

**COLORADO EDUCATIONAL AND CULTURAL
FACILITIES AUTHORITY**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Educational and Cultural Facilities Authority
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Colorado Educational and Cultural Facilities Authority, as of and for the year ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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.

Board of Directors
Client Name

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 of the Colorado Educational and Cultural Facilities Authority as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 9 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison information on page 21 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
January 18, 2022

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

As management of the Colorado Educational and Cultural Facilities Authority (the "Authority"), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2021. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP") in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments ("GASB 34").

FINANCIAL HIGHLIGHTS

The Authority's net position increased from \$4,473,340 to \$4,826,854 for the year ending September 30, 2021, an increase of \$353,514. These positive changes over the previous year can be attributed to an increase in revenue relating to new debt issuances undertaken by the Authority due to continued low global interest rates.

The dollar amount of bonds issued by the Authority over the last three fiscal years was:

- FY 2018-2019: \$126,203,928
- FY 2019-2020: \$370,590,968
- FY 2020-2021: \$361,481,000

Total operating revenues for the year ended September 30, 2021 were \$1,298,374, which was a decrease of \$17,257 over the prior year's operating revenues.

- Initial fee revenues were \$760,595 which was \$25,770 higher than the previous year.
- Annual fee income was \$537,779 which was a decrease of \$43,010 from the previous year.

Total operating revenues for the year ended September 30, 2020 were \$1,315,631, which was an increase of \$447,934 over the prior year's operating revenues.

- Initial fee revenues were \$734,825 which was \$440,752 higher than the previous year.
- Annual fee income was \$580,789 which was an increase of \$7,165 from the previous year.

For the year ended September 30, 2021, total operating expenses including project financing costs and special program expenses totaled \$946,118, which is \$13,418 higher than the previous year.

- Project financing expenses, which are related to the number, type and dollar volume of transactions completed, totaled \$472,162. This was \$2,050 lower than in the prior year due to the relatively consistent volume of new debt issuances.
- Salaries and operating expenses other than project financing and special program expenses increased \$15,468 from the prior year.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

For the year ended September 30, 2020, total operating expenses including project financing costs and special program expenses totaled \$932,700, which is \$212,573 higher than the previous year.

- Project financing expenses, which are related to the number, type and dollar volume of transactions completed, totaled \$474,212. This was \$253,245 higher than in the prior year, due to an increase in the volume of new debt issuances.
- Salaries and operating expenses other than project financing and special program expenses decreased \$40,672 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of two parts: Management's discussion and analysis, and the financial statements of the Authority. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a body corporate and political subdivision of the State of Colorado established by state statute. The financial statements are presented in a manner similar to that of a private business, using the accrual basis of accounting.

The financial statements report information for all Authority operations. The required financial statements are the Statement of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. The Statements of Net Position includes the Authority's assets, liabilities and net position. Increases and decreases in net position can serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the Authority.

All of the revenues and expenses of the Authority are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reports the changes that have occurred during the year to the Authority's net position. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows is concerned solely with inflows and outflows of cash and cash equivalents. Only transactions that affect the Authority's cash position are reflected in this statement. Transactions are segregated reported in two sections on the statement: (1) cash flows from operating activities, and (2) cash flows from investing activities. The Authority has no cash flows from noncapital financing activities or cash flows from capital and related financing activities.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The net position of the Authority increased by \$353,514 since September 30, 2020. The following table summarizes the changes in assets, liabilities and net position between September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets	\$ 4,968,733	\$ 4,679,761	\$ 288,972	\$ 4,679,761	\$ 4,140,893	\$ 538,868
Liabilities	<u>141,879</u>	<u>206,421</u>	<u>(64,542)</u>	<u>206,421</u>	<u>141,700</u>	<u>64,721</u>
Net Position	<u>\$ 4,826,854</u>	<u>\$ 4,473,340</u>	<u>\$ 353,514</u>	<u>\$ 4,473,340</u>	<u>\$ 3,999,193</u>	<u>\$ 474,147</u>

The Authority's net position is impacted by Board policy regarding reserves. The Board modified its reserve policy on September 27, 2017 to revise metrics and purposes for its three reserve funds.

