406
Supplies	1,051,757	907,000
Purchased services and other expenses	1,003,207	902,673
Depreciation and amortization	209,560	199,131
Total operating expenses	4,294,963	3,815,210
Operating income	657,306	526,276
Non-operating revenue and expenses		
Interest expense	(46,696)	(53,242)
Investment income	242,238	263,253
Unrealized (loss) gain on derivative instruments	(42,054)	13,599
Loss on disposal of capital assets	(382)	(432)
Loss on discontinued operations	(9,246)	-
Other, net	(46,038)	(40,782)
Total non-operating revenue and expenses	97,822	182,396
Income before distributions, contributions, and acquisitions	755,128	708,672
Net distributions to minority interest in component unit	(7,970)	(10,496)
Contributions restricted for capital assets	19,694	12
Contributions restricted, other	6,774	5,485
Acquisitions of interests in component units	-	43,337
Change in net position	773,626	747,010
Net position, beginning of year	4,454,560	3,707,550
Net position, end of year	$ 5,228,186	$ 4,454,560

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows
Years Ended June 30, 2019 and 2018
($s in thousands)

	2019	2018
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 4,756,960	$ 4,178,571
Cash payments to suppliers for goods and services	(2,023,533)	(1,889,470)
Cash payments to employees/other on behalf of employees	(1,951,867)	(1,692,175)
Other cash payments	(53,171)	(41,665)
Other cash received	25,729	31,333
Net cash provided by operating activities	754,118	586,594
Cash flows from capital and related financing activities		
Principal payments under capital lease obligations	(5,921)	(6,174)
Principal repayments of long-term debt	(59,931)	(23,841)
Payments of interest and issuance costs on long-term debt	(63,400)	(62,950)
Capital expenditures	(607,197)	(499,773)
Receipt of contributions	26,638	5,211
Cash acquired from component units	-	15,379
Net distributions to minority interests in component units	(7,970)	(10,496)
Proceeds from sale of capital assets	634	140
Net cash used in capital and related financing activities	(717,147)	(582,504)
Cash flows from investing activities		
Investment income	69,359	55,902
Distributions from joint ventures	13,069	27,065
Loans made to third parties	(21,424)	-
Proceeds from sale and maturities of investments	3,410,592	2,691,650
Purchases of investments	(3,614,666)	(2,772,395)
Net cash (used in) provided by investing activities	(143,070)	2,222
Net (decrease) increase in cash and cash equivalents	(106,099)	6,312
Cash and cash equivalents, beginning of year	330,353	324,041
Cash and cash equivalents, end of year	$ 224,254	$ 330,353
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 657,306	$ 526,276
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	209,560	199,131
Provision for bad debts	229,636	205,124
Increase in patient accounts receivable	(290,880)	(315,266)
Decrease in estimated third-party settlements	(76,676)	(2,760)
Increase in other receivables	(8,552)	(9,520)
Increase in inventories	(17,174)	(21,855)
Change in net pension liability and pension-related deferred inflows and outflows of resources	(6,818)	8,263
Increase in prepaid expenses	(3,166)	(17,339)
(Increase) decrease in other assets	(26,051)	435
Increase in accounts payable and accrued expenses	123,051	104,515
Increase in accrued compensated absences and other long-term liabilities	7,789	49,650
Equity income from joint ventures	(10,047)	(10,393)
Acquired assets and liabilities from component units	-	(88,885)
Other cash payments	(33,860)	(40,782)
Total adjustments	96,812	60,318
Net cash provided by operating activities	$ 754,118	$ 586,594

(Continued on the following page)

See accompanying notes to the basic financial statements.

($s in thousands)

(Continued from the previous page)

	2019	2018
Non-cash transactions		
Donated pharmaceuticals	$ 8,434	$ 6,662
Construction in progress accrued	$ 40,955	$ 78,333
Unrealized gain	$ 76,734	$ 153,003
Non-cash refunding of debt	$ 197,350	$ -
Unrealized (loss) gain on derivative instruments	$ (42,054)	$ 13,599

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position
June 30, 2019 and 2018
($s in thousands)

	2019	2018
Assets		
Investments	$ 907,416	$ 822,545
Net Position		
Restricted for pension benefits	$ 907,416	$ 822,545

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2019 and 2018
($s in thousands)

	2019	2018
Additions		
Contributions	$ 91,812	$ 79,213
Investment income		
Increase in fair value of investments	17,698	33,816
Interest	1,984	1,317
Dividends and other	20,375	21,262
Investment income	40,057	56,395
Total additions	131,869	135,608
Deductions		
Benefits	42,823	20,914
Administrative expenses	4,175	2,251
Total deductions	46,998	23,165
Change in net position	84,871	112,443
Net position, beginning of year	822,545	710,102
Net position, end of year	$ 907,416	$ 822,545

See accompanying notes to the basic financial statements.

(1) Organization and Mission

Effective July 1, 2012, University of Colorado Health ("UCHealth" or the "Health System"), a newly formed non-profit corporation, entered into a joint operating agreement with the University of Colorado Hospital Authority and Poudre Valley Health Care Inc. (collectively, the "members"), resulting in a joint venture among the members. The Health System's mission is "to improve lives in big ways through learning, healing, and discovery; in small, personal ways through human connection; but in all ways, we improve lives." The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. As a joint venture, all future operations of the members are combined, and together these combined operations will be the basis for possible future expansion and diversification of the Health System. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other's master trust indenture and, thereby, pledge their gross revenues to secure each member's obligations. UCHealth is financially accountable for the University of Colorado Hospital Authority, Poudre Valley Health Care Inc., and the Memorial Health System, which are reported as blended component units of the Health System. The Health System's component units are as follows:

- **University of Colorado Hospital Authority ("UCHA")** was created pursuant to Section 23-21-503 of the Colorado Revised Statutes and is a political subdivision and body corporate of the State of Colorado. UCHA owns and operates a 673-licensed-bed, non-sectarian, general acute care hospital; the Anschutz Centers for Advanced Medicine, which include the Anschutz Outpatient Pavilion, the Anschutz Inpatient Pavilion 1, the Anschutz Inpatient Pavilion 2, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction and Rehabilitation ("CeDAR"), and the Rocky Mountain Lions Eye Institute; outlying outpatient primary care clinics; outlying specialty clinics; and the University of Colorado Hospital Foundation. These combined entities are collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver ("UCD"), which is comprised of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School; and the School of Public Health. UCHA issues a separate financial report. That report may be obtained by writing to UCHA, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

    - The **University of Colorado Hospital Foundation (the "UCHA Foundation")** is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (the "Code"). The UCHA Foundation serves as the primary fundraising arm for UCHA and manages restricted and unrestricted donations received for future use by UCHA. Although UCHA does not control the timing or amount of receipts from the UCHA Foundation, the majority of the resources, or income thereon, is restricted to the activities of UCHA by the donors. Because these restricted resources held by the UCHA Foundation can only be used by or for the benefit of UCHA and because the UCHA Foundation exists for the sole benefit of UCHA, the UCHA Foundation is considered a blended component unit of UCHA. All inter-entity transactions have been eliminated in the basic financial statements.

- **Poudre Valley Health Care Inc. ("PVHS")** is a tax-exempt organization under Section 501(c)(3) of the Code. PVHS operates two hospital facilities as follows, which are considered blended component units of PVHS, because their activities are significantly intertwined with PVHS:

    - **Poudre Valley Hospital ("PVH")**, a 255-licensed-bed, non-sectarian, general acute care hospital, which includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado.

(1) Organization and Mission (continued)

- **Medical Center of the Rockies ("MCR")**, a 174-licensed-bed, non-sectarian, general acute care hospital. MCR is a tax-exempt organization under Section 501(c)(3) of the Code.

- **Poudre Valley Health System Foundation (the "PVHS Foundation")** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations. PVHS Foundation is a tax-exempt organization under Section 501(c)(3) of the Code.

- PVHS is also the sole member of Lakota Lake, LLC; PVHS/Timberline, LLC; Heron Lake, LLC; and Innovation Enterprises, LLC. Each of these entities is considered a blended component unit of PVHS, because their activities are significantly intertwined with PVHS.

- **UCHealth Medical Group (North)** is a physician group and is considered a blended component unit of PVHS, because its activities are significantly intertwined with PVHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

- **Memorial Health System ("MHS")** – Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs was executed with the purpose of leasing MHS. UCHA created the UCH-MHS entity to assume operations of MHS. The original lease is for a 40-year term, with renewals or extensions anticipated. UCHA guarantees MHS's obligations under the lease, and the gross revenues of MHS are pledged to secure the obligations under each member's master trust indenture. Therefore, MHS is considered a blended component unit of the Health System. UCH-MHS is a tax-exempt organization under Section 501(c)(3) of the Code. The operations of MHS are as follows:

  - **Memorial Hospital Central**, a 583-licensed-bed, non-sectarian, general acute care hospital.

  - **Memorial Hospital North**, a 130-licensed-bed, non-sectarian, general acute care hospital.

  - **UCHealth Medical Group (South)** is a physician group and is considered a blended component unit of MHS, because its activities are significantly intertwined with MHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **Memorial Hospital Corporation** is a non-profit corporation that is controlled by MHS and considered a blended component unit of MHS.

- UCHealth is the sole member of **UCHealth Plan Administrators, LLC ("UCHPA")**, a third-party administrator delivering a comprehensive services suite to partially self-funded benefit plan arrangements to employers. UCHPA is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

- UCHealth is the 90% member of **ICHealth, LLC ("ICHealth")**, a limited liability company organized to qualify and operate as an accountable care organization, support improvements in high-quality care through population management techniques, and contain the total costs of care. ICHealth is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

(1) Organization and Mission (continued)

- **Other Entities** – UCHealth is also comprised of the following, which are considered blended component units of UCHealth because their activities are significantly intertwined with UCHealth:

  - **Longs Peak Hospital ("LPH")** is a 51-bed non-sectarian, general acute care hospital.

  - **Longs Peak Hospital Foundation ("LPH Foundation")** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of LPH. LPH Foundation is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Highlands Ranch Hospital ("HRH")** is an 87-bed non-sectarian, general acute care hospital. HRH is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Greeley Hospital ("GH"),** which opened in July 2019, will be a 50-bed non-sectarian, general acute care hospital. GH is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Ambulatory Surgery Centers ("UCHASC")** operates ambulatory surgery centers, with one ambulatory surgery center open since 2016, and two additional ambulatory surgery centers planned to open in 2020. UCHASC is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Medical Group (Longmont)** is a physician group that joined the Health System effective January 1, 2015. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Medical Group (Metro Denver)** is a physician group made up of newly acquired and opened physician practices in the Metro Denver area. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Community Services ("UCHCS)** was formed in 2017 as a Colorado non-profit corporation to operate outpatient healthcare facilities, such as multi-specialty clinics and physical therapy clinics. UCHCS is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Emergency Physician Services ("UCHEPS")** was formed in 2017 as a Colorado limited liability company to provide emergency physician services and the services of other healthcare staff to emergency departments.

  - **Yampa Valley Medical Center ("YVMC")** is a 39-bed acute care hospital located in Steamboat Springs, Colorado. YVMC joined UCHealth through an Integration and Affiliation Agreement effective September 1, 2017. YVMC is a tax-exempt organization under Section 501(c)(3) of the Code.

  - **UCHealth Partners, LLC ("UCHealth Partners")** is a limited liability company formed in 2015, in which UCHealth had a 50.1% ownership interest. Effective December 1, 2017, UCHealth purchased the remaining 49.9% of UCHealth Partners.

  - **UCHealth Broomfield Hospital ("BFH")** is a 22-bed acute care hospital in Broomfield, Colorado. BFH is a tax-exempt organization under Section 501(c)(3) of the Code.

(1) Organization and Mission (continued)

- **UCHealth Grandview Hospital ("GVH")**, a 22-bed acute care hospital in Colorado Springs, Colorado. GVH is a tax-exempt organization under Section 501(c)(3) of the Code.

- **UCHealth Pikes Peak Regional Hospital ("PPRH")** is a 15-bed critical access hospital located in Woodland Park, Colorado. PPRH joined UCHealth through an agreement to acquire specific assets of Pikes Peak Regional Hospital from Brim Healthcare of Colorado, LLC effective April 1, 2018. PPRH was formed as a Colorado non-profit corporation in 2018. PPRH is a tax-exempt organization under Section 501(c)(3) of the Code.

- **UCHealth Imaging Services, LLC ("UCHIS")** is a not-for-profit limited liability company formed in 2018 that provides imaging services in an ambulatory setting.

- **UCHealth Laboratory Services, LLC ("UCHLS")** is a limited liability company formed in 2019 for the purpose of purchasing laboratory testing from UCHealth laboratories, entering into contracts with payers and billing for such testing at freestanding rates.

Memorial Health System Foundation (the "MHS Foundation") is a not-for-profit organization formed for the benefit of MHS. Fundraising efforts for the benefit of MHS are undertaken by the MHS Foundation. However, the assets held by the Foundation remained assets of the MHS Foundation and were not transferred to MHS under either the Integration and Affiliation Agreement or the Health System Operating Lease Agreement. Therefore, the MHS Foundation is not reported as a component unit of MHS.

The accompanying basic financial statements reflect the operations and financial position of the Health System, its component units, and its fiduciary (pension trust) fund. The Health System is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the "Regents") or any department, commission, board, or agency of the state. The Health System is not financially accountable to the Regents. Two of the eleven members of the Health System's Board of Directors (the "Board") are appointed by the President of the University of Colorado.

($s in thousands)

(2) Condensed Combining Information

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of each major blended component unit at June 30, 2019 and 2018 are summarized in Tables 1 and 2, respectively.

Table 1
Condensed Combining Information
Statement of Net Position as of June 30, 2019

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	$ 617,901	$ 439,254	$ 27,139	$ (1,084,294)	$ -
Other current assets	747,094	295,590	158,037	110,806	1,311,527
Capital assets, net of accumulated depreciation	836,173	417,875	435,571	1,099,363	2,788,982
Non-current receivables from affiliates	945,703	-	-	(945,703)	-
Non-current assets and other assets	1,963,119	1,641,615	117,724	108,979	3,831,437
Total assets	5,109,990	2,794,334	738,471	(710,849)	7,931,946
Deferred outflows of resources	37,987	18,386	16,542	26,379	99,294
Total assets and deferred outflows of resources	$ 5,147,977	$ 2,812,720	$ 755,013	$ (684,470)	$ 8,031,240
Liabilities					
Current payables to affiliates	$ -	$ 7,321	$ 3,980	$ (11,301)	$ -
Other current liabilities	607,505	183,072	138,179	214,849	1,143,605
Non-current payables to affiliates	-	379,407	323,767	(703,174)	-
Other long-term liabilities	1,448,282	37,033	106,327	62,045	1,653,687
Total liabilities	2,055,787	606,833	572,253	(437,581)	2,797,292
Deferred inflows of resources	2,061	1,456	1,126	1,119	5,762
Net position					
Invested in capital assets, net of related debt	177,886	13,340	9,295	825,316	1,025,837
Restricted					
Expendable	11,119	6,638	-	21,231	38,988
Non-expendable	21,451	39,341	-	607	61,399
Unrestricted	2,879,673	2,145,112	172,339	(1,095,162)	4,101,962
Net position	3,090,129	2,204,431	181,634	(248,008)	5,228,186
Total liabilities, deferred inflows of resources, and net position	$ 5,147,977	$ 2,812,720	$ 755,013	$ (684,470)	$ 8,031,240

($s in thousands)

(2) Condensed Combining Information (continued)

Table 2
Condensed Combining Information
Statement of Net Position as of June 30, 2018

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	$ 341,493	$ 237,747	$ 14,579	$ (593,819)	$ -
Other current assets	590,132	299,621	141,840	115,017	1,146,610
Capital assets, net of accumulated depreciation	845,466	427,222	395,256	752,435	2,420,379
Non-current receivables from affiliates	763,840	-	-	(763,840)	-
Non-current assets and other assets	1,950,172	1,519,136	113,694	60,822	3,643,824
Total assets	4,491,103	2,483,726	665,369	(429,385)	7,210,813
Deferred outflows of resources	20,004	10,984	13,908	22,857	67,753
Total assets and deferred outflows of resources	$ 4,511,107	$ 2,494,710	$ 679,277	$ (406,528)	$ 7,278,566
Liabilities					
Current payables to affiliates	$ -	$ 7,027	$ 4,226	$ (11,253)	$ -
Other current liabilities	411,995	185,526	155,772	190,648	943,941
Non-current payables to affiliates	-	189,013	327,077	(516,090)	-
Other long-term liabilities	1,465,251	248,649	104,121	48,684	1,866,705
Total liabilities	1,877,246	630,215	591,196	(288,011)	2,810,646
Deferred inflows of resources	5,792	1,903	4,058	1,607	13,360
Net position					
Invested in capital assets, net of related debt	136,646	2,964	(47,948)	447,181	538,843
Restricted					
Expendable	11,585	29,122	24	20,776	61,507
Non-expendable	21,445	34,841	-	26	56,312
Unrestricted	2,458,393	1,795,665	131,947	(588,107)	3,797,898
Net position	2,628,069	1,862,592	84,023	(120,124)	4,454,560
Total liabilities, deferred inflows of resources, and net position	$ 4,511,107	$ 2,494,710	$ 679,277	$ (406,528)	$ 7,278,566

($s in thousands)

(2) Condensed Combining Information (continued)

Revenue, expenses, and changes in net position are summarized in Tables 3 and 4 for fiscal years 2019 and 2018, respectively.