In view of uncertainties as to future changes in federal or state law that could adversely affect the ability of the Authority to issue tax-exempt obligations, competition from other issuers, fluctuations in the marketability of tax-exempt bonds, and other scenarios, the Authority adopted an Operating Reserve goal sufficient to fund approximately three years of the Authority's typical operating expenses.

The Authority has also determined that an Office Reserve should be maintained for contingencies related to the Authority's office. Expenses could include expenditures for office and computer equipment, building maintenance and upgrades, property taxes, etc. The Authority has determined that approximately \$100,000 would be an adequate reserve to fund these costs. This amount equals the prior office reserve fund that was established to facilitate CECFA's move from its prior office space.

Third, the Authority continued its Litigation/Legislation Reserve in the amount of \$600,000 for expenses that could be incurred by the Authority in the event of a pending or actual payment or covenant default by an institution, which was financed through the Authority.

These reserves may be expended as necessary or appropriate in the operations of the Authority with prior, specific approving action by the Board of Directors and at its sole discretion.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in revenues and expenses between September 30, 2021 and September 30, 2020:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
REVENUES			
Annual Service Fees	\$ 537,779	\$ 580,789	\$ (43,010)
Initial Fees	760,595	734,825	25,770
Other Income	-	17	(17)
Investment Income	<u>1,258</u>	<u>91,216</u>	<u>(89,958)</u>
Total Revenue	1,299,632	1,406,847	(107,215)
EXPENSES			
Project Financing Costs	472,162	474,212	(2,050)
Operating Expenses			
Salary and Benefit Costs	285,790	278,029	7,761
Professional Services	96,479	93,753	2,726
Depreciation Expense	11,815	11,815	-
Other Expenses	<u>79,872</u>	<u>74,891</u>	<u>4,981</u>
Total Expenses	<u>946,118</u>	<u>932,700</u>	<u>13,418</u>
Change in Net Position	353,514	474,147	(120,633)
Net Position - Beginning of Year	<u>4,473,340</u>	<u>3,999,193</u>	<u>474,147</u>
Net Position - End of Year	<u>\$ 4,826,854</u>	<u>\$ 4,473,340</u>	<u>\$ 353,514</u>

Project financing costs, salary and benefits, and professional service expenses are the major expense categories. Project financing costs reflect the payments made to the Authority's counsel and financial advisor with respect to each new bond issue. Project financing costs relate directly to the type of transactions and dollar volume of bonds issued during the year. Those costs also are roughly equal to initial fee revenues.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

The following table summarizes the changes in revenues and expenses between September 30, 2020 and September 30, 2019:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
REVENUES			
Annual Service Fees	\$ 580,789	\$ 573,624	7,165
Initial Fees	734,825	294,073	440,752
Other Income	17	-	17
Investment Income	<u>91,216</u>	<u>119,897</u>	<u>(28,681)</u>
Total Revenue	1,406,847	987,594	419,253
EXPENSES			
Project Financing Costs	474,212	220,967	253,245
Operating Expenses			
Salary and Benefit Costs	278,029	268,753	9,276
Professional Services	93,753	106,725	(12,972)
Depreciation Expense	11,815	11,815	-
Other Expenses	<u>74,891</u>	<u>111,867</u>	<u>(36,976)</u>
Total Expenses	<u>932,700</u>	<u>720,127</u>	<u>212,573</u>
Change in Net Position	474,147	267,467	206,680
Net Position - Beginning of Year	<u>3,999,193</u>	<u>3,731,726</u>	<u>267,467</u>
Net Position - End of Year	<u><u>\$ 4,473,340</u></u>	<u><u>\$ 3,999,193</u></u>	<u><u>\$ 474,147</u></u>

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

OTHER FINANCIAL ANALYSIS

Below is a comparison of the year ended September 30, 2021, budget compared to actual revenues and expenses:

Comparison of FY 2021 Budget to Actual Revenues and Expenses

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Annual Service Fees	550,000	\$ 537,779	\$ (12,221)
Initial Fees	250,000	760,595	510,595
Investment and Other Income	50,000	1,258	(48,742)
Total Revenue	850,000	1,299,632	449,632
EXPENSES			
Project Financing Costs	240,000	472,162	(232,162)
Operating Expenses			
Salary and Benefit Costs	290,776	285,790	4,986
Professional Services	107,405	96,479	10,926
Depreciation Expense	-	11,815	(11,815)
Other Expenses	105,235	79,872	25,363
Total Expenses	743,416	946,118	(202,702)
Total Net Income	<u>\$ 106,584</u>	<u>\$ 353,514</u>	<u>\$ 652,334</u>

ECONOMIC FACTORS

The number of bond issues undertaken by the Authority in any year depends on many factors outside the control of the Authority, including tax laws and regulations, tax-exempt interest rates, borrowers' needs for capital facilities, bonds eligible for current refunding in that year, investor confidence, and borrower financial strength. Additional uncertainty into the flow of tax-exempt bond issues was created by the 2017 Tax Cuts and Jobs Act, which radically reduced corporate tax rates, changed and/or eliminated charitable contribution and other deductions, and eliminated advanced refunding of tax-exempt bonds. After three years without advance refunding, it can be concluded that the elimination of this option has dramatically curtailed CECFA's deal flow. Fortunately, historically low interest rates have allowed many of CECFA's borrowers, especially charter schools, to refund bonds and to begin new projects, which has resulted in two very active years. The moral obligation program was increased by \$250 million in September of 2021, which will allow many more schools into the program. Since CECFA cannot collect annual fees from moral obligation charters schools, this change in the program will have a long-term negative impact on CECFA's annual fees. Interest rates will likely climb soon, which could slow deal flow, or perhaps the tax-exempt benefits of CECFA's bonds will create more deal flow. The increase in state funding for charter school building projects, the proliferation of out-of-state issuers, and new nationally oriented charter building funds (EFF and Bloomberg) continue to cut into CECFA's market share in the charter school sector. Similarly, federal and state support during COVID has resulted in a tremendous influx of grant money available to cultural charities. Such charities have and will be able to complete capital projects with grant funds that could otherwise have been financed through CECFA.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Because of the unpredictability of CECFA's financings, the coming fiscal year's budget is as conservative as fiscal year 2021. The lasting and potentially worsening negative impact of COVID-19 is unpredictable but so far has not negatively impacted CECFA's financings. Investment income is expected to increase along with interest rates of CDs. Annual fee revenue is expected to continue to decrease with the loss of annual fees from new Moral Obligation charter schools and taxable bond redemptions of National Jewish Bond Program financings. These negative trends have been temporarily offset by the last two very active years, during which initial fee revenue has increased CECFA's net position substantially, but the longer-term downward revenue trends seem likely to prevail. CECFA can use its reserves to weather these negative trends for quite some time.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the Authority's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Executive Director, Colorado Educational and Cultural Facilities Authority, 1800 Glenarm Place, Suite 1201, Denver, CO 80202.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 396,430	\$ 444,368
Accounts Receivable	25,828	43,436
Accrued Interest Receivable	5,112	9,983
Prepaid Expenses and Other Assets	4,154	3,265
Investments	2,326,445	2,569,461
Total Current Assets	2,757,969	3,070,513
LONG-TERM ASSETS		
Investments	1,916,460	1,303,129
Capital Assets, Net of Accumulated Depreciation of \$60,060 and \$48,245	294,304	306,119
Total Long-Term Assets	2,210,764	1,609,248
TOTAL ASSETS	\$ 4,968,733	\$ 4,679,761
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	1,810	69,789
Accrued Expenses	38,495	36,082
Unearned Revenue	101,574	100,550
Total Current Liabilities	141,879	206,421
NET POSITION		
Investment in Capital Assets	294,304	306,119
Unrestricted	4,532,550	4,167,221
Total Net Position	4,826,854	4,473,340
TOTAL LIABILITIES AND NET POSITION	\$ 4,968,733	\$ 4,679,761