Table 3
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	$ 2,133,120	$ 1,385,283	$ 1,039,225	$ 337,252	$ 4,894,880
Other operating revenue	10,693	29,571	11,816	5,309	57,389
Total operating revenue	2,143,813	1,414,854	1,051,041	342,561	4,952,269
Operating expenses					
Wages, contract labor, and benefits	661,193	615,622	518,517	235,107	2,030,439
Supplies	537,305	258,276	189,885	66,291	1,051,757
Purchased services and other expenses	486,645	193,532	202,769	120,261	1,003,207
Depreciation and amortization	77,841	52,246	41,073	38,400	209,560
Total operating expenses	1,762,984	1,119,676	952,244	460,059	4,294,963
Operating income (loss)	380,829	295,178	98,797	(117,498)	657,306
Non-operating revenue and expenses					
Interest expense	(49,374)	(12,109)	(14,036)	28,823	(46,696)
Investment income	171,076	102,685	6,081	(37,604)	242,238
Unrealized loss on derivative instruments	(18,212)	(23,573)	(269)	-	(42,054)
Other, net	(26,294)	(12,376)	(12,994)	(4,002)	(55,666)
Total non-operating revenue and expenses	77,196	54,627	(21,218)	(12,783)	97,822
Income (loss) before distributions, contributions, and acquisitions	458,025	349,805	77,579	(130,281)	755,128
(Distributions to) contributions from minority interest in component unit	-	(8,970)	-	1,000	(7,970)
Contributions (to) from affiliates	(472)	(472)		944	-
Contributions restricted for capital assets	-	-	19,694	-	19,694
Contributions restricted, other	4,507	1,476	338	453	6,774
Change in net position	462,060	341,839	97,611	(127,884)	773,626
Net position, beginning of year	2,628,069	1,862,592	84,023	(120,124)	4,454,560
Net position, end of year	$ 3,090,129	$ 2,204,431	$ 181,634	$ (248,008)	$ 5,228,186

($s in thousands)

(2) Condensed Combining Information (continued)

Table 4
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	$ 1,873,879	$ 1,273,178	$ 893,218	$ 228,866	$ 4,269,141
Other operating revenue	12,905	26,841	23,170	9,429	72,345
Total operating revenue	1,886,784	1,300,019	916,388	238,295	4,341,486
Operating expenses					
Wages, contract labor, and benefits	605,850	571,142	462,130	167,284	1,806,406
Supplies	464,795	238,454	165,214	38,537	907,000
Purchased services and other expenses	429,152	183,215	183,832	106,474	902,673
Depreciation and amortization	78,028	55,684	37,211	28,208	199,131
Total operating expenses	1,577,825	1,048,495	848,387	340,503	3,815,210
Operating income (loss)	308,959	251,524	68,001	(102,208)	526,276
Non-operating revenue and expenses					
Interest expense	(42,709)	(16,716)	(14,665)	20,848	(53,242)
Investment income	174,106	105,391	7,601	(23,845)	263,253
Unrealized gain (loss) on derivative instruments	7,663	6,335	(399)	-	13,599
Other, net	(15,278)	(13,448)	(11,170)	(1,318)	(41,214)
Total non-operating revenue and expenses	123,782	81,562	(18,633)	(4,315)	182,396
Income (loss) before distributions, contributions, and acquisitions	432,741	333,086	49,368	(106,523)	708,672
Distributions to minority interest in component unit	-	(8,759)	-	(1,737)	(10,496)
Contributions (to) from affiliates	(890)	(890)	-	1,780	-
Contributions restricted for capital assets	-	12	-	-	12
Contributions restricted, other	3,361	1,580	327	217	5,485
Acquisitions of interests in component units	-	-	-	43,337	43,337
Change in net position	435,212	325,029	49,695	(62,926)	747,010
Net position, beginning of year	2,192,857	1,537,563	34,328	(57,198)	3,707,550
Net position, end of year	$ 2,628,069	$ 1,862,592	$ 84,023	$ (120,124)	$ 4,454,560

($s in thousands)

(2) Condensed Combining Information (continued)

Cash flows are summarized in Tables 5 and 6 for fiscal years 2019 and 2018, respectively.

Table 5
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2019

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	$ 134,763	$ 74,583	$ 79,651	$ 465,121	$ 754,118
Capital and related financing activities	(168,561)	(71,071)	(86,771)	(390,744)	(717,147)
Investing activities	(22,600)	(41,084)	3,244	(82,630)	(143,070)
Net decrease in cash and cash equivalents	(56,398)	(37,572)	(3,876)	(8,253)	(106,099)
Cash and cash equivalents, beginning of year	170,384	130,623	9,105	20,241	330,353
Cash and cash equivalents, end of year	$ 113,986	$ 93,051	$ 5,229	$ 11,988	$ 224,254

Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2018

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	$ 132,272	$ 175,854	$ 71,229	$ 207,239	$ 586,594
Capital and related financing activities	(108,210)	(74,287)	(97,985)	(302,022)	(582,504)
Investing activities	(30,511)	(98,701)	22,730	108,704	2,222
Net (decrease) increase in cash and cash equivalents	(6,449)	2,866	(4,026)	13,921	6,312
Cash and cash equivalents, beginning of year	176,833	127,757	13,131	6,320	324,041
Cash and cash equivalents, end of year	$ 170,384	$ 130,623	$ 9,105	$ 20,241	$ 330,353

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying basic financial statements have been prepared on the accrual basis of accounting and economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America.

The accounts of the Health System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenue and expenses, as appropriate.

The enterprise fund is used to account for the Health System's ongoing activities. The statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows do not include the pension trust fund.

The pension trust fund is used to account for assets held in trust for the benefit of the employees of the Health System (all of whom are actually employed by UCHA) for the non-contributory defined benefit pension plan (the "Basic Pension Plan"). In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the assets and net position of the pension trust fund are presented separately from the enterprise fund. The basic financial statements of the pension trust fund are prepared using the accrual basis of accounting. Employer contributions to the Basic Pension Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Basic Pension Plan.

(b) Use of Estimates in Preparation of Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

(c) Net Position

The Health System's net position is classified as follows:

- *Invested in capital assets, net of related debt* – consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.

- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity as well as the minority interest's ownership percentage in component units of UCHealth.

- *Unrestricted* – consists of the remaining net position that is available for unrestricted use.

(3) Summary of Significant Accounting Policies (continued)

(c) Net Position (continued)

When the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's practice to use restricted resources before unrestricted resources.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

(e) Investments and Restricted Investments

Investments include assets designated by the Board for future capital improvements and undesignated investments. Restricted investments include assets held by trustees under bond indenture and insurance agreements.

The Health System records all debt and equity investment securities at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in non-operating revenue and expenses when earned.

The Health System's Basic Pension Plan holds assets that include alternative investments, which are not readily marketable and are carried at fair value as provided by the investment managers. The UCHA Board of Directors (the "UCHA Board") is the fiduciary of the plan, and the Health System reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(f) Inventories

Inventories, which consist primarily of pharmaceuticals and medical supplies, are valued under a combination of the lower of cost (first in, first out) or market and a weighted average.

(g) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. Interest incurred, net of interest earned on related funds held by a trustee under bond agreements, in connection with borrowings to finance major construction or expansion of facilities, is capitalized until the related assets are put into service and subsequently amortized over the lives of the related assets. All capital assets are depreciated or amortized over the estimated useful life of each class of assets using the straight-line method. Useful lives for buildings and improvements are 20-40 years, equipment is 3-15 years, and leasehold improvements are 3-20 years.

(3) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

The Health System's long-lived assets consist primarily of buildings and building improvements, equipment, and leasehold improvements, which are subject to the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

(h) Deferred Amortization on Refundings

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and amortized using the effective interest rate method over the shorter of the life of the old debt or the life of the new debt.

(i) Deferred Amortization on Acquisitions

The Health System recognizes a deferred outflow of resources when the consideration provided in a government acquisition exceeds the net position acquired. This deferred amortization on acquisition is amortized to future periods in a systematic and rational manner, considering the relevant circumstances of the acquisition.

(j) Compensated Absences

All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA. UCHA employees use paid time off ("PTO") for vacation, holidays, personal short-term illness, family member illness, and personal absences. Health System employees generally earn PTO based on length of service and actual hours worked. The Health System records PTO expense as it is earned. The current portion of PTO is based on employee tenure, rate of pay, and accrued hours. Amounts in excess of an employee's annual accrual are classified as long-term liabilities.

(k) Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, restricted investments, long-term investments, interest rate swap agreements, current liabilities, and long-term debt obligations. The carrying amounts reported in the statements of net position for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 6, 7, 8 and 12 to the basic financial statements.

The Health System utilizes interest rate swaps to cover exposure to changes in interest rates. The fair value of these derivative instruments is required to be recognized as either an asset or liability on the statements of net position. Changes in fair values of derivative instruments that are determined to be ineffective hedges, as is the case of the Health System's interest rate swaps, are reported within non-operating revenue and expenses in the period when the change in fair value occurs.

($s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(l) Endowments

The Health System's endowments consist of individual funds restricted by donors for a variety of purposes. The State of Colorado's Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Health System classifies as non-expendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by the Health System. The Health System may spend the net appreciation on the endowment funds based on the individual endowment fund agreements and considers factors such as duration and preservation of the fund, purposes of the fund, general economic conditions, possible effects of inflation and deflation, expected total return from investment income, and other resources of the Health System when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments available for expenditure at June 30, 2019 and 2018 was $3,641 and $3,653, respectively.

(m) Minority Interests in Component Units

Minority interests in component units represents the 12% interest in MCR that is not owned by PVHS and the 10% interest in ICHealth that is not owned by UCHealth. For the years ended June 30, 2019 and 2018, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

June 30, 2019

	Total	Controlling Interest	Minority Interest
Income before distributions, contributions, and acquisitions	$ 755,128	$ 742,155	$ 12,973
Net distributions to minority interest in component unit	(7,970)	-	(7,970)
Contributions restricted for capital assets	19,694	19,694	-
Contributions restricted, other	6,774	6,774	-
Change in net position	773,626	768,623	5,003
Net position, beginning of year	4,454,560	4,426,208	28,352
Net position, end of year	$ 5,228,186	$ 5,194,831	$ 33,355

($s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(m) Minority Interest in Component Unit (continued)

June 30, 2018

	Total	Controlling Interest	Minority Interest
Income before distributions, contributions, and acquisitions	$ 708,672	$ 694,530	$ 14,142
Net distributions to minority interest in component unit	(10,496)	-	(10,496)
Contributions restricted for capital assets	12	12	-
Contributions restricted, other	5,485	5,485	
Acquisitions of interests in component units	43,337	43,337	-
Change in net position	747,010	743,364	3,646
Net position, beginning of year	3,707,550	3,682,844	24,706
Net position, end of year	$ 4,454,560	$ 4,426,208	$ 28,352

(n) Revenue and Expenses

The Health System's statements of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services and includes patient service and other revenue. Non-exchange revenue includes investment income and restricted contributions and is reported as non-operating revenue. Operating expenses are all expenses incurred to provide healthcare services. Non-operating expenses include interest expense, fundraising activities, and gain or loss on discontinued operations and disposal of capital assets.

(o) Costs of Shared Services

The costs of shared services provided by UCHealth to the individual component units are combined to determine the full costs of shared services. These costs are then reallocated back to the individual component units based on a set of drivers, which are used to estimate the relative usage of such shared services by each component unit.

(3) Summary of Significant Accounting Policies (continued)

(p) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Amounts reimbursed for services rendered to patients covered under the Medicare and Medicaid programs are generally less than established billing rates. The Health System also provides services to beneficiaries of certain other third-party payor programs at amounts less than its established rates based on contractual arrangements. Differences between established billing rates and amounts reimbursed are recognized as contractual adjustments.

(q) Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; fiduciary liability; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. UCHA is insured for medical malpractice claims and judgments through the University of Colorado Self-Insurance and Risk Management Trust. Other hospitals and operations maintain malpractice insurance through claims-made commercial insurance policies. Insurance coverage for all other lines of insurance, including theft, property damage, occupational and non-occupational injuries and accidents, business interruption, automobile, non-owned aircraft, employee health, dental, errors and omission, and fiduciary, are covered by commercial insurance companies.

(r) Income Taxes

UCHealth has a determination letter from the IRS, which states that it is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Code. UCHA, PVH, MCR, UCH-MHS, YVMC, HRH, GH, GVH, PPRH, UCHASC, UCHCS, Memorial Hospital Corporation, UCHealth Medical Group, the LPH Foundation, the PVHS Foundation, and the UCHA Foundation are also exempt under Section 501(a) as organizations described in Section 501(c)(3) of the Code. UCHA is a political subdivision and body corporate of the State of Colorado and, as such, the income generated by UCHA in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Code. Lakota Lake, LLC; PVHS/Timberline, LLC; Heron Lake, LLC; and United Medical Alliance act as tax flow-through entities to PVHS, which, as noted, is tax-exempt under Section 501(c)(3) of the Code. UCHPA and UCHealth Partners act as tax flow-through entities to UCHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHLS and UCHIS are pending exemption as organizations described in Section 501(c)(3) of the Code. Innovation Enterprises is a corporation subject to state and federal income tax. The Health System recognizes unrelated business income tax for activities that are outside of the Health System's tax-exempt mission. The Health System has recognized a tax liability of $2,772 and $2,179 at June 30, 2019 and 2018, respectively, for unrelated business income taxes.

(3) Summary of Significant Accounting Policies (continued)

(s) Pension Plans

The Health System accounts for its pension plan under GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports of defined benefit pension plans, and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan, about which information is required to be presented. GASB Statement No. 68 revises and establishes new financial reporting requirements for most governmental entities that provide their employees with pension benefits.

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 Basic Pension Plan and additions to/deductions from the Basic Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Basic Pension Plan. 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.

(t) Discontinued Operations

The Health System recognizes losses on discontinued operations during the year in which the operations are discontinued. During 2019, the System made a decision to close down and not repurpose a location for which there was a long-term non-cancellable lease with rates significantly above market lease rates. The Health System recognized $9,246 in loss on discontinued operations for the year ended June 30, 2019 for the estimated future lease payments, reduced by estimated sublease rental income.