See accompanying Notes to Financial Statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
Annual Service Fees	\$ 537,779	580,789
Initial Fees	760,595	734,825
Other Income	-	17
Total Operating Revenues	1,298,374	1,315,631
OPERATING EXPENSES		
Project Financing Costs	472,162	474,212
Operating Expense		
Salary and Benefit Costs	285,790	278,029
Professional Services	96,479	93,753
Depreciation Expense	11,815	11,815
Other Expenses	79,872	74,891
Total Operating Expenses	946,118	932,700
Net Operating Income (Loss)	352,256	382,931
NONOPERATING REVENUES (EXPENSES)		
Gain (Loss) on Investments	(16,220)	(3,928)
Unrealized Gain (Loss) on Investment	(17,181)	26,139
Interest Income	34,659	69,005
Total Nonoperating Revenues (Expenses)	1,258	91,216
CHANGE IN NET POSITION	353,514	474,147
Net Postion - Beginning of Year	4,473,340	3,999,193
NET POSITION - END OF YEAR	\$ 4,826,854	\$ 4,473,340

See accompanying Notes to Financial Statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Institutions	\$ 1,317,006	\$ 1,304,008
Cash Paid to Suppliers and Contract Laborers	(717,381)	(577,459)
Cash Paid for Salaries and Benefits	(283,377)	(261,781)
Net Cash Provided (Used) by Operating Activities	316,248	464,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,548,976)	(2,305,557)
Proceeds from Maturities of Investments	1,145,260	1,992,000
Interest and Dividends Received	39,530	72,812
Net Cash Provided (Used) by Investing Activities	(364,186)	(240,745)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,938)	224,023
Cash and Cash Equivalents - Beginning of Year	444,368	220,345
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 396,430	\$ 444,368
 Reconciliation of net Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 352,256	\$ 382,931
Adjustments to Reconcile Net Operating Income to Net Cash		
Depreciation Expense	11,815	11,815
Effect of Changes in Operating Assets and Liabilities		
Accounts Receivable	17,608	(7,669)
Prepaid Expenses	(889)	12,970
Accounts Payable	(67,979)	52,427
Unearned Revenue	1,024	(3,954)
Accrued Expenses	2,413	16,248
Net Cash Provided (Used) by Operating Activities	\$ 316,248	\$ 464,768

See accompanying Notes to Financial Statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado Educational and Cultural Facilities Authority (the "Authority") is a body corporate and political subdivision of the State of Colorado established pursuant to the Colorado Educational and Cultural Facilities Authority Act, Title 23, Article 15 of the Colorado Revised Statutes, amended (the "Act"). Operations of the Authority commenced in 1981.

The Authority was created to facilitate alternative financial methods by which nonprofit educational and cultural institutions in Colorado may refund or refinance outstanding indebtedness and finance additional facilities and other capital expenditures. Statutory revisions during the 2000 legislative session expanded the mission of the Authority to include financing for out-of-state networks and organizations, as long as the financing provides benefits to the citizens of Colorado.

The tax-exempt revenue bonds and notes or other obligations issued by the Authority do not constitute a debt of the Authority, the State of Colorado, its legislature, or any political subdivision. Such obligations are the liability of the educational or cultural institution for which the bonds are issued and are payable solely by the borrowing institution or third-party credit enhancers, such as bond insurance companies or issuers of letters of credit.

The Authority's Board of Directors (the "Board") consists of seven members, each appointed by the Governor of Colorado with the consent of the Senate. Ultimate authority and responsibility for the activities of the Authority rest with the Board. The Authority is a special purpose governmental entity reporting as a primary government as defined by Governmental Accounting Standards Board pronouncements. The Authority has determined that it has no component units that are required to be included in the reporting entity because of operational or financial relationship with the Authority. The Board does not appoint or elect members of other Boards of Directors and no other organizations are fiscally dependent upon the Authority. The Authority does not have the power to impose its will on any other entity and has no financial benefit or burden related to any other organization. The accompanying financial statements, therefore, consist only of funds of the Authority and do not include financial information for any component units.