(u) New Accounting Pronouncements

In 2017, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes the definition of asset retirement obligations and guidelines for the recognition and disclosure of liabilities associated with the retirement of a tangible capital asset. The requirements of this statement are effective for UCHealth for the year ending June 30, 2019, and do not have a material impact to UCHealth’s basic financial statements.

In 2018, the GASB issued Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of governments and how those activities should be reported. The requirements of this statement will be effective for UCHealth for the year ending June, 30, 2020. UCHealth is in the process of evaluating the impact of this statement to UCHealth’s basic financial statements.

(3) Summary of Significant Accounting Policies (continued)

(u) New Accounting Pronouncements (continued)

In 2017, the GASB issued Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments for the financial statement users. GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement will be effective for UCHealth for the year ending June 30, 2021. UCHealth is in the process of evaluating the impact of this statement to UCHealth's basic financial statements.

In 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including direct Borrowings and Direct Placements,* which provides guidance for additional disclosures in notes to government financial statements. The requirements of this statement are effective for UCHealth for the year ending June 30, 2019, and do not have a material impact to UCHealth's basic financial statements.

In 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which supersedes GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement will be effective for UCHealth for the year ending June 30, 2020, and are not expected to have a material impact to UCHealth's basic financial statements.

In 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, which provides updated guidance related to a government's majority equity interest in a legally separate organization. This statement requires that a majority equity interest in a legally separate organization should be reported as an investment if the equity holding meets the definition of an investment; otherwise the government should report the legally separate organization as a component unit. The requirements of this statement will be effective for UCHealth for the year ending June 30, 2020, and are not expected to have a material impact to UCHealth's basic financial statements.

($s in thousands)

(4) Net Patient Service Revenue

The following summary details gross charges and uncompensated care resulting from contractual allowances, bad debts, self-pay discounts, and unsponsored charges for the year ended June 30:

	2019	2018
Gross charges	$ 18,032,984	$ 15,573,685
Third-party contractual allowances	(12,773,739)	(11,008,148)
Indigent and charity care	(168,388)	(130,731)
Provision for bad debt	(229,636)	(205,124)
Self-pay packages and other discounts	(213,014)	(174,152)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	246,673	213,611
Net patient service revenue	$ 4,894,880	$ 4,269,141

The Health System has programs that receive add-on payments to the established rate or that are paid at a reasonable cost by third-party payors. Amounts received for these additional payments from Medicare, Medicaid, and TriCare programs are subject to audit and retroactive adjustment. Generally, provisions for estimated retroactive adjustments under such programs are provided in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue under the Medicare and Medicaid programs was approximately $1,636,560 and $1,384,826 in 2019 and 2018, respectively.

(4) Net Patient Service Revenue (continued)

(a) Medicare

Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a Diagnostic-Related Group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare fiscal intermediary. The Health System's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. PVH's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2016; however, Medicare cost report year 2005 has not yet been settled by the Medicare administrative contractor. MCR's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2016. MHS's Medicare cost reports have been audited through June 30, 2016; however, Medicare cost report year 2008 has not yet been settled by the Medicare administrative contractor. YVMC’s Medicare cost reports have been audited and settled by the Medicare administrative contractor through September 30, 2017. PPRH’s Medicare cost reports have been audited and settled by the Medicare administrative contractor through December 31, 2015. The Medicare cost reports for BFH, GVH, and LPH have not yet been audited and settled by the Medicare administrative contractor as the year ending June 30, 2018 is their first cost reporting year.

(b) Medicaid

Inpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Prior to October 31, 2016, outpatient services are reimbursed by a combination of fee schedule and a tentative payment rate with final settlement determined after submission of an annual cost report by the Health System and audits thereof by the Medicaid fiscal intermediary. Beginning October 31, 2016, outpatient services are reimbursed based on the product of a hospital-specific base rate and the Enhanced Ambulatory Patient Group’s adjusted relative weight. The Health System's classification of patients under the Medicaid program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2014. PVH's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. MCR's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2014. MHS's Medicaid cost reports have been audited through June 30, 2014; however, the Medicaid cost report year 2008 has not yet been settled by the Medicaid fiscal intermediary. YVMC’s Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through September 30, 2015. PPRH’s Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through December 31, 2015.

(4) Net Patient Service Revenue (continued)

(c) Other Payors

The Health System has also entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health System under these agreements generally includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(d) Self-Pay

The Health System maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which differs by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. Discounts for this program were $213,014 and $174,152 in 2019 and 2018, respectively.

(e) Disproportionate Share Health System and Charity Care Policy

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the years ended June 30, 2019 and 2018, the Health System was charged $179,030 and $164,938, respectively, in Hospital provider fees and received $250,872 and $230,053, respectively, in disproportionate share (“DSH”) and Medicaid supplemental revenue as compensation for indigent and underinsured care services provided.

The 2010 DSH guidance including Frequently Asked Questions (“FAQs”) 33 and 34 required that the Medicare and private insurance payments received on behalf of Medicaid-eligible patients to be subtracted from the costs of care for the Inpatient and Outpatient services to Medicaid-eligible patients, which reduced the hospital-specific DSH payment limit for many hospitals. Pursuant to those FAQs, if the cost of care for those patients, including indigent and uninsured patients, less reimbursement received for those patients exceeded the amount of DSH payment made to the hospital, then a portion of the DSH payment would be recouped. The System carried reserves for estimates of such recoupments as a result of those FAQs. As of December 31, 2018, and in light of recent appellate court decisions, CMS revoked these FAQs for services furnished prior to June 2, 2017. As a result, the reserves carried for 2015 and 2016 are no longer required. Therefore, the System released $72,072 in such reserves, which is included in net patient revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Based on an analysis of the direct and indirect costs specific to the procedures performed, the cost of charity care services provided was $94,155 and $84,621 for the years ended June 30, 2019 and 2018, respectively.

(4) Net Patient Service Revenue (continued)

(f) Community Benefit

Based on the application of an adjusted cost to charge ratio to the procedures performed, reduced by actual reimbursement received, UCHealth provided $367,361 and $358,913 in total benefits to the community for uninsured and underinsured patients in 2019 and 2018, respectively.

(5) Restricted and Unrestricted Pledges

The Health System records pledges as restricted or unrestricted receivables based on the donors' specifications and the Health System's satisfaction of the donors' restriction. All long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge. Total unrestricted contributions receivable, net of allowances for uncollectible receivables were $2,695 and $1,400 at June 30, 2019 and 2018, respectively. Total restricted contributions receivable, net of allowances for uncollectible receivables, were $1,477 and $1,752 at June 30, 2019 and 2018, respectively.

The total current portions of unrestricted contributions receivable, net of allowances for uncollectible receivables, were $2,695 and $1,400 at June 30, 2019 and 2018, respectively. The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, are $259 and $344, and the long-term portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within restricted investments and pledges, donors, in the accompanying statements of net position, are $1,218 and $1,408 at June 30, 2019 and 2018, respectively.

(6) Deposits and Investments

Colorado statutes require that UCHA use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

At June 30, 2019 and 2018, UCHealth's unrestricted cash deposits had a book balance of $224,254 and $330,353, respectively, and a bank balance of $296,290 and $377,286, respectively. UCHealth's receivables and investments restricted by donors included cash deposits that had a book and bank balance of $43,794 and $42,765 at June 30, 2019 and 2018, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are held in UCHealth participating entity names, and all accounts, with the exception of the overnight investments account, are covered by federal depository insurance up to the applicable maximum.

($s in thousands)

(6) Deposits and Investments (continued)

June 30, 2019

	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 224,254	$ -	$ 224,254
Assets limited as to use	-	48,626	48,626
Investments designated for liquidity support	-	283,195	283,195
Long-term investments	-	3,669,374	3,669,374
	$ 224,254	$ 4,001,195	$ 4,225,449

June 30, 2018

	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	$ 330,353	$ -	$ 330,353
Assets limited as to use	-	68,491	68,491
Investments designated for liquidity support	-	102,315	102,315
Long-term investments	-	3,487,687	3,487,687
	$ 330,353	$ 3,658,493	$ 3,988,846

Enterprise fund investments consist of the following:

	June 30, 2019	June 30, 2018
Restricted by trustee under bond agreement	$ 811	$ 23,495
Restricted by donor	47,237	44,153
Other restricted	578	843
Unrestricted	3,952,569	3,590,002
Total investments	$ 4,001,195	$ 3,658,493

($s in thousands)

(6) Deposits and Investments (continued)

The following is a summary of enterprise fund investments at fair value:

	June 30, 2019	June 30, 2018
Cash equivalents	$ 114,993	$ 59,510
U.S. Treasury bills	233,049	297,471
U.S. government agency, pool, and mortgage-backed securities	304,047	98,450
Asset-backed securities	113,390	50,526
Mutual bond funds	562,762	732,411
Treasury inflation protected securities ("TIPS")	198,266	185,571
Corporate bonds	345,869	197,548
Equity securities	2,164,342	2,043,125
Interest and dividends receivable	6,664	5,955
Miscellaneous investment payable	(42,187)	(12,074)
Total investments	$ 4,001,195	$ 3,658,493

The following is a summary of pension trust fund investments at fair value:

	June 30, 2019	June 30, 2018
Cash equivalents	$ 31,397	$ 5,003
U.S. Treasury bills	28,747	47,779
U.S. government agency, pool, and mortgage-backed securities	25,639	10,650
Asset-backed securities	6,270	1,774
TIPS	28,992	24,871
Corporate bonds	14,467	8,568
Alternative investments	118,063	124,283
Private real estate	50,590	38,532
Mutual bond funds	141,341	94,287
Other mutual funds	469,827	466,467
Interest and dividends (payable) receivable	(684)	370
Miscellaneous investment payable	(7,233)	(39)
Total investments	$ 907,416	$ 822,545

($s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk

UCHealth's investment policy statements for the enterprise and pension trust funds apply the prudent man rule. Investment responsibilities shall be undertaken "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use."

UCHealth's enterprise and pension trust fund investments in U.S. agency, pool, and mortgage-backed securities are limited to investments rated AAA or AA. UCHealth's enterprise and pension trust funds' asset-backed securities, corporate bonds, and private placements are limited to securities rated Baa3 or BBB- or higher. Under certain circumstances, UCHealth's equity investment managers are allowed to purchase fixed income securities that are convertible into equities. In these circumstances, the guidelines set forth for the specific equity manager supersede the fixed income quality guidelines. The quality ratings mentioned above are required by at least one major credit rating agency at the time of purchase.

The following is a summary of enterprise fund investments at June 30, 2019 and 2018. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale.

	2019		2018	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	$ 304,047	AA+	$ 98,450	AA+
Asset-backed securities	$ 113,390	AA+	$ 50,526	AAA
Mutual bond funds	$ 562,762	BBB+	$ 732,411	BBB
TIPS	$ 198,266	AA+	$ 185,571	AA+
Corporate bonds				
Financials	$ 93,828	BBB+	$ 67,268	A-
Industrials	147,162	BBB+	71,029	BBB+
Municipal	-	AA+	196	AAA
Municipal taxable	8,064	AA	2,065	AA-
Other corporate bonds	2,124	BBB+	2,107	AA-
Other global corporate bonds	50,046	A-	33,306	A
Private placements	44,645	BBB+	21,577	A-
Total corporate bonds	$ 345,869		$ 197,548	

($s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of pension trust fund investments at June 30, 2019 and 2018, with average credit ratings based on the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2019		2018	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	$ 25,639	AA+	$ 10,650	AAA
Asset-backed securities	$ 6,270	AAA	$ 1,774	AAA
Mutual bond funds	$ 141,341	BBB	$ 94,287	BBB
TIPS	$ 28,992	AAA	$ 24,871	AAA
Corporate bonds				
Private placements	$ 2,197	A	$ 1,740	A+
Other	12,270	A-	6,828	A-
Total corporate bonds	$ 14,467		$ 8,568	

($s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk

UCHealth's enterprise and pension trust fund investment policy manages its exposure to fair value losses arising from rising interest rates by investment manager-specific guidelines that benchmark and limit the duration of its investment portfolio.

As of June 30, 2019 and 2018, the enterprise fund held the following investments. Modified duration is in years.

	2019		2018	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	$ 233,049	7.21	$ 297,471	5.08
U.S. government agency, pool, and mortgage-backed securities	$ 304,047	4.61	$ 98,450	4.26
Asset-backed securities	$ 113,390	4.07	$ 50,526	5.10
Mutual bond funds	$ 562,762	3.60	$ 732,411	4.23
TIPS	$ 198,266	7.57	$ 185,571	5.63
Corporate bonds				
Financials	$ 93,828	4.01	$ 67,268	2.26
Industrials	147,162	5.07	71,029	3.24
Municipal	-	13.36	196	0.02
Municipal taxable	8,064	4.49	2,065	6.91
Other corporate bonds	2,124	6.71	2,107	1.70
Other global corporate bonds	50,046	4.15	33,306	2.40
Private placements	44,645	3.75	21,577	2.52
Total corporate bonds	$ 345,869		$ 197,548	

($s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk (continued)

As of June 30, 2019 and 2018, the pension trust fund held the following investments. Modified duration is in years.

	2019		2018	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	$ 28,747	5.12	$ 47,779	7.44
U.S. government agency, pool, and mortgage-backed securities	$ 25,639	4.02	$ 10,650	4.33
Asset-backed securities	$ 6,270	2.12	$ 1,774	3.44
Mutual bond funds	$ 141,341	5.98	$ 94,287	5.68
TIPS	$ 28,992	7.54	$ 24,871	5.01
Corporate bonds				
Private placements	$ 2,197	1.97	$ 1,740	2.05
Other	12,270	4.01	6,828	2.55
Total corporate bonds	$ 14,467		$ 8,568	

($s in thousands)

(6) Deposits and Investments (continued)

(c) Foreign Currency Risk

UCHealth's enterprise and pension trust fund investment policies manage exposure to foreign currency risk by limiting the allocation percentage of international mutual funds to 5%-15% of the total fair value for the enterprise fund and 16%-28% of the total fair value for the pension trust fund. All of UCHealth's investments exposed to foreign currency risk are held in international mutual funds. UCHealth's enterprise and pension trust fund investments are exposed to foreign currency risk as illustrated in the following table as of June 30, 2019 and 2018.

	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
Currency	2019	2018	2019	2018
Argentian Peso	$ 1,645	$ -	$ 825	$ -
Australian Dollar	17,453	17,476	6,158	5,380
Brazilian Real	13,189	12,558	3,851	3,320
Canadian Dollar	21,183	20,536	10,200	8,407
Chilean Peso	(798)	523	(416)	188
Chinese Yuan Reminbi	25,622	15,023	9,733	3,891
Colombian Peso	342	202	164	81
Czech Koruna	608	851	270	349
Danish Krone	6,374	5,232	3,167	2,472
Egyptian Pound	(72)	84	(43)	20
Euro	99,697	81,090	35,629	33,232
Hong Kong Dollar	31,863	27,507	15,472	14,170
Hungarian Forint	957	394	264	157
Indian Rupee	19,622	10,071	7,543	4,324
Indonesian Rupiah	6,045	2,764	2,392	1,134
Israel New Shekel	1,025	716	503	308
Japanese Yen	70,044	68,903	29,564	29,922
Kenyan Shilling	728	767	324	325
Kuwaiti Dinar	52	-	-	-
Malaysian Ringgit	2,059	2,052	474	390
Mexican Peso	4,427	5,753	1,477	1,230
Moroccan Dirham	112	-	55	-
New Zealand Dollar	2,571	(1,690)	1,274	(648)
Norwegian Krone	8,342	6,337	1,143	1,088
Pakistani Rupee	203	57	7	13
Peru Newsol	71	-	28	-
Philippine Peso	789	604	382	260
Polish Zloty	1,664	741	826	269
Qatari Riyal	419	394	184	141
Romanian Leu	632	-	314	-
Russian Ruble	10,898	7,114	2,264	1,377
Saudi Riyal	(3,567)	1,506	(1,800)	596
Singapore Dollar	3,808	1,445	2,624	1,418
South African Rand	13,776	8,557	3,278	2,963
South Korean Won	20,732	18,757	6,316	7,271
Swedish Krona	4,062	4,101	1,804	1,868
Swiss Franc	26,516	20,670	10,288	9,210
Taiwan New Dollar	21,605	16,222	8,173	7,157
Thailand Baht	3,125	2,814	1,509	1,452
Turkish Lira	885	2,520	292	1,240
United Arab Emirates Dirham	(3,109)	737	(1,594)	282
United Kingdom Pound Sterling	57,821	50,678	20,830	20,783
Vietnam Dong	42	-	24	-
	$ 493,462	$ 414,066	$ 185,772	$ 166,040

(6) Deposits and Investments (continued)

(d) Concentration of Credit Risk

UCHealth's enterprise and pension trust fund investment policies state that the equity and fixed income portfolio should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. UCHealth has evaluated all investments at June 30, 2019 and confirmed that no more than 5% of total investments are held in any one issuer.

Additionally, UCHealth's enterprise and pension trust fund investment policies state that, within each investment manager, no more than 10% of the equity or fixed income portfolio based on market value should be invested in the securities of any one issuer other than fixed income pools of investments, such as U.S. governments or U.S. government agencies. Except for U.S. Treasuries, no more than 10% of the fixed income portfolio, based on market value, shall be invested in securities of any one issuer at the time of purchase. At June 30, 2019, the fixed income and equity investment managers were in compliance with the stated diversification policy.

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

UCHealth uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swaps necessarily involve counterparty credit risk. UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. Interest rate swaps are used to manage the interest rate exposure of certain variable rate bonds issuances. The counterparties to the interest rate swap contracts are major financial institutions that are rated Aa3 and A2 by Moody's. The estimated fair value of interest rate swaps, which is the gross unrealized market gain or loss, is based on quotes obtained from the counterparties. UCHealth's credit risk on the swaps is limited to any positive fair value of the financial instruments.

During the years ended June 30, 2019 and 2018, UCHealth was party to five swap agreements as follows:

- *A floating-to-fixed swap agreement having an original notional value of $71,235 and current notional amount of $60,605, reducing on the dates and the amounts set forth in the Series 2013C bond offering documents describing principal payments.* This agreement was entered into in November 2006 and is scheduled to terminate in November 2031. In this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.5% and receives the sum of 61.8% of USD-LIBOR-BMA plus 0.31%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013C Revenue Bonds to fixed rate obligations. At June 30, 2019 and 2018, this swap had an approximate fair value of $(10,707) and $(7,879), respectively.

- *A floating-to-fixed swap agreement having an original notional value of $100,160 and a current notional value of $84,490, reducing on the dates and amounts set forth in the Series 2013A bond offering documents describing principal payments.* This agreement was entered into in October 2004 and is scheduled to terminate in November 2033. Under the terms of this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.631% and receives the sum of 62.2% of USD-LIBOR-BBA plus 0.30%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013A Revenue Bonds to fixed rate obligations. At June 30, 2019 and 2018 the floating-to-fixed rate swap had an approximate fair value of $(17,851) and $(13,377), respectively.

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (continued)

- *A floating-to-fixed swap agreement having an original and current notional value of $198,805, reducing on the dates and the amounts set forth in the 2018 bond series offering documents describing principal payments.* This agreement was entered into in December 2016.The swap agreement includes a fixed payor rate of 1.81% and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly, starting in September 2018. At June 30, 2019 and 2018, this swap had an approximate fair value of $(12,050) and $2,690, respectively.

- *A fixed-to-floating swap agreement having a notional value of $152,075, reducing on the dates and the amounts set forth in the Series 2017A bond offering documents describing principal payments.* This agreement was entered into in February 2017.Under the terms of the total return swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement carries a 10-year term. At June 30, 2019 and 2018, this swap had an approximate fair value of $608 and $1,424, respectively.

- In April 2019, UCHealth entered into a floating-to-fixed swap agreement having a notional amount of $195,195. The notional amount will be reduced on the dates and the amounts set forth in the 2012B, 2012C, and 2017B1 bond series offering documents describing principal payments. The swap agreement includes a fixed payor rate of 1.971% and UCHealth will receive 70% of one-month LIBOR for the entire swap term, which expires November 2046. Settlements are to be made monthly, starting in May 2019. At June 30, 2019, this swap had an approximate fair value of $(19,197).

In fiscal year 2019 and 2018, the swaps produced an annual net cash inflow of approximately $1,116 and $1,297, respectively. Cash flows associated with the swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, none of UCHA's swap agreements qualify as effective cash flow hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported as fair value of derivative instruments on the statements of net position and changes in fair value are reported as unrealized gain (loss) on derivative investments on the statements of revenue, expenses, and changes in net position.

(8) Fair Value

(a) Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair value measurements, UCHealth utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

The inputs used to measure fair value are classified into the following fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting UCHealth's own assumptions.

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2019 and 2018, the enterprise fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	$ 233,049	$ 232,461	$ 588	$ -
U.S. government agency, pool, and mortgage-backed securities	304,047	-	304,047	-
Asset-backed securities	113,390		111,258	2,132
Mutual bond funds	562,762	237,481	325,281	
TIPS	198,266	99,496	98,770	
Corporate bonds	345,869	12	345,857	
Equity securities	2,164,342	1,791,401	367,655	5,286
Total investments by fair value level	$ 3,921,725	$ 2,360,851	$ 1,553,456	$ 7,418
Derivative instruments				
Interest rate swaps	$ (59,196)	$ -	$ (59,196)	$ -

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	$ 297,471	$ 297,471	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	98,450	-	98,450	-
Asset-backed securities	50,526	-	49,068	1,458
Mutual bond funds	732,411	213,050	519,361	-
TIPS	185,571	56,384	129,187	-
Corporate bonds	197,548	-	197,548	-
Equity securities	2,043,125	1,628,368	412,463	2,294
Total investments by fair value level	$ 3,605,102	$ 2,195,273	$ 1,406,077	$ 3,752
Derivative instruments				
Interest rate swaps	$ (17,142)	$ -	$ (17,142)	$ -

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2019 and 2018, the pension trust fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	$ 28,747	$ 28,747	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	25,639	-	25,639	-
Asset-backed securities	6,270	-	6,270	
TIPS	28,992	-	28,992	-
Corporate bonds	14,467	-	14,467	
Alternative investments	118,063	29,209	523	88,331
Private real estate	50,590	-	-	50,590
Mutual bond funds	141,341	28,212	113,129	-
Other mutual funds	469,827	337,332	132,495	-
Total investments	$ 883,936	$ 423,500	$ 321,515	$ 138,921

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	$ 47,779	$ 47,779	$ -	$ -
U.S. government agency, pool, and mortgage-backed securities	10,650	-	10,650	-
Asset-backed securities	1,774	-	1,640	134
TIPS	24,871	-	24,871	-
Corporate bonds	8,568	-	8,568	-
Alternative investments	124,283	24,381	27,554	72,348
Private real estate	38,532	-	-	38,532
Mutual bond funds	94,287	24,816	69,471	-
Other mutual funds	466,467	295,090	171,377	-
Total investments	$ 817,211	$ 392,066	$ 314,131	$ 111,014

($s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

U.S. Treasury bills, TIPS, equity securities, alternative investments, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. government debt securities, asset-backed securities, TIPS, corporate bonds, alternative investments, equity securities, and mutual fund securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities classified in Level 3 are valued using discounted cash flow techniques. Private real estate investments classified in Level 3 of the fair value hierarchy are valued using the income approach based on a discounted cash flow model, with reliance on other metrics used in the marketplace, including the analysis of comparable sales and relationship to replacement cost. Alternative investments, equity securities, and other mutual funds classified in Level 3 of the fair value hierarchy are valued by developing a range of values using multiple methodologies deemed relevant by market participants, including discounted cash flow models, market multiple models, and recent transaction multiples. Swap agreements classified in Level 2 of the fair value hierarchy are valued using interest rate and forward yield curve inputs.

The table below reconciles the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments as disclosed in Note 6.

	June 30, 2019	June 30, 2018
Enterprise fund investments		
Total investments by fair value level	$ 3,921,725	$ 3,605,102
Cash equivalents	114,993	59,510
Interest and dividends receivable	6,664	5,955
Miscellaneous investment payable	(42,187)	(12,074)
Total enterprise fund investments	$ 4,001,195	$ 3,658,493
Pension trust fund investments		
Total investments by fair value level	$ 883,936	$ 817,211
Cash equivalents	31,397	5,003
Interest and dividends receivable	(684)	370
Miscellaneous investment payable	(7,233)	(39)
Total pension trust fund investments	$ 907,416	$ 822,545

(9) Other Investments

UCHealth recognizes its interest in the net assets and operations of joint ventures in which UCHealth and its component units have an ownership interest and ongoing financial interests or ongoing financial responsibilities. At June 30, 2019 and 2018, equity interests in joint ventures held by UCHealth and its component units ranged from 5% to 50% and totaled $47,528 and $32,360, respectively.

Lakota Lake, LLC ("Lakota Lake") has a 50% equity interest in Gateway Medical Services, LLC ("Gateway") totaling $6,378 and $6,365 at June 30, 2019 and 2018, respectively. Lakota Lake's share of Gateway's net income was $7,850 and $7,792 for the years ended June 30, 2019 and 2018, respectively. Lakota Lake received distributions from Gateway of $7,836 and $8,147 during the years ended June 30, 2019 and 2018, respectively. Gateway's financial statements are separately audited.

UCHealth has a 16.7% equity interest in Acclara Solutions, LLC (“Acclara”) (formerly PAS Solutions Group, LLC) totaling $0 at June 30, 2019 and 2018. UCHealth's share of Acclara's net income was $0 and $265 for the years ended June 30, 2019 and 2018, respectively. During the year ended June 30, 2018, Acclara executed a financing arrangement that resulted in each of its members, including UCHealth, receiving a return of their prior contributions to the entity, while retaining their equity interests. UCHealth received $10,347 from this transaction. Acclara's financial statements are separately audited.

UCHealth has a 10.7% and 12.1% equity interest in LeanTaaS, Inc. ("LeanTaaS") at June 30, 2019 and 2018, respectively, totaling $154 and $1,639 at June 30, 2019 and 2018, respectively. UCHealth's share of LeanTaaS' net loss was $1,486 and $2,091 for the years ended June 30, 2019 and 2018, respectively. LeanTaaS' financial statements are separately audited. UCHealth sold a portion of its interest in LeanTaaS for cash consideration of $4,422 during the year ended June 30, 2018. LeanTaaS spun off a portion of its equity interests into a separate entity, CLARA Analytics’ (“CLARA”) during the year ended June 30, 2018. $2,391 of UCHealth’s interest in LeanTaaS was spun off to CLARA as a result of that transaction. UCHealth’s $2,391 interest in CLARA at June 30, 2019 and 2018, is accounted for under the cost method.

UCHealth has a 20% equity interest in Brookhaven Medical Properties, LLC ("Brookhaven") totaling $11,767 and $11,766 at June 30, 2019 and 2018, respectively. UCHealth's share of Brookhaven net income was $1 and $0 for the years ended June 30, 2019 and 2018, respectively. Brookhaven's financial statements are separately audited. UCHealth made contributions to Brookhaven of $3,488 during the year ended June 30, 2018.

UCHealth and its component units have equity ownership interests ranging from 5% to 50% in other joint ventures totaling $14,229 and $12,590 for the years ended June 30, 2019 and 2018, respectively. UCHealth and its component units' share of the other joint ventures’ net income was $3,679 and $4,427 for the years ended June 30, 2019 and 2018, respectively. UCHealth and its component units received $5,230 and $6,621 in distributions from these other joint ventures during the years ended June 30, 2019 and 2018, respectively. UCHealth and its component units made contributions of $3,190 and $2,255 to these other joint ventures during the years ended June 30, 2019 and 2018, respectively.

($s in thousands)

(9) Other Investments (continued)

UCHealth has a minority interest in SmartChoice MRI, LLC of $7,500 at June 30, 2019 and 2018, which is accounted for under the cost method. UCHealth has a minority interest in Catapult Health, LLC of $7,000 at June 30, 2019 and 2018, which is accounted for under the cost method. UCHealth made contributions to minority interests in other entities of $8,000 in 2019. These other minority interests are $8,000 at June 30, 2019, which are account for under the cost method.

UCHA has a minority interest in TriWest Healthcare Alliance Corp. ("TriWest") of $6,000 at June 30, 2019 and 2018, which is accounted for under the cost method.

(10) Capital Assets

Capital assets consist of the following at June 30, 2019, 2018, and 2017:

	June 30, 2017	Additions	Transfers	Disposals	June 30, 2018	Additions	Transfers	Disposals	June 30, 2019
Capital assets, not being depreciated									
Land	$ 120,770	$ 4,851	$ -	$ -	$ 125,621	$ -	$ (200)	$ (452)	$ 124,969
Construction in progress	260,848	477,658	(296,853)	(3)	441,650	85,335	(305,880)	-	221,105
Total capital assets, not being depreciated	381,618	482,509	(296,853)	(3)	567,271	85,335	(306,080)	(452)	346,074
Capital assets, being depreciated									
Buildings and improvements	2,073,390	101,174	177,837	(1,005)	2,351,396	360,369	161,435	(17,190)	2,856,010
Fixed and moveable equipment	1,021,781	103,678	119,016	(28,860)	1,215,615	131,774	144,645	(40,150)	1,451,884
Total capital assets, being depreciated	3,095,171	204,852	296,853	(29,865)	3,567,011	492,143	306,080	(57,340)	4,307,894
Accumulated depreciation and impairment									
Buildings and improvements	773,682	112,544	8	(636)	885,598	92,000	-	(16,891)	960,707
Fixed and moveable equipment	708,434	148,539	(8)	(28,660)	828,305	115,859	-	(39,885)	904,279
Total accumulated depreciation and impairment	1,482,116	261,083	-	(29,296)	1,713,903	207,859	-	(56,776)	1,864,986
Total capital assets, net	$ 1,994,673	$ 426,278	$ -	$ (572)	$ 2,420,379	$ 369,619	$ -	$ (1,016)	$ 2,788,982

($s in thousands)

(11) Contractual Arrangements and Concentrations of Credit Risk

The Health System provides care to patients covered by various third-party payors, such as Medicare, Medicaid, private insurance companies, and health maintenance organizations. Significant concentrations of patient accounts receivable include the following:

	June 30,	
	2019	2018
Medicare	25%	25%
Medicaid	14%	18%
Managed care	38%	38%
Commercial	3%	2%
Self-pay and medically indigent	9%	7%
Military and other governmental	2%	2%
Other	9%	8%

Management does not believe there are significant credit risks associated with the above payors, other than the self-pay and medically indigent categories. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivable are reported net of allowances for doubtful accounts, contractual adjustments, and medically indigent allowances.