Each January the Authority provides the State Auditor with statutorily required reports on financial operations and the Moral Obligation credit enhancement program.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority reports its financial activities on the basis of the governmental proprietary fund accounting concept using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recognized when earned, and expenses are recognized when a liability is incurred on the accrual basis. The focus of proprietary funds is on the measurement of net income and allows for the reporting of all assets and liabilities of the Authority. The Authority does not have any fiduciary funds or component units.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The revenues and expenses related to continuing operations of the Authority are reported as operating income. The non-operating revenues and expenses in these financial statements result from investment activity.

Capital Assets

Capital assets are reported at cost. Depreciation of capital assets is computed on the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss included in the results of operations. It is the Authority's policy to capitalize expenditures for items in excess of \$5,000 with an estimated useful life greater than one year.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Lives</u>
Building	30 years

Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

Classification of Revenue

The Authority distinguishes between operating or non-operating revenue and expense items in the Statements of Revenues, Expenses, and Changes in Net Position according to the following criteria:

Operating revenues and expenses - Operating revenues consist of charges to customers for services provided, including initial financing fees and annual service fees, along with other miscellaneous operating revenue. Operating expenses include the related costs of service, and administrative expenses of the Authority.

Non-operating revenues – Non-operating revenues includes investment income and changes in the fair value of investments.

General Budget Policies and Procedures

The Authority adopts its budget annually on a basis consistent with generally accepted accounting principles (GAAP). Revenues are forecasted by source and expenses are forecasted by object of expenditure. The Board approves modifications to the budget during the fiscal year. During 2021 and 2020 the original budget was not amended.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Initial fees are received from institutions at the inception of each bond issue. The initial fee covers direct expenses such as legal and financial advice incurred in connection with the issuance of the bonds. The authority determines the amount of the initial fee based on the size of the transaction. The rates for transactions, which qualify for the Small Borrower program, are lower than standard rates.

At the time their application is submitted, institutions pay an application fee, which is non-refundable. If the transaction closes, the application fee is credited against the amount of the initial fee, which is payable at closing from the proceeds of the bond issue.

Annual fees are charged to borrowers each calendar year, and are billed semi-annually from January through June, and July through December. One-twelfth of the amounts billed are recognizable as income each month. The Board reviews fees each year with the last additional increase effective July 1, 2018.

Cash Equivalents

For purposes of the statement of cash flow, cash and cash equivalents consist of demand deposits and all short-term marketable securities with original maturities of ninety days or less. Certificates of deposit with maturities greater than ninety days are reported as investments.

Accounts Receivable

Accounts receivable are shown net of an allowance for uncollectibles, as applicable. The Authority does not anticipate any receivables being uncollectible as of September 30, 2021.

Unearned Revenue

Unearned revenue represents annual service fees collected in advance of the months to which they relate.

Compensated Absences

Employees receive paid time off which includes vacation, sick leave and personal time. Paid time off accrues from the first day of employment at a rate based on the tenure of the employee's year of employment. No more than 30 days may be accumulated at any point in time. Employees are permitted to request up to 20 hours of future paid time off. Accrued paid time off balances are paid upon termination up to the maximum allowed. Final pay upon termination is deducted from final pay for any balance of future paid time off. The Authority's liability related to compensated absences is included in accrued expenses.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The Authority's net position consist of investment in capital assets, restricted net position and unrestricted net position. Investment in capital assets includes capital assets with useful lives greater than one year. The Authority does not have debt related to acquisition of capital assets. Restricted net position includes assets restricted as to use due to creditors, laws and regulations of other governments, or imposed through constitutional provisions or enabling legislation. Unrestricted net position is net position that does not meet the definition of investment in capital assets or restricted net position. See Note 5 for additional information.

NOTE 3 CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS

Deposits and investments of the Authority's monies are made in accordance with deposit and investment guidelines authorized by State statute and pursuant to an investment policy adopted by the Board.

The Authority has cash accounts, sweep account, and certificates of deposit. Each of these accounts is either insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. The cash demand deposits are held at financial institutions where deposits are insured up to \$250,000 per institution by the FDIC.