($s in thousands)

(12) Long-Term Debt and Leases

Long-term debt consists of the following:

Issuing Entity	Type	Description	2019	2018
Combined	Direct Borrowing	Capital leases, long term	$ 16,024	$ 19,236
MHS	Direct Borrowing	City of Colorado Springs lease, long term, due in installments through September 30, 2042	93,227	95,936
Combined	Direct Borrowing	Loan payable	3,455	3,661
PVHS	Other Bonds	Revenue bonds, Series 2005A, refinanced in fiscal year 2019, net of unamortized discount of $74 at June 30, 2018	-	49,926
PVHS	Other Bonds	Revenue bonds, Series 2005B, refinanced in fiscal year 2019, net of unamortized discount of $155 at June 30, 2018	-	82,846
PVHS	Other Bonds	Revenue bonds, Series 2005C, refinanced in fiscal year 2019, net of unamortized discount of $510 at June 30, 2018	-	81,490
UCHA	Other Bonds	Revenue bonds series 2009A, due in increasing annual installments through fiscal year 2030, net of unamortized bond discount of $96 at June 30, 2018	-	37,704
UCHA	Direct Placement	Revenue Bonds, Series 2011B, due in installments through fiscal year 2030	96,330	97,430
UCHA	Direct Placement	Revenue Bonds, Series 2011C, due in installments through fiscal year 2023	31,300	38,170
UCHA	Other Bonds	Revenue Bonds, Series 2012A, due in installments through fiscal year 2043, inclusive of unamortized premium of $15,690 and $16,593, and net of unamortized discounts of $650 and $687 at June 30, 2019 and 2018, respectively	255,171	258,276
UCHA	Direct Placement	Revenue Bonds, Series 2012B, due in installments through fiscal year 2047	50,000	50,000
UCHA	Direct Placement	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
UCHA	Direct Placement	Revenue Bonds, Series 2013A, due in installments through fiscal year 2034	84,490	86,630
UCHA	Direct Placement	Revenue Bonds, Series 2013B, due in installments through fiscal year 2025	7,970	9,080
UCHA	Direct Placement	Revenue Bonds, Series 2013C, due in installments through fiscal year 2032	60,605	62,245
UCHA	Direct Placement	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	198,210	198,640
UCHA	Direct Placement	Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	152,075
UCHA	Other Bonds	Revenue Bonds, Series 2017B-1, due in installments through fiscal year 2040	57,685	57,685
UCHA	Other Bonds	Revenue Bonds, Series 2017B-2, due in installments through fiscal year 2025	44,630	51,025
UCHA	Other Bonds	Revenue Bonds, Series 2017C, due in installments through fiscal year 2048 inclusive of unamortized premium of $10,646 and $16,818 at June 30, 2019 and 2018, respectively	286,736	292,908
UCHA	Other Bonds	Revenue Bonds, Series 2018A, due in installments through fiscal year 2031	45,915	-
UCHA	Other Bonds	Revenue Bonds, Series 2018B, due in installments through fiscal year 2036	76,170	-
UCHA	Other Bonds	Revenue Bonds, Series 2018C, due in installments through fiscal year 2040	75,265	-
		Total long-term debt	1,722,768	1,812,473
		Less current portion	(32,262)	(30,172)
		Less long-term debt subject to short-term remarketing arrangements	(283,195)	(102,315)
			$ 1,407,311	$ 1,679,986

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2019 are as follows:

Entity	2019	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Capital leases	Direct Borrowing	Various	$ 19,236	$ -	$ -	$ (3,212)	$ 16,024	$ 3,499
MHS	City of Colorado Springs lease	Direct Borrowing	10/01/12	95,936	-	-	(2,709)	93,227	2,793
Combined	Loan payable	Direct Borrowing		3,661	-	-	(206)	3,455	3,455
PVHS	Series 2005A	Other Bonds	03/01/05	49,926	(49,926)	-	-	-	-
PVHS	Series 2005B	Other Bonds	03/01/05	82,846	(82,847)	1	-	-	-
PVHS	Series 2005C	Other Bonds	03/01/05	81,490	(81,492)	2	-	-	-
UCHA	Series 2009A	Other Bonds	08/06/09	37,704	(35,680)	96	(2,120)	-	-
UCHA	Series 2011B	Direct Placement	11/09/11	97,430	-	-	(1,100)	96,330	1,110
UCHA	Series 2011C	Direct Placement	11/16/11	38,170	-	-	(6,870)	31,300	7,235
UCHA	Series 2012A	Other Bonds	10/01/12	258,276	-	(865)	(2,240)	255,171	2,005
UCHA	Series 2012B	Direct Placement	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	Direct Placement	11/18/13	86,630	-	-	(2,140)	84,490	2,215
UCHA	Series 2013B	Direct Placement	11/18/13	9,080	-	-	(1,110)	7,970	1,170
UCHA	Series 2013C	Direct Placement	11/18/13	62,245	-	-	(1,640)	60,605	1,710
UCHA	Series 2015D	Direct Placement	09/01/15	198,640	-	-	(430)	198,210	395
UCHA	Series 2017A	Direct Placement	02/16/17	152,075	-	-	-	152,075	-
UCHA	Series 2017B-1	Other Bonds	02/16/17	57,685	-	-	-	57,685	-
UCHA	Series 2017B-2	Other Bonds	02/16/17	51,025	-	-	(6,395)	44,630	6,675
UCHA	Series 2017C	Other Bonds	02/16/17	292,908	-	(6,172)	-	286,736	-
UCHA	Series 2018A	Other Bonds	07/25/18	-	45,915		-	45,915	-
UCHA	Series 2018B	Other Bonds	07/25/18	-	76,170		-	76,170	-
UCHA	Series 2018C	Other Bonds	07/25/18	-	75,265	-	-	75,265	-
	Total			$ 1,812,473	$ (52,595)	$ (6,938)	$ (30,172)	$ 1,722,768	$ 32,262

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2018 are as follows:

Entity	2018	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Capital leases	Capital lease	Various	$ 22,726	$ 57	$ -	$ (3,547)	$ 19,236	$ 3,212
MHS	City of Colorado Springs lease	Capital lease	10/01/12	98,563	-	-	(2,627)	95,936	2,709
Combined	Loan payable	Direct borrowing		3,853	349	-	(541)	3,661	206
PVHS	Series 2005A	Fixed Rate Borrowing	03/01/05	49,920	-	6	-	49,926	-
PVHS	Series 2005B	Fixed Rate Borrowing	03/01/05	82,837	-	9	-	82,846	-
PVHS	Series 2005C	Fixed Rate Borrowing	03/01/05	81,467	-	23	-	81,490	-
UCHA	Series 2009A	Fixed Rate Borrowing	08/06/09	39,610	-	14	(1,920)	37,704	2,120
UCHA	Series 2011B	Direct borrowing	11/09/11	98,515	-	-	(1,085)	97,430	1,100
UCHA	Series 2011C	Direct borrowing	11/16/11	44,705	-	-	(6,535)	38,170	6,870
UCHA	Series 2012A	Fixed Rate Borrowing	10/01/12	261,617	-	(871)	(2,470)	258,276	2,240
UCHA	Series 2012B	Direct borrowing	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	Direct borrowing	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	Direct borrowing	11/18/13	88,720	-	-	(2,090)	86,630	2,140
UCHA	Series 2013B	Direct borrowing	11/18/13	10,140	-	-	(1,060)	9,080	1,110
UCHA	Series 2013C	Direct borrowing	11/18/13	63,825	-	-	(1,580)	62,245	1,640
UCHA	Series 2015D	Direct borrowing	09/01/15	199,100	-	-	(460)	198,640	430
UCHA	Series 2017A	Direct borrowing	02/16/17	152,075	-	-	-	152,075	-
UCHA	Series 2017B-1	Self-Liquidity VRDO	02/16/17	57,685	-	-	-	57,685	-
UCHA	Series 2017B-2	Self-Liquidity VRDO	02/16/17	57,125	-	-	(6,100)	51,025	6,395
UCHA	Series 2017C	Put Bonds	02/16/17	299,081	-	(6,173)	-	292,908	-
	Total			$ 1,849,074	$ 406	$ (6,992)	$ (30,015)	$ 1,812,473	$ 30,172

($s in thousands)

(12) Long-Term Debt and Leases (continued)

Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 32,262	$ 50,470	$ 82,732
2021	29,804	45,737	75,541
2022	30,981	44,687	75,668
2023	39,785	38,884	78,669
2024	40,991	37,668	78,659
2025-2029	224,596	168,013	392,609
2030-2034	279,434	132,731	412,165
2035-2039	322,619	91,991	414,610
2040-2044	369,984	51,103	421,087
2045-2049	326,626	9,807	336,433
Total long-term debt payments	1,697,082	$ 671,091	$ 2,368,173
Unamortized net premium and discount	25,686		
Total carrying amount of long-term debt	$ 1,722,768		

UCHealth has entered into capital leases for certain medical equipment and building leases. Monthly lease payments are required for these agreements, which include principal and interest. The maturity dates for these leases range from fiscal year 2020 through fiscal year 2029, and they are secured by the capital assets under the capital lease arrangements. During the year ending June 30, 2018, the Health System entered into new capital lease agreements for equipment totaling approximately $57 through acquisitions of component units. There were no new capital lease agreements entered into during fiscal year 2019.

At June 30, 2019, total capital assets and related accumulated depreciation under capital lease arrangements were $29,336 and $20,173, respectively. At June 30, 2018, total capital assets and related accumulated depreciation under capital lease arrangements were $32,153 and $19,675, respectively. Amortization expense under capital lease arrangements is included within depreciation and amortization in the accompanying statements of net position.

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing MHS. The original capital lease is for a 40-year term with renewals or extensions anticipated. The lease totaled $110,000 and will be paid down in monthly payments over the term of the lease. Substantially all capital assets of MHS, with a book value and accumulated depreciation of $905,764 and $470,193, respectively, at June 30, 2019 and $831,429 and $436,173, respectively, at June 30, 2018, are included in the lease arrangement. Effective May 1, 2017, MHS entered into a Ground Sublease with Children’s Hospital Colorado (the “Ground Sublease”) for 15% of the original lease payment amount under the Health System Operating Lease Agreement with the City. Future minimum sublease payments under the Ground Sublease are $15,568 as of June 30, 2019.

(12) Long-Term Debt and Leases (continued)

In July 2018, UCHA issued Series 2018A Revenue Bonds (“Series 2018A”) in the amount of $45,915 to fully refund PVHS Series 2005A bonds. Series 2018A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2019 and 2018, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In July 2018, UCHA issued Series 2018B Revenue Bonds (“Series 2018B”) in the amount of $76,170 to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018B were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week and principal is paid according to a mandatory sinking fund redemption schedule. UCHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on July 26, 2023 unless extended by the bank.

In July 2018, UCHA issued Series 2018C Revenue Bonds (“Series 2018C”) in the amount of $75,265 to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018C were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week and principal is paid according to a mandatory sinking fund redemption schedule. UCHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on July 26, 2023 unless extended by the bank.

In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of $152,075 to fully refund UCHA Series 2015A Revenue Bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of $152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 40 basis points. UCHealth settles with the counterparty semiannually, each May and November. The swap agreement expires in March 2027.

In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds ("Series 2017B") in the amounts of $57,685 and $57,125, respectively, to fully refund UCHA Series 2015B and 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2019 and 2018, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

(12) Long-Term Debt and Leases (continued)

In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds ("Series 2017C") in the amounts of $141,640 and $134,450, respectively, to finance new projects across UCHealth. Series 2017C-1 were issued as 3 year put bonds at a premium. Series 2017C-1, while subject to a long-term amortization period, are putable in 2020. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2019, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. Series 2017C-2 were issued as 5 year put bonds at a premium with variable interest rates. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule.

In September 2015, UCHA issued Series 2015D Revenue Bonds ("Series 2015D") in the amount of $200,180 to fully refund UCHA Series 2011A Revenue Bonds. Series 2015D were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds will expire April 2021.

In November 2013, UCHA issued Series 2013A Revenue Bonds ("Series 2013A") in the amount of $94,645 to fully refund UCHA Series 2004A Revenue Bonds. Series 2013A were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds will expire April 2021.

In November 2013, UCHA issued Series 2013B Revenue Bonds ("Series 2013B") in the amount of $13,140 to fully refund UCHA Series 2008A Revenue Bonds. Series 2013B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds will expire April 2021.

In November 2013, UCHA issued Series 2013C Revenue Bonds ("Series 2013C") in the amount of $68,185 to fully refund UCHA Series 2008B Revenue Bonds. Series 2013C were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds will expire April 2021.

In October 2012, UCHA issued Series 2012A Revenue Bonds ("Series 2012A") to partially finance the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City to lease the Memorial Health System. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012A were issued in the amount of $272,090 and are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2015. Series 2012A were issued with an original issue premium of $21,975 and an original issue discount of $910. The average interest rate for Series 2012A is 4.26%.

(12) Long-Term Debt and Leases (continued)

In October 2012, UCHA issued Series 2012B Revenue Bonds ("Series 2012B") in the amount of $50,000 to fully refund UCHA Series 2004B Revenue Bonds. Series 2012B were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Citibank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds had an original five-year term expiring in October 2017, which was renewed for an additional five-year term. The direct purchase bonds will expire in October 2022.

In October 2012, UCHA issued Series 2012C Revenue Bonds ("Series 2012C") in the amount of $87,510 to fully refund PVHS Series 2005D and 2005E Revenue Bonds. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012C were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedules. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. UCHA has extended the original direct purchase agreement with Wells Fargo Bank, N.A. on Series 2012C, which will expire April 2021.

In November 2011, UCHA issued Series 2011B Revenue Bonds ("Series 2011B") in the amount of $103,940 to fully refund UCHA Series 1999A Revenue Bonds. Series 2011B were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 3.28%. The direct purchase bonds were issued with a ten-year term that will expire November 2021.

In November 2011, UCHA issued Series 2011C Revenue Bonds ("Series 2011C") in the amount of $72,870 to finance equipment for use and certain other improvements at the Anschutz Medical Campus. Series 2011C were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. PNC Bank is the holder of the bonds at a current fixed interest rate of 2.31%. The direct purchase bonds were issued with an eleven-year term and will expire as the bonds fully mature in November 2022.

In August 2009, UCHA issued Series 2009A Revenue Bonds ("Series 2009A") in the amount of $51,795 to fully refund UCHA Series 2006B Revenue Bonds. Series 2009A are a fixed interest rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2011. Series 2009A were issued with an original issue discount of $239. The average interest rate for the Series 2009A is 5.87%. In June 2018, these bonds were defeased with funds placed into an escrow account to fully refund the 2009A bonds in November 2019.

In March 2005, PVHS issued $370,000 of Revenue Bonds to finance a portion of the costs of construction and equipping Medical Center of the Rockies and defease a portion of the PVHS Series 1999A Revenue Bonds. These bonds were issued through the Colorado Health Facilities Authority. In July 2018, these bonds were refinanced with the UCHA 2018 Series bonds. This bond issuance included three separate series.

- PVHS Series 2005A Revenue Bonds ("Series 2005A") were issued in the amount of $50,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2028. Series 2005A were issued with an original issue discount of $136 and have an average interest rate of 5.20%. In July 2018, the Health System refunded Series 2005A in the amount of $49,926 to pursue interest rate savings.

($s in thousands)

(12) Long-Term Debt and Leases (continued)

- PVHS Series 2005B Revenue Bonds ("Series 2005B") were issued in the amount of $83,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2031. Series 2005B were issued with an original issue discount of $247 and have an average interest rate of 5.25%. In July 2018, the Health System refunded Series 2005B in the amount of $82,847 to pursue interest rate savings.

- PVHS Series 2005C Revenue Bonds ("Series 2005C") were issued in the amount of $82,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2036. Series 2005C were issued with an original issue discount of $759 and have an average interest rate of 5.25%. In July 2018, the Health System refunded Series 2005C in the amount of $81,492 to pursue interest rate savings.

All bonds are secured by a security interest with respect to all gross revenues of the Health System. The UCHA 1997A Master Indenture, as supplemented, and the PVHS amended and restated Master Trust Indenture as of 2005, as supplemented, each require the Health System to maintain certain financial ratios. In July 2018, the PVHS amended and restated Master Trust Indenture was terminated.

Under the UCHA 1997A Master Indenture and various bond agreements, events of default include failure to pay interest or principal payments, declaration of bankruptcy and failure to comply with financial and nonfinancial covenants. Key covenants include the maintenance of tax exemption status within the obligated group, keeping property free of liens, maintaining proper and accurate accounting records, complying with disclosure reporting requirements, and meeting financial ratio requirements.

During 2019 and 2018, the Health System met all of the financial ratio requirements as follows:

	Requirement	June 30, 2019	June 30, 2018
Days cash on hand	90	346	366
Debt to capitalization percent	< 65%	25%	29%
Maximum debt service coverage	1.50	11.53	8.71

Cash paid for interest was $63,400 and $62,950 in 2019 and 2018, respectively. Interest received on the unexpended bond funds in 2019 and 2018 was $77 and $2,636, respectively. Total capitalized interest expense recognized for capital projects was $7,659 and $3,423 in 2019 and 2018, respectively.

The fair value of the Health System's long-term debt is based on the most recent trading price as of June 30, 2019. The fair value of the Revenue Bonds at June 30, 2019 and 2018 was approximately $1,652,121 and $1,703,675, respectively.

($s in thousands)

(12) Long-Term Debt and Leases (continued)

UCHealth leases certain equipment and facilities under non-cancelable operating leases. Future minimum lease payments for equipment and facilities under non-cancelable operating leases as of June 30, 2019 are approximately:

Year Ending June 30,		
2020	$	50,043
2021		39,623
2022		36,084
2023		31,494
2024		23,393
2025-2037		224,180
Total minimum obligations	$	404,817

Rental expense, net of rental expense recovery, approximated $58,728 and $45,937 in 2019 and 2018 respectively.

(13) Self-Insurance Trust

UCD sponsors a self-insurance trust, the University of Colorado Self-Insurance and Risk Management Trust (the "Trust"), in which UCHA participates. The Trust was authorized by a Regent resolution dated June 23, 1985, and may be amended, altered, or revoked by UCD, but only if such amendment, alteration, or revocation is consistent with and in furtherance of the purpose of this Trust. The participants in the Trust are the University of Colorado (the "University"), including UCD and its agencies, administrators, faculty, and employees, and other affiliates of the University, including UCHA. As UCHA has transferred risk associated with this insurance into the public-entity risk pool of the Trust, the assets and liabilities of the Trust are not included in the accompanying basic financial statements.

The Trust provides coverage to its participants up to statutory limitations relating to malpractice claim immunity for government entities. The coverage is $387 per claimant and $1,093 per occurrence for claims arising from activities of covered persons and entities within the state of Colorado. The Trust also provides coverage of $1,500 per occurrence for claims arising outside the state of Colorado. The Trust contracts with a commercial insurance company to provide $8,000 per occurrence or aggregate per year for claims in which the limits of governmental immunity do not apply.

As of June 30, 2019, the Trust had a fund balance of approximately $1,870, which is net of approximately $10,710 in reserves for losses and loss adjustment expenses. At June 30, 2019, plan assets exceed the actuarially determined liability. For 2019 and 2018, UCHA recorded premium and administrative expenses of approximately $817 and $498, respectively. There were no refunds received during 2019 or 2018.

(14) Retirement Plans

UCHA offers four retirement plans: the University of Colorado Hospital Authority Retirement Plan (the "Basic Pension Plan"), as amended and restated, the University of Colorado Hospital Authority Fixed Contribution Investment Plan (the "Investment Account"), the University of Colorado Hospital Authority Matching Tax Deferred Annuity Plan (the "Matching Account"), and the University of Colorado Hospital Deferred Compensation Savings Plan (the "457b Plan"). The UCHA Board is the fiduciary for the Basic Pension Plan and has the ability to amend this plan. The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans. The UCHA Board has the authority to establish and amend the benefit provisions of these plans.

(a) Pension Plans

UCHA participates in two pension plans that cover substantially all of its employees. As of October 1, 1989, UCHA's workforce was given the option of becoming employees of UCHA and participating in the Basic Pension Plan or remaining state employees of Colorado and continuing to participate in the Public Employees' Retirement Association ("PERA").

UCHA maintained a single-employer non-contributory, cash balance pension plan (the "Frozen Plan") for UCHA employees through March 1995. Under this plan, contributions credited to each covered employee's account were based on a percentage of compensation earned by the employee. Vesting under this plan was based on length of service. As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date and the balances were frozen. Employee accounts continue to accrue interest based on the applicable interest rate as defined in Code Section 417(e)(3)(A)(ii)(II), and covered employees not fully vested in the Frozen Plan continue to earn credit toward vesting under a new plan adopted April 1, 1995. As of April 1, 1995, UCHA amended the Frozen Plan based on its ability to withdraw from the Old Age, Survivors, and Disability Insurance ("OASDI") component of the Federal Insurance Contributions Act ("FICA") program by virtue of its operation under legislatively granted state authority. UCHA and its employees still contribute to and participate in the Medicare component of FICA.

The Basic Pension Plan is a single-employer, non-contributory, defined benefit plan. Eligibility to receive benefits under this plan for UCHA employees starts on the date of hire. Those employees who were employed by UCHA prior to October 1, 1989, and those who elected to become UCHA employees, are eligible to participate. MHS employees active as of October 1, 2012, and PVHS employees active as of January 4, 2013, or hired thereafter are eligible for participation in the University of Colorado Hospital Authority Retirement Plan on that date. Effective September 1, 2012, participants are vested in their accrued benefit at 20% per every twelve months of service until they are 100% vested after five years. This is a change from the prior vesting schedule for UCHA employees, which required five years of service to become 100% vested.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The annual accrued benefits, paid monthly, of the Basic Pension Plan are calculated at 1.5% times the Average Annual Compensation times years of service (based on hire date). The five most highly compensated calendar years of service after March 26, 1995 are used to calculate the Average Annual Compensation. A small number of UCHA employees are eligible to receive additional benefits based on a combined age and years of credited service equal to or greater than 75 on January 1, 2013 ("Rule of 75"). The Basic Pension Plan offers reduced benefits for early retirement and adjusted benefits for late retirement (after age 65). Most plan participants, except those falling under the Rule of 75, will receive a monthly benefit with no annual cost of living adjustment factor, which is an amendment to the plan, effective for accruals on or after January 1, 2013. Effective July 1, 2018, the Basic Pension Plan was amended to allow employees who leave with less than ten years of service to elect a lump sum distribution upon termination, to allow employees with over ten years of service to elect a partial lump sum to the extent that their balance is above an $18 per year annuity, to allow terminated participants to elect these options as well based on the same criteria for active participants, and to allow the purchase by the Basic Plan of annuities for retirees periodically when rates are favorable. This plan change reduced the net pension liability by $38,743 and reduced the actuarially computed net periodic pension cost for the Basic Pension Plan by $38,743 for the year ending June 30, 2019.

Pension plan assets, which support both this and the Frozen Plan described above, consist of equity securities, fixed income securities, real estate, alternative investments, money market funds, cash, and receivables. Although the Basic Pension Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 ("ERISA") and is, therefore, exempt from the requirements of Title I of ERISA, the Health System's practice is to contribute amounts at least equal to the minimum funding requirements of ERISA.

The actuarially computed net periodic pension cost for the Basic Pension Plan for 2019 and 2018 was approximately $84,994 and $87,476, respectively. Investment gains for 2019 and 2018, including interest, dividends, and realized and unrealized gains, were approximately $40,057 and $56,395, respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2018 and 2017 (dates of the latest actuarial valuations):

	2018	2017
Retirees and beneficiaries receiving benefits	1,509	1,219
Terminated plan members entitled to but not yet receiving benefits	5,600	5,047
Active plan members, includes all participants within the system	21,595	18,581
Total members	28,704	24,847

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

As a governmental entity, UCHA has flexibility in determining the amount to contribute to the Basic Pension Plan each year. The actuarially determined contribution calculated as part of this report is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the Basic Pension Plan. It is calculated in a manner intended to remain relatively stable, as a percentage of valuation compensation, over time. This stability is intended to facilitate the annual budgeting process and to keep the cost of the Basic Pension Plan manageable. The Health System made contributions to the Basic Pension Plan of $91,812 and $79,213 in 2019 and 2018, respectively. The actuarially determined contributions were $91,812 and $79,213 in 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Health System's average contribution rates were 6.22% and 6.64%, respectively, of annual payroll.

The Health System's net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2018 and 2017, respectively. The Health System utilized update procedures to roll valuation amounts forward to the respective measurement dates using the calculated service and interest cost, actual contributions, and return on plan assets.

Additional information as of the latest actuarial valuation date follows:

Valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Actuarial assumptions	
i) Discount rate*	7.0%
ii) Projected salary increases*	3.3% to 7.5%
iii) Cost of living adjustments**	2.5%

* Includes inflation at 2.5%.
** Cost of living adjustments apply only to those participants who fall under the Rule of 75.

Mortality rates for the 2018 valuation were based on the Sex-distinct RP-2014 mortality tables with base year 2006, without collar or amount adjustments, using the base mortality improvement scale MP-2018 with generational projections.

Mortality rates for the 2017 valuation were based on the Sex-distinct RP-2014 mortality tables with base year 2006, without collar or amount adjustments, using the base mortality improvement scale MP-2017 with generational projections.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The actuary is required to use assumptions that represent his or her best estimate of future experience under the Basic Pension Plan and are reasonably related to the experience of the Plan. The actuary will monitor the actuarial experience under the Plan in future years in order to judge the continuing appropriateness of these assumptions. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through July 1, 2018. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through July 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a variety of industry-accepted practices to determine 10-year estimated ranges of future expected returns for major asset classes. For public equities, a building-block approach incorporating inflation, real earnings growth, dividend yield, and re-pricing was used. For fixed income, current yields and credit spreads were used. For the various alternative asset classes, a combination of historical risk premiums, illiquidity premiums, and style-specific premiums were used. The arithmetic average forecast returns for each asset class are combined at target asset allocation weights to provide a forecasted geometric (50th percentile) expected return for the plan. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	Target Allocation	Arithmetic Expected Return (10-Year Average)
Domestic equity	20%	7.0
International equity	21%	9.5
Fixed income	26%	4.2
Real estate	10%	7.8
Alternative	20%	8.2
Commodities	3%	5.3
	100%	

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the net pension liability for the years ended June 30, 2019 and 2018 were as follows.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	$ 825,769	$ 710,102	$ 115,667
Changes for the year			
Service cost	84,811	-	84,811
Interest	56,967	-	56,967
Contributions - employer	-	79,213	(79,213)
Net investment income	-	56,395	(56,395)
Changes in experience	7,291	-	7,291
Changes in assumptions	(8,788)	-	(8,788)
Benefit payments	(20,914)	(20,914)	-
Administrative expense	-	(2,251)	2,251
Net changes	119,367	112,443	6,924
Balances at June 30, 2018	945,136	822,545	122,591
Changes for the year			
Service cost	82,862	-	82,862
Interest	63,593	-	63,593
Contributions - employer	-	91,812	(91,812)
Net investment income	-	40,057	(40,057)
Plan Change	(38,743)	-	(38,743)
Changes in experience	42,206	-	42,206
Changes in assumptions	(1,159)	-	(1,159)
Benefit payments	(42,823)	(42,823)	-
Administrative expense	-	(4,175)	4,175
Net changes	105,936	84,871	21,065
Balances at June 30, 2019	$ 1,051,072	$ 907,416	$ 143,656

The pension plan's fiduciary net position as a percentage of the total pension liability was 86.3% and 87.0% as of June 30, 2019 and 2018, respectively.

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The following presents the net pension liability of the Health System, calculated using the discount rate of 7.0%, as well as what the Health System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Net pension liability	$ 290,825	$ 143,656	$ 22,637

For the years ended June 30, 2019 and 2018, the Health System recognized pension expense of $84,994 and $87,476, respectively. At June 30, 2019 and 2018, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2019		
Differences between expected and actual experience	$ 46,019	$ 361
Changes in assumptions	7,012	5,401
Net difference between projected and actual earnings on pension plan investments	5,755	-
Total	$ 58,786	$ 5,762
June 30, 2018		
Differences between expected and actual experience	$ 23,639	$ 1,710
Changes in assumptions	14,862	6,039
Net difference between projected and actual earnings on pension plan investments	-	5,611
Total	$ 38,501	$ 13,360

($s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2020	$ 21,039
2021	7,264
2022	12,839
2023	10,286
2024	1,596
	$ 53,024

The Health System has made all required contributions to the pension plan for the year ended June 30, 2019.

UCHA's state employees are participants in a defined benefit pension plan of PERA, a cost-sharing multi-employer pension trust. Benefits are based upon length of service and compensation earned by the employee during the highest three years of service. UCHA has made contributions to PERA in accordance with actuarially determined funding amounts. Pension expense related to state employees was approximately $56 and $62 for 2019 and 2018, respectively. Required contributions during fiscal years 2019 and 2018 were $56 and $62, respectively. UCHA contributed 100% of each year's required contribution. As the Health System's proportionate share of PERA's net pension liability is insignificant, detailed disclosures regarding this plan are not included in this report. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(b) Investment Account

The Investment Account is a qualified, single-employer, defined contribution retirement plan under the provisions of Code Section 401(a). Employees are required to contribute 6.2% of their gross compensation (limited to the OASDI wage base), which is equivalent to what their OASDI contributions would be under FICA participation. Employees are always fully vested in this component of the plan. Total compensation subject to the plans for the years ended June 30, 2019 and 2018, was approximately $1,606,310 and $1,400,976, respectively. Total employee contributions made under the provisions of this plan were approximately $87,394 and $76,135 for the years ended June 30, 2019 and 2018, respectively. This represents approximately 5.44% and 5.43% of payroll for the years ended June 30, 2019 and 2018, respectively. In accordance with Code regulations, the Heath System is required to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHealth were approximately $850 and $805 in 2019 and 2018, respectively.

(14) Retirement Plans (continued)

(c) Matching Account

The Matching Account is a single-employer, tax-deferred annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the Code. In addition, UCHealth will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, the Health System's matching contributions are subject to a five-year graduated vesting schedule. Certain part-time employees are not eligible for UCHealth matching contributions. UCHealth matching contributions for 2019 and 2018 were approximately $31,983 and $28,712, respectively.

As of October 1, 2012 Fidelity Investments became the exclusive investment option for employees of UCHA. Fidelity Investments provides a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Prior to October 1, 2012 UCHA employees had the option to invest with TIAA-CREF and can continue to do so, although this investment company is no longer an option for employees of the Health System. Employee contributions to the Matching Account for 2019 and 2018 approximated $77,084 and $66,670, respectively.

(d) 457b Plan

The 457b Plan is a single-employer tax-deferred plan under the provisions of Code Section 457. The TIAA-CREF 457b Plan became effective in February 2005, and the Fidelity 457b Plan became effective in January 2011, whereby employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. Only UCHA employees are able to contribute to the TIAA-CREF 457b Plan. Employees are always vested 100% in their contributions, and the Health System does not contribute to this plan. Employees may elect from a broad array of mutual funds with their respective investment companies. Employee contributions to the TIAA-CREF 457b Plan for 2019 and 2018 approximated $217 and $347, respectively. Employee contributions to the Fidelity 457b Plan in 2019 and 2018 approximated $14,200 and $11,966, respectively.

(14) Retirement Plans (continued)

(e) Other Post-Employment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a post-retirement medical premium subsidy to employees retiring from UCHA who are covered under the PERA benefit guarantee provision of the state of Colorado legislation creating UCHA. This plan provides a medical premium subsidy of up to $0.112 per month for medical plan coverage (pro-rated for less than 20 years of service) and an employer-funded life insurance benefit of $3. The employer-funded life insurance benefit is provided to all employees who retired from UCHA on or before July 1, 2015. The accumulated post-retirement benefit obligation and actuarial accrued liability, which is unfunded, for the medical and life premiums approximated $3,474 and $3,818 at June 30, 2019 and 2018, respectively. Total benefit costs related to this plan were $43 and $169 for the years ended June 30, 2019 and 2018, respectively. In the calculation of the liability an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan. The discount rate used to measure the liability was 3.50% and 3.87% at June 30, 2019 and 2018, respectively. UCHealth adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ending June 30, 2018. In conjunction with that adoption, the discount rate assumption changed to a 20-year tax exempt general obligation municipal bond index.

(15) Significant Transactions Between Component Units

UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission and oversight of other day-to-day operating activities.

The Health System's statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows include transactions between the Health System and its component units.