The Authority has adopted guidelines intended to maximize the rate of return on the Authority's excess cash. The investments in certificates of deposit are recorded at fair value using significant other observable inputs (Level 2). Investments in certificates of deposit as of September 30, 2021 and 2020 were \$2,484,795 and \$2,366,219, respectively.

Interest Rate Risk: Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The Authority investment policy limits investment maturities to no longer than 5 years and an average life no longer than 3 years.

Concentration of Credit Risk: The Authority does not have a policy that addresses specific limitations on the amount that can be invested in any one issuer. As of September 30, 2021 and 2020, the Authority's investments were concentrated in certificates of deposit and in CSAFE.

Credit Quality Risk: Credit Quality risk is the risk that the issuer or other counter party to a debt security will not fulfill its obligations to the Authority. This risk is assessed by national rating agencies, which assign a credit quality rating for investments. The Authority's investment policy limits investments to the following: obligations of U.S. Government, obligations guaranteed as to both principal and interest by the United States government, obligations issued or guaranteed by United States agencies, obligations issued or guaranteed by any state or any political subdivision, repurchase agreements collateralized by above named instruments, certificates of deposit or time deposits fully insured by FDIC, money market accounts or investment pools either rated AAA by one of the three major rating agencies or fully collateralized. The Certificates of Deposit are not rated.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 3 CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS (CONTINUED)

As of September 30, 2021, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Portfolio</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of Deposit	\$ 568,335	13%	None	Less Than 1 Year
Certificates of Deposit	1,916,460	45%	None	1 Year to 5 Years
CSAFE	1,758,110	41%	AAAm	Less Than 1 Year
Total	<u>\$ 4,242,905</u>			

As of September 30, 2020, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Portfolio</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of Deposit	\$ 1,063,090	27%	None	Less Than 1 Year
Certificates of Deposit	1,303,129	34%	None	1 Year to 5 Years
CSAFE	1,506,371	39%	AAAm	Less Than 1 Year
Total	<u>\$ 3,872,590</u>			

The following table presents the investments that represent 5% or more of the Authority's total investments for the year ended September 30, 2021 and the year ended September 30, 2020:

	<u>2021</u>	<u>2020</u>
Capital One CDs	\$ 210,811	\$ 338,795
Sallie Mae Bank CDs	-	255,167
Bankwell Bank CD	249,369	250,516
Discover Bank CDs	-	229,799
Morgan Stanley CD	-	219,767

As of September 30, 2021, the Authority had invested \$334,248 invested in the Colorado Surplus Asset Fund Trust (CSAFE) Cash Fund. CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements creating and operating CSAFE. Investments in the external investment pool are shown at amortized cost for financial reporting purposes. CSAFE is rated AAAM by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 3 CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS (CONTINUED)

As of September 30, 2021, the Authority had invested \$1,423,862 invested in the Colorado Surplus Asset Fund Trust (CSAFE) Core Fund. Investments in the Core Fund are measured at the net asset value (NAV) per share, with each share valued at \$2. CSAF is rated AA Af by Fitch Ratings. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable relate to annual service fees that are in the process of being collected. Due to the nature of the business and the size of the Authority, receivables are owed by a small number of institutions. Generally, the Authority does not require collateral or other security to support institution receivables.

NOTE 5 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended September 30, 2021 follows:

	Balance September 30, 2020	Increases	Decreases	Balance September 30, 2021
Capital Assets, Being Depreciated				
Buildings	\$ 354,364	\$ -	\$ -	\$ 354,364
Accumulated Depreciation:				
Buildings	48,245	11,815	-	60,060
Total Capital Assets, Net	<u>\$ 306,119</u>	<u>\$ (11,815)</u>	<u>\$ -</u>	<u>\$ 294,304</u>

An analysis of the changes in capital assets for the year ended September 30, 2020 follows:

	Balance September 30, 2018	Increases	Decreases	Balance September 30, 2019
Capital Assets, Being Depreciated				
Buildings	\$ 354,364	\$ -	\$ -	\$ 354,364
Accumulated Depreciation:				
Buildings	36,430	11,815	-	48,245
Total Capital Assets, Net	<u>\$ 317,934</u>	<u>\$ (11,815)</u>	<u>\$ -</u>	<u>\$ 306,119</u>

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 PROJECT FINANCING COSTS

Project financing costs include estimated costs incurred by the financial advisors and general counsel in connection with bond issues that have not yet closed. They include unbilled expenses that have been recognized in the financial statements.

NOTE 7 TABOR AMENDMENT

During 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including restrictions on increases in revenues and expenditures, and other specific requirements of state and local governments. The Authority has received an opinion from its general counsel that the Authority qualifies as an enterprise fund under the amendment and therefore is exempt from its provisions.

NOTE 8 CONDUIT DEBT

The Authority has issued conduit tax-exempt revenue bonds, the proceeds of which were made available to various nonprofit educational and cultural institutions with facilities, operations, or related entities in Colorado for refunding and refinancing outstanding indebtedness and for financing additional facilities and other capital expenditures. Existing balances as of June 30, 2021 and 2020, (latest report available) plus balances of bonds closed between July 1 and September 30, 2021 and 2020, were \$2,361,138,398 and \$2,509,257,725, respectively. The bonds are payable solely from funds of the institutions obtaining the financing. The bonds do not constitute a debt or pledge of the faith or credit of the Authority, the State of Colorado, its legislature, or any political subdivision, and accordingly, they have not been reported in the accompanying financial statements.

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, errors and omissions, and disasters, natural or otherwise. The Authority carries insurance for risks of loss as follows: comprehensive general liability insurance for \$2,000,000, an umbrella liability policy for \$1,000,000, a public official liability policy for \$5,000,000, a cybersecurity policy for \$1,000,000, and a commercial crime policy for \$10,000. The Authority has not had losses exceeding coverage in the last three years.

NOTE 10 CONTINGENCIES

The Authority does not have any pending litigation or legal claims that would materially affect the Authority's financial position.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 RETIREMENT PLAN

Effective January 1, 2010, the Authority initiated a qualified retirement plan created in accordance with Internal Revenue Code Section 401(a). The plan requires all eligible employees to contribute 2% of their eligible compensation. The Authority is required under the plan agreement to make a matching contribution of 9% of eligible salaries. The plan is available to all full-time employees defined as employees working at least 20 hours per week. Employee and employer contributions to the plan are limited to the lesser of \$40,000 or the employee's salary. The Authority is responsible for the organization and administration of the Plan. Employer contributions to the plan during 2021 and 2020 were \$16,866 and \$16,951, respectively.

The Authority also initiated a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) on January 1, 2010. The plan permits Authority employees to defer a portion of their salary until future years. An amount up to \$19,500 in calendar year 2021 may be contributed by the employee to the plan. An additional \$6,500 catch-up contribution is permitted for employees over the age of 50. The deferred compensation is not available to employees until termination, retirement, death or an unforeseen emergency. No employer contributions were made to the plan during the years ended September 30, 2021 and 2020.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUE			
Annual Service Fees	550,000	\$ 537,779	\$ (12,221)
Initial Fees	250,000	760,595	510,595
Total Operating Revenue	800,000	1,298,374	498,374
OPERATING EXPENSE			
Project Financing Costs			
Legal Services - Bond Issues	100,000	328,412	(228,412)
Financial Services - Bond Issues	140,000	143,750	(3,750)
Total Project Financing Costs	240,000	472,162	(232,162)
Salaries and Benefits	290,776	285,790	4,986
Professional Service Fees	107,405	96,479	10,926
Depreciation Expense	-	11,815	(11,815)
Other Expenses	105,235	79,872	25,363
Total Other Operating Expenses	503,416	473,956	29,460
Total Operating Expenses	743,416	946,118	(202,702)
CHANGE IN NET POSITION FROM OPERATING ACTIVITIES	56,584	352,256	295,672
NONOPERATING REVENUE (EXPENSES)			
Gain (Loss) on Investments	-	(33,401)	(33,401)
Interest and Dividends on Investments	50,000	34,659	(15,341)
Total Nonoperating Revenue (Expenses)	50,000	1,258	(48,742)
CHANGE IN NET POSITION	\$ 106,584	\$ 353,514	\$ 652,334