Total current assets of UCHA include a receivable from affiliates that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS of $2,005 and $2,240 at June 30, 2019 and 2018, respectively; amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of $6,675, and $6,395, respectively; $4,362 and $4,360 related to interest due on intercompany bonds from MHS, PVHS, and Other Entities at June 30, 2019 and 2018, respectively; and $604,859 and $328,498 at June 30, 2019 and 2018, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include $439,254 and $237,747 at June 30, 2019 and 2018, respectively, related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include $27,139 and $14,579 at June 30, 2019 and 2018, respectively, related to transactions between PVHS, the Health System, and other component units.

Total non-current assets of UCHA include a receivable from MHS that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of $323,767 and $327,077 at June 30, 2019 and 2018, respectively. Total non-current assets of UCHA include a receivable from PVHS related to bond proceeds for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets of $379,407 and $189,013 at June 30, 2019 and 2018, respectively. Total non-current assets of UCHA include a receivable from Other Entities related to bonds issued for the acquisition of capital assets of $242,529 and $247,750 at June 30, 2019 and 2018, respectively.

(15) Significant Transactions Between Component Units (continued)

Total current liabilities of MHS at June 30, 2019 and 2018 include $2,005 and $2,240, respectively, due to UCHA for the Series 2012A proceeds related to the acquisition of MHS, and $1,975 and $1,986, respectively, related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2019 and 2018 include $6,675 and $6,395, respectively, due to UCHA for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds. Total current liabilities of PVHS at June 30, 2019 and 2018 include a payable to affiliates of $646 and $632, respectively, related to accrued interest on bond proceeds. Total current liabilities of Other Entities at June 30, 2019 and 2018 include a payable to affiliates of $1,742 related to accrued interest on bond proceeds. Other Entities have a payable to affiliates that is comprised of amounts due to component units of $1,053,792 and $562,491 related to transactions between Other Entities, the Health System and other component units at June 30, 2019 and 2018, respectively. The Health System has a payable to affiliates that is comprised of amounts due to component units of $17,460 and $18,334 related to transactions between the Health System and UCHA, PVHS, MHS and Other Entities at June 30, 2019 and 2018, respectively.

Total non-current liabilities of MHS at June 30, 2019 and 2018 include a payable to affiliates of $323,767 and $327,077, respectively, which is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets. Total non-current liabilities of PVHS at June 30, 2019 and 2018 include a payable to affiliates of $379,407 and $189,013, respectively, which is comprised of amounts due to UCHA for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets. Total non-current liabilities of Other Entities at June 30, 2019 and 2018 include a payable to affiliates of $242,529 and $247,750, respectively, which is comprised of amounts due to UCHA for bonds issued for the acquisition of capital assets.

The Health System and its component units effectively pool their investments within the Health System's pooled investment account structure, with each component unit of the Health System reflecting their respective portion of cash and investments on their statements of net position at June 30, 2019 and 2018. PVHS's portion of pooled cash at June 30, 2019 and 2018 was $84,209 and $124,689, respectively. PVHS's portion of pooled investments at June 30, 2019 and 2018 was $1,606,868 and $1,455,031, respectively. UCHA's portion of pooled cash at June 30, 2019 and 2018 was $114,627 and $171,421, respectively. UCHA's portion of pooled investments at June 30, 2019 and 2018 was $2,187,314 and $2,000,368, respectively. MHS's portion of pooled cash at June 30, 2019 and 2018 was $5,196 and $8,140, respectively. MHS's portion of pooled investments at June 30, 2019 and 2018 was $99,150 and $94,981, respectively. Other Entities' portion of pooled cash at June 30, 2019 and 2018 was $1,401 and $2,381, respectively. Other Entities portion of pooled investments at June 30, 2019 and 2018 was $26,730 and $27,769, respectively.

(16) Related-Party Transactions

UCHA is affiliated with the State of Colorado; TriWest; University of Colorado Medicine ("CU Medicine"); Colorado Access; and the University, consisting of UCD, the Trust, and the Adult Clinical Research Center ("CRC").

(a) UCD

UCD and UCHA have developed an Institutional Master Plan (the "Master Plan") to create a new academic health sciences center over the next 20 to 50 years on the Anschutz Medical Campus. The Master Plan has been approved by the Regents, UCHA, and the Colorado Commission on Higher Education. The Regents and UCHA entered into a ground lease in 1998 for approximately 18.4 acres of the property acquired by the Regents pursuant to the quitclaim conveyance from the United States Department of Education. Subsequent agreements have been executed between these parties to provide additional land to UCHA, which has been used to continue development of the Anschutz Medical Campus. As a result, UCHA has expanded its facilities with an office tower, parking garage, inpatient towers, and additional staff and patient parking structures. As a result of continued growth, UCHA is completed shelled space to add patient beds and four operating room suites to meet continued strong demand for its inpatient services.

Consistent with the joint planning process reflected in the Master Plan, the Regents and UCHA have agreed in the Fitzsimons Ground Lease that additional agreements will be necessary for development of the Anschutz Medical Campus. The Regents, Children's Hospital Colorado, and UCHA entered into an Amended and Restated Infrastructure Development and Maintenance Agreement effective July 1, 2004, which sets forth how the three parties will plan and construct infrastructure, share the cost of such planning and construction, and share in the related maintenance expenses of the infrastructure.

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid $60,633 and $59,100 for these services, which are recorded in purchased services and other expenses in 2019 and 2018, respectively.

UCHA has also entered into contracts with the Regents for the provision of services to UCD, including clinic services, research projects, infrastructure expense, and other items. Reimbursements of $1,597 and $1,459 were recognized in other operating revenue for these services during 2019 and 2018, respectively.

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of approximately $1,355 and $1,801 were billed to CRC for the cost of these services during 2019 and 2018, respectively, and were recognized in other operating revenue. Amounts due from UCD, including CRC, were approximately $429 and $324 at June 30, 2019 and 2018, respectively, and are included in related-party receivables on the statements of net position. UCHA recorded amounts due to UCD of $1,735 and $1,380 at June 30, 2019 and 2018, respectively, for contract labor costs and School of Pharmacy support expenses.

(16) Related Party Transactions (continued)

(a) UCD (continued)

Effective July 1, 2014, UCHealth entered into a five-year academic support agreement with the University of Colorado School of Medicine, which was subsequently amended to extend it with rolling three-year terms requiring written notice of nonrenewal no later than June 30 of each year if UCHealth is not going to renew 24 months from the date of the notice. The academic support donation for the year ended June 30, 2019 is estimated at $31,664. The amount paid for the academic support donation for the year ended June 30, 2018 was $27,228. In November 2018, the Regents and UCHealth entered into a Second Amendment to the Multi-Year Academic Support Agreement which provides an additional, non-terminable (absent mutual consent) academic missions support donation to the University of Colorado Foundation for the benefit of the School of Medicine for $85,000 as expenses are actually incurred in future years, plus additional amounts based on a formula set forth in the Second Amendment.

(b) TriWest

TriWest was formed to deliver healthcare services to eligible beneficiaries of TriCare within certain specified geographic regions. On June 27, 1996, TriWest was awarded the TriCare contract by the Department of Defense for a five-year period of healthcare service delivery, which began in April 1997. UCHA entered into certain provider and network management agreements with TriWest in 1996. TriWest lost its contract with the Department of Defense when the contract was awarded to United Healthcare during the year ended June 30, 2012. The new contract awarded to United Healthcare involved a one-year transition period starting April 1, 2013. TriWest is reviewing its business plan regarding this event and is building its future strategy.

UCHA purchased a minority interest in TriWest for approximately $3,300. In October 2007, UCHA sold 1,656.55 shares for approximately $18,053 to TriWest. After the sale, CU Medicine had a 60% share of UCHA's minority interest in TriWest. In March 2014, TriWest restructured its ownership resulting in UCHA and CU Medicine selling their stock back to TriWest and receiving new stock valued at $9,250.

UCHA's investment is accounted for under the cost method and is valued at approximately $6,000 at June 30, 2019 and 2018.

(c) CU Medicine

During the years ended June 30, 2019 and 2018, UCHealth recognized approximately $157,104 and $138,637, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support, reimbursements for hospital programs for services provided by CU Medicine on behalf of UCHA (e.g., on-call services, joint networking, administrative and other miscellaneous programs), and reimbursements channeled through UCHA by external entities for services provided by CU Medicine on behalf of those external entities (e.g., Ryan White program).

(16) Related Party Transactions (continued)

(c) CU Medicine (continued)

UCHealth recorded net payables to CU Medicine of $20,012 and $4,974 at June 30, 2019 and 2018, respectively, for various contract labor and provider support expenses and TriWest pass-through balances. UCHealth has also entered into various long-term lease financing agreements and other services agreements with CU Medicine during 2019. UCHealth recorded net receivables from CU Medicine of $8,076 at June 30, 2019 related to these agreements.

UCHA participates in a joint operating agreement with CU Medicine to operate an imaging center located in Denver, Colorado. The imaging center provides 3T MRI imaging services to UCHA's patients and is operated on the terms set forth in the agreement. Capital contributions and division of revenue and expenses will be split between the two organizations as defined within the agreement.

(d) The Children's Hospital

In July 2010, UCHA began a joint maternal fetal program in conjunction with Children's Hospital Colorado ("CHCO") to establish a center for advanced maternal fetal medicine offering state-of-the-art care for high-risk pregnant women and their babies. The program is defined in an operating agreement that details the cost and revenue sharing between the two hospitals. UCHA has recorded a related-party payable to CHCO at June 30, 2019 and 2018, of $31,348 and $18,518, respectively.

Effective October 1, 2012, a sublease was executed with CHCO to operate the pediatric units located at MHS and was valued at 15% of the organization. CHCO paid the corresponding amount of the upfront payment and continues to pay its percentage of the ongoing lease payments to the City. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and CHCO. The original provisions of the lease were reinstated in fiscal year 2019. Included in other receivables is $370 at June 30, 2019 and 2018, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other non-current assets is $15,198 at June 30, 2019 and 2018, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2019 and 2018 is $58 and $1,315, respectively, due to CHCO for contract labor costs for the work of CHCO employees in MHS units. MHS also provides services for CHCO patients, MHS employees periodically perform contract labor work on the pediatric units on behalf of CHCO, and MHS purchases certain supplies for the pediatric units on behalf of CHCO. MHS has a receivable from CHCO of $812 and $5 at June 30, 2019 and 2018, respectively.

(16) Related Party Transactions (continued)

(e) VEBA Trust

On July 1, 2010, UCHA entered into an agreement with CU Medicine and the Regents to begin a self-insurance trust known as the Colorado Health and Welfare Trust (the "VEBA Trust") for the benefit of eligible employees of the University, CU Medicine, and UCHA and their eligible dependents, including employees of UCHA at MHS. The VEBA Trust is managed by a third-party administrator and provides healthcare coverage for eligible employees of the three organizations. The VEBA Trust also manages the healthcare flexible spending plans of the three organizations. The VEBA Trust functions as a retrospectively rated contract in which the initial premium is adjusted based on actual experience. For the years ended June 30, 2019 and 2018, UCHealth expensed initial premiums of approximately $244,065 and $231,305, respectively, to the VEBA Trust. At June 30, 2019 and 2018, UCHealth recorded liabilities of approximately $16,189 and $14,331, respectively, for its share of costs in excess of initial premiums expensed. The amount of costs in excess of initial premiums expensed is estimated by management based on an analysis of historical claims development combined with available information on current year experience. Actual results could differ from those estimates.

(f) Other Related Parties

UCHA and two other entities participate as members in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide health maintenance organization that serves Medicaid patients. There are no earnings distribution agreements between Colorado Access and UCHA. Requests for financial information for Colorado Access should be addressed to Colorado Access, President and CEO, 11100 East Bethany Drive, Aurora, Colorado 80014.

In August 2001, UCHA entered into an agreement to loan Colorado Access $625. The principal and interest were due on or before August 24, 2004. The interest rate is equal to the Federal Reserve Bank of New York's prime rate on August 24 of each year that the principal amount is outstanding. The principal and accrued interest amounts are included in related-party receivables on the statements of net position. Colorado Access is unable to specify a timeline for repayment of this loan as a result of current negotiations with the Colorado Division of Insurance regarding steps to be taken to achieve required levels of risk-based capital. In 2016, the outstanding loan balance increased to $1,000 and was transferred to UCHealth.

(17) Commitments and Contingencies

A substantial portion of the Health System's revenue is received under contractual arrangements with Medicare, Medicaid, and the military and other governmental programs. Payments from these payors are based on a combination of prospectively determined rates and retrospectively settled cost reimbursement. Final settlement of the amounts due to the Health System or payable to the payors is subject to the laws and regulations governing these programs and post-payment audits that may result in further adjustments by the payors. Additionally, these payments are subject to other routine post-payment reviews, audits, and investigations that may result in refunds, repayments, or other financial settlements. Specific accruals related to such contractual arrangements are included in the basic financial statements.

($s in thousands)

(17) Commitments and Contingencies (continued)

UCHealth has entered into contracts for significant new construction and expansion projects it is currently undertaking. At June 30, 2019, UCHealth has committed contract expenditures for these significant projects of $365,021.

At June 30, 2019, UCHealth has outstanding letters of credit totaling $3,886.

(18) Mergers and Acquisitions

Effective September 1, 2017, an Integration and Affiliation Agreement with YVMC was executed with the purpose of having YVMC join UCHealth as part of the joint operating agreement. Terms of the agreement included a $50,000 strategic capital commitment, routine capital funding of $35,000 over a 10-year period, and a contribution of up to $20,000 into the YVMC Foundation. The following were the amounts recognized as of the effective date:

Assets		
Current assets	$	21,616
Capital assets, net of accumulated depreciation		64,402
Other assets		33,039
Total assets	$	119,057
Liabilities		
Current liabilities	$	14,024
Total liabilities		14,024
Net position		105,033
Total liabilities and net position	$	119,057

Effective December 1, 2017, UCHealth purchased the remaining 49.9% of UCHealth Partners from Adeptus Health Colorado Holdings LLC (“Adeptus”). The consideration paid for the acquisition included $16,133 in forgiveness of receivables from UCHealth Partners and Adeptus, as well as contingent consideration of 49.9% of future collections of accounts receivable for services provided prior to December 1, 2017, 2.5% of future emergent and urgent services net patient revenue over two years, and 5% of future emergent and urgent services net patient revenue over the next 16 years. UCHealth has estimated the contingent consideration to be $45,978 based on the current financial performance of those locations, adjusted for growth in revenues in future years. The net position acquired was $35,171, and the reduction in net position that resulted from the transaction, including the consideration paid, was $96,867.

Effective April 1, 2018, UCHealth purchased certain assets of Pikes Peak Regional Hospital from Brim Healthcare of Colorado, LLC for cash consideration of $32,150. The net position acquired as of the date of acquisition was $0.

(19) Subsequent Events

Effective July 1, 2019, UCHealth has created a Self-Insurance Program (the "SIP") to cover professional and general liability losses that are not covered by the Trust, as well as coverage for the tail liability for professional and general liability commercial claims-made policies entered into prior to the SIP. The SIP will provide coverage to its participants up to $1,000 per occurrence and $6,000 in the aggregate for claims arising from activities of covered persons and entities. The SIP will contract with commercial insurance companies to provide coverage for claims in excess of the per occurrence and aggregate limits covered by the SIP up to a total of $40,000 in excess coverage.

In October 2019, UCHA plans to issue Series 2019A Revenue Bonds ("Series 2019A") in the amount of $100,000 to finance the construction of the Greeley Hospital and Highlands Ranch Hospital. Series 2019A will be issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. In August 2019, UCHealth entered a forward-starting floating-to-fixed interest rate swap to coincide with the October 2019 issuance of the Series 2019A bonds. The forward swap will hedge the 2019A Series variable rate bonds issued in October 2019. The swap agreement has an initial notional amount of $100,000 and a fixed payor rate of 1.104%, and UCHealth will receive 70% of one-month LIBOR for the entire swap term, which expires November 2049. Settlements are to be made monthly starting in December 2019.

In October 2019, UCHA plans to issue Series 2019B Revenue Bonds ("Series 2019B") and Series 2019D Revenue Bonds ("Series 2019D") in the amount of $50,000 and $50,000 respectively to finance the construction of the Greeley Hospital and Highlands Ranch Hospital. Series 2019B and 2019D will be issued as direct purchase fixed rate bonds at a rate of 1.67% with interest paid semi-annually and principal paid at maturity in October 2029. Wells Fargo Bank, N.A. will be the holder of the 2019B Series bonds, which will expire October 2029, and JPMorgan Chase Bank, N.A. will be the holder of the 2019D Series bonds, which will expire October 2029. In September 2019, UCHA entered into Forward Fixed Rate Lock Letters with Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A. to lock the 1.67% annual fixed interest rate.

In October 2019, UCHA plans to issue Series 2019C Revenue Bonds ("Series 2019C") in the amount of $120,720 to fully refund the Series 2017C-1 bonds. Series 2019C will be issued as 5 year put bonds at a premium, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

June 30, 2019 and 2018
($s in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	$ 82,862	$ 84,811	$ 63,156	$ 57,110	$ 49,411	$ 50,305	$ 38,706
Interest	63,593	56,967	50,527	44,575	37,092	29,718	25,456
Plan changes	(38,743)	-	-	-	10,490	-	-
Difference in expected and actual experience	42,206	7,291	2,020	4,388	15,584	-	(9,722)
Changes in assumptions	(1,159)	(8,788)	-	(6,213)	37,858	-	20,164
Benefits payments	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Other	-	-	-	714	(713)	-	-
Net change in total pension liability	105,936	119,367	96,239	86,527	137,534	70,202	66,241
Total pension liability - beginning	945,136	825,769	729,530	643,003	505,469	435,267	369,026
Total pension liability - ending (a)	$ 1,051,072	$ 945,136	$ 825,769	$ 729,530	$ 643,003	$ 505,469	$ 435,267
Plan fiduciary net position							
Contributions - employer	$ 91,812	$ 79,213	$ 74,356	$ 68,000	$ 66,184	$ 56,311	$ 45,310
Net investment income (loss)	40,057	56,395	78,610	(476)	12,212	56,354	31,947
Benefits payments	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Administrative expense	(4,175)	(2,251)	(1,746)	(1,464)	(1,453)	(794)	(543)
Net change in plan fiduciary net position	84,871	112,443	131,756	52,013	64,755	102,050	68,351
Plan fiduciary net position - beginning	822,545	710,102	578,346	526,333	461,578	359,528	291,177
Plan fiduciary net position - ending (b)	$ 907,416	$ 822,545	$ 710,102	$ 578,346	$ 526,333	$ 461,578	$ 359,528
UC Health's net pension liability - ending (a) - (b)	$ 143,656	$ 122,591	$ 115,667	$ 151,184	$ 116,670	$ 43,891	$ 75,739
Plan fiduciary net position as a percentage of total pension liability	86.3%	87.0%	86.0%	79.3%	81.9%	91.3%	82.6%
Covered employee payroll	$ 1,476,241	$ 1,193,744	$ 1,059,420	$ 940,375	$ 862,612	$ 807,135	$ 584,097
Net pension liability as a percentage of covered payroll	9.7%	10.3%	10.9%	16.1%	13.5%	5.4%	13.0%

Note to Schedule:

Changes of assumptions – Based on the results of an experience study, retirement and termination rates, salary increase rates, and the assumption regarding election of form of payment upon retirement were updated in 2019. These changes increased the present value of projected benefits by $741.

The assumed rates of mortality were updated in 2015 based on adopting the RP-2014 mortality tables. This change increased the present value of projected benefits by $37,858 and increased the actuarially determined contribution by $8,306 in 2015. This change decreased the present value of projected benefits by $6,213 in 2016.

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

Note to Schedule (continued):

The assumed rates of mortality are updated in 2018 and beyond by incorporating with the RP-2014 mortality table, updated MP mortality improvement scale. This change decreased the present value of projected benefits by $1,900 and $8,788 in 2019 and 2018, respectively.

UNIVERSITY OF COLORADO HEALTH

June 30, 2019 and 2018
($s in thousands)

Schedule of Contributions
(Last 10 Fiscal Years)

	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	$ 91,812	$ 91,812	$ -	$ 1,476,241	6.22%
2018	$ 79,213	$ 79,213	$ -	$ 1,193,744	6.64%
2017	$ 74,356	$ 74,356	$ -	$ 1,059,420	7.02%
2016	$ 67,969	$ 68,000	$ (31)	$ 940,375	7.23%
2015	$ 66,184	$ 66,184	$ -	$ 862,612	7.67%
2014	$ 56,311	$ 56,311	$ -	$ 807,135	6.98%
2013	$ 45,310	$ 45,310	$ -	$ 584,097	7.76%
2012	$ 26,398	$ 26,398	$ -	$ 256,158	10.31%
2011	$ 20,101	$ 20,101	$ -	$ 236,621	8.50%
2010	$ 19,182	$ 19,182	$ -	$ 219,877	8.72%

Notes to Schedule

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Investment rate of return	7.0%, includes inflation at 2.5%
Projected salary increases	3.3% to 7.5%
Cost of living adjustments	2.5%
Mortality	In the 2018 actuarial valuation, mortality rates are based on the RP-2014 mortality table adjusted for the MP-2018 mortality improvement scale. In the 2017 actuarial valuation, mortality rates were based on the RP-2014 mortality table adjusted for the MP-2017 mortality improvement scale. In the 2016 and 2015 actuarial valuation, mortality rates were based on the RP-2014 mortality table. In prior years, those assumptions were based on the RP-2000 mortality table.

UNIVERSITY OF COLORADO HEALTH

June 30, 2019 and 2018
($s in thousands)

Schedule of Pension Plan Investment Returns

Year Ending June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2019	5.10%
2018	7.80%
2017	13.10%
2016	-0.90%
2015	2.40%
2014	15.00%
2013	10.60%
2012	-0.60%
2011	21.90%
2010	12.20%

SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Net Position

June 30, 2019

(In thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Other Obligated Group	Obligated Group Eliminations	Obligated Group Consolidated	UCHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Assets										
Current assets:										
Cash and cash equivalents	$ 115,248	$ 86,815	$ 5,229	$ 2,772	$ -	$ 210,064	$ 1,364	$ 12,826	$ -	$ 224,254
Patient accounts receivable, net of allowances for uncollectible accounts	257,521	162,379	118,036	44,649	-	582,585	-	818	-	583,403
Other receivables	18,299	5,257	4,252	13,342	-	41,150	431	2,893	-	44,474
Receivables from affiliates	602,738	403,427	27,139	-	(1,063,616)	(30,312)	-	-	30,312	-
Inventories	44,200	22,939	21,330	15,877	-	104,346	-	1,054	-	105,400
Prepaid expenses	27,197	11,819	9,190	22,485	-	70,691	65	45	-	70,801
Investments designated for liquidity support	283,195	-	-	-	-	283,195	-	-	-	283,195
Total current assets	1,348,398	692,636	185,176	99,125	(1,063,616)	1,261,719	1,860	17,636	30,312	1,311,527
Non-current assets:										
Restricted investments, bonds	811	-	-	-	-	811	-	-	-	811
Restricted investments, other	-	-	-	578	-	578	-	-	-	578
Restricted investments and pledges, donors	5,418	-	-	2,264	-	7,682	-	47,217	(7,662)	47,237
Capital assets, net of accumulated depreciation	836,173	417,750	435,571	1,096,158	-	2,785,652	114	3,090	126	2,788,982
Long-term investments	1,904,119	1,609,067	99,150	26,730	-	3,639,066	-	30,308	-	3,669,374
Long-term receivables from affiliates	945,703	-	-	-	(945,703)	-	-	-	-	-
Other investments	7,330	56,492	1,923	42,932	(1,519)	107,158	-	8,598	(52,337)	63,419
Other assets	1,730	3,245	16,651	28,227	-	49,853	-	165	-	50,018
Total non-current assets	3,701,284	2,086,554	553,295	1,196,889	(947,222)	6,590,800	114	89,378	(59,873)	6,620,419
Total assets	5,049,682	2,779,190	738,471	1,296,014	(2,010,838)	7,852,519	1,974	107,014	(29,561)	7,931,946
Deferred Outflows of Resources										
Deferred amortization on refundings	18,775	130	-	-	-	18,905	-	-	-	18,905
Deferred amortization of pension	19,212	18,256	11,402	9,916	-	58,786	-	-	-	58,786
Deferred amortization on acquisitions	-	-	5,140	14,581	-	19,721	-	1,882	-	21,603
Total deferred outflows of resources	37,987	18,386	16,542	24,497	-	97,412	-	1,882	-	99,294
Total assets and deferred outflows of resources	$ 5,087,669	$ 2,797,576	$ 755,013	$ 1,320,511	$ (2,010,838)	$ 7,949,931	$ 1,974	$ 108,896	$ (29,561)	$ 8,031,240
Liabilities and Net Position										
Current liabilities:										
Current portion of long-term debt	$ 22,519	$ 3,484	$ 2,800	$ 3,459	$ -	$ 32,262	$ -	$ -	$ -	$ 32,262
Accounts payable and accrued expenses	197,982	116,162	74,989	154,080	-	543,213	172	4,660	-	548,045
Accounts payable - construction	2,601	2,459	7,262	28,633	-	40,955	-	-	-	40,955
Accrued compensated absences	27,566	23,030	16,763	24,280	-	91,639	137	357	-	92,133
Payables to affiliates	-	7,321	3,980	1,060,633	(1,063,616)	8,318	1,280	(31,592)	21,994	-
Accrued interest payable	6,621	268	-	21	-	6,910	-	-	-	6,910
Fair value of derivative intruments	4,832	-	-	-	-	4,832	-	-	-	4,832
Estimated third-party settlements, net	62,189	36,443	36,365	276	-	135,273	-	-	-	135,273
Long-term debt subject to short-term remarketing	283,195	-	-	-	-	283,195	-	-	-	283,195
Total current liabilities	607,505	189,167	142,159	1,271,382	(1,063,616)	1,146,597	1,589	(26,575)	21,994	1,143,605
Long-term liabilities:										
Long-term debt, less current portion	1,304,355	12,510	90,442	4	-	1,407,311	-	-	-	1,407,311
Long-term payables to affiliates	-	379,407	323,767	242,529	(945,703)	-	-	-	-	-
Fair value of derivative instruments, less current portion	42,314	-	-	12,050	-	54,364	-	-	-	54,364
Net pension liability	99,040	20,495	12,811	11,310	-	143,656	-	-	-	143,656
Other long-term liabilities	2,573	4,021	3,074	38,635	-	48,303	18	35	-	48,356
Total liabilities	2,055,787	605,600	572,253	1,575,910	(2,009,319)	2,800,231	1,607	(26,540)	21,994	2,797,292
Deferred Inflows of Resources										
Deferred amortization of pension	2,061	1,456	1,126	1,119	-	5,762	-	-	-	5,762
Total deferred inflows of resources	2,061	1,456	1,126	1,119	-	5,762	-	-	-	5,762
Total liabilities and deferred inflows of resources	2,057,848	607,056	573,379	1,577,029	(2,009,319)	2,805,993	1,607	(26,540)	21,994	2,803,054
Net position:										
Invested in capital assets, net of related debt	177,886	13,215	9,295	822,111	-	1,022,507	114	3,090	126	1,025,837
Restricted										
Expendable										
Held by trustee for debt service	811	-	-	-	-	811	-	-	-	811
Restricted by donors	-	-	-	-	-	-	-	38,177	-	38,177
Non-expendable										
Permanent endowments	-	-	-	-	-	-	-	28,044	-	28,044
Minority interest in component unit	-	32,790	-	-	-	32,790	-	565	-	33,355
Unrestricted	2,851,124	2,144,515	172,339	(1,078,629)	(1,519)	4,087,830	253	65,560	(51,681)	4,101,962
Net position	3,029,821	2,190,520	181,634	(256,518)	(1,519)	5,143,938	367	135,436	(51,555)	5,228,186
Total liabilities, deferred inflows of resources, and net position	$ 5,087,669	$ 2,797,576	$ 755,013	$ 1,320,511	$ (2,010,838)	$ 7,949,931	$ 1,974	$ 108,896	$ (29,561)	$ 8,031,240

Additional schedules are not GAAP basis for GASB, but are for comparative purposes to hospital industry practices for not-for-profit healthcare providers.

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2019
($s in thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Other Obligated Group	Obligated Group Eliminations	Obligated Group Consolidated	UCHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Operating revenue:										
Net patient service revenue, net of provision for bad debts	$ 2,133,120	$ 1,385,283	$ 1,039,225	$ 331,766	$ -	$ 4,889,394	$ -	$ 5,486	$ -	$ 4,894,880
Other operating revenue	10,693	27,196	11,816	5,863	(3,006)	52,562	-	22,111	(17,284)	57,389
Total operating revenue	2,143,813	1,412,479	1,051,041	337,629	(3,006)	4,941,956	-	27,597	(17,284)	4,952,269
Operating expenses:										
Wages, contract labor, and benefits	661,193	614,173	518,517	227,392	(28)	2,021,247	-	9,296	(104)	2,030,439
Supplies	537,305	258,250	189,885	64,325	-	1,049,765	-	1,967	25	1,051,757
Purchased services and other expenses	486,443	192,522	202,769	121,017	(2,978)	999,773	-	21,928	(18,494)	1,003,207
Depreciation and amortization	77,841	52,171	41,073	37,106	-	208,191	-	1,369	-	209,560
Total operating expenses	1,762,782	1,117,116	952,244	449,840	(3,006)	4,278,976	-	34,560	(18,573)	4,294,963
Operating income	381,031	295,363	98,797	(112,211)	-	662,980	-	(6,963)	1,289	657,306
Non-operating revenue and expenses:										
Interest expense	(49,374)	(12,109)	(14,036)	(11,281)	40,210	(46,590)	-	(224)	118	(46,696)
Investment income	168,854	102,139	6,081	1,782	(40,210)	238,646	-	3,710	(118)	242,238
Unrealized loss on derivative investments	(18,212)	(23,573)	(269)	-	-	(42,054)	-	-	-	(42,054)
Gain (loss) on disposal of capital assets	(210)	110	(89)	(193)	-	(382)	-	-	-	(382)
Loss on discontinued operations	(9,246)					(9,246)				(9,246)
Other, net	(16,838)	(12,449)	(12,905)	(3,577)	-	(45,769)	-	2,426	(2,695)	(46,038)
Total non-operating revenue and expenses	74,974	54,118	(21,218)	(13,269)	-	94,605	-	5,912	(2,695)	97,822
Excess of revenue over expenses before distributions and contributions	456,005	349,481	77,579	(125,480)	-	757,585	-	(1,051)	(1,406)	755,128
Distributions to (contributions from) minority interest in component unit	-	(8,970)	-	-	-	(8,970)	-	1,000	-	(7,970)
Contributions (to) from affiliates	(472)	(472)	-	944	-	-	-	9,000	(9,000)	-
Contributions restricted for capital assets	-	569	19,694	908	-	21,171	-	-	(1,477)	19,694
Contributions restricted, other	31	-	338	-	-	369	-	6,869	(464)	6,774
Change in net position	455,564	340,608	97,611	(123,628)	-	770,155	-	15,818	(12,347)	773,626
Net position, beginning of year	2,574,257	1,849,912	84,023	(132,890)	(1,519)	4,373,783	367	119,618	(39,208)	4,454,560
Net position, end of year	$ 3,029,821	$ 2,190,520	$ 181,634	$ (256,518)	$ (1,519)	$ 5,143,938	$ 367	$ 135,436	$ (51,555)	$ 5,228,186

Additional schedules are not GAAP basis for GASB, but are for comparative purposes to hospital industry practices for not-for-profit healthcare providers.