

**COLORADO EDUCATIONAL AND CULTURAL
FACILITIES AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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**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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Colorado Educational and Cultural Facilities Authority, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Colorado Educational and Cultural Facilities Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Educational and Cultural Facilities Authority, as of September 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Colorado Educational and Cultural Facilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colorado Educational and Cultural Facilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Colorado Educational and Cultural Facilities Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colorado Educational and Cultural Facilities Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Colorado Educational and Cultural Facilities Authority's basic financial statements. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the schedule of budget and actual revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
January 17, 2023

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021**

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, 2022. 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 \$4,826,854 to \$5,158,497 for the year ending September 30, 2022, an increase of \$331,643. 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 2019-2020: \$370,590,968
- FY 2020-2021: \$361,481,000
- FY 2021-2022: \$567,849,316

Total operating revenues for the year ended September 30, 2022 were \$1,510,127, which was an increase of \$211,753 over the prior year's operating revenues.

- Initial fee revenues were \$989,574 which was \$228,979 higher than the previous year.
- Annual fee income was \$520,553 which was a decrease of \$17,226 from the previous year.

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.

For the year ended September 30, 2022, total operating expenses including project financing costs and special program expenses totaled \$1,050,018, which is \$103,900 higher than the previous year.

- Project financing expenses, which are related to the number, type and dollar volume of transactions completed, totaled \$546,384. This was \$74,222 higher than in the prior year due to the higher volume of new debt issuances and increasing costs.
- Salaries and operating expenses other than project financing and special program expenses increased \$29,678 from the prior year.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021**

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.

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, 2022 AND 2021**

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The net position of the Authority increased by \$331,643 since September 30, 2021. The following table summarizes the changes in assets, liabilities and net position between September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current assets	\$ 2,910,764	\$ 2,757,969	\$ 152,795	\$ 2,757,969	\$ 3,070,513	\$ (312,544)
Other long-term assets	2,143,535	1,916,460	227,075	1,916,460	1,303,129	613,331
Capital assets, net	<u>282,489</u>	<u>294,304</u>	<u>(11,815)</u>	<u>294,304</u>	<u>306,119</u>	<u>(11,815)</u>
Total assets	<u>5,336,788</u>	<u>4,968,733</u>	<u>368,055</u>	<u>4,968,733</u>	<u>4,679,761</u>	<u>288,972</u>
Current liabilities	<u>178,291</u>	<u>141,879</u>	<u>36,412</u>	<u>141,879</u>	<u>206,421</u>	<u>(64,542)</u>
Investment in capital assets	282,489	294,304	(11,815)	294,304	306,119	(11,815)
Unrestricted	4,876,008	4,532,550	343,458	4,532,550	4,167,221	365,329
Total net position	<u>\$ 5,158,497</u>	<u>\$ 4,826,854</u>	<u>\$ 331,643</u>	<u>\$ 4,826,854</u>	<u>\$ 4,473,340</u>	<u>\$ 353,514</u>

Capital assets, net consists of an office building owned by the Authority and related accumulated depreciation. The decrease of \$11,815 in both 2022 and 2021 represents the depreciation expense recognized in each year.

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 the Authority'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, 2022 AND 2021**

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in revenues and expenses between September 30, 2022 and September 30, 2021:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
REVENUES			
Annual Service Fees	\$ 520,553	\$ 537,779	\$ (17,226)
Initial Fees	989,574	760,595	228,979
Investment Income	<u>(128,466)</u>	<u>1,258</u>	<u>(129,724)</u>
Total Revenue	1,381,661	1,299,632	82,029
EXPENSES			
Project Financing Costs	546,384	472,162	74,222
Operating Expenses			
Salary and Benefit Costs	288,611	285,790	2,821
Professional Services	92,748	96,479	(3,731)
Depreciation Expense	11,815	11,815	-
Other Expenses	<u>110,460</u>	<u>79,872</u>	<u>30,588</u>
Total Expenses	<u>1,050,018</u>	<u>946,118</u>	<u>103,900</u>
Change in Net Position	331,643	353,514	(21,871)
Net Position - Beginning of Year	<u>4,826,854</u>	<u>4,473,340</u>	<u>353,514</u>
Net Position - End of Year	<u>\$ 5,158,497</u>	<u>\$ 4,826,854</u>	<u>\$ 331,643</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.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021**

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

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><u>\$ 4,826,854</u></u>	<u><u>\$ 4,473,340</u></u>	<u><u>\$ 353,514</u></u>

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021**

OTHER FINANCIAL ANALYSIS

Below is a comparison of the year ended September 30, 2022, budget compared to actual revenues and expenses:

Comparison of FY 2022 Budget to Actual Revenues and Expenses

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Annual Service Fees	\$ 500,000	\$ 520,553	\$ 20,553
Initial Fees	300,000	989,574	689,574
Investment and Other Income	<u>40,000</u>	<u>(128,466)</u>	<u>(168,466)</u>
Total Revenue	840,000	1,381,661	541,661
EXPENSES			
Project Financing Costs	232,500	546,384	(313,884)
Operating Expenses			
Salary and Benefit Costs	299,209	288,611	10,598
Professional Services	107,405	92,748	14,657
Depreciation Expense	-	11,815	(11,815)
Other Expenses	<u>127,306</u>	<u>110,460</u>	<u>16,846</u>
Total Expenses	<u>766,420</u>	<u>1,050,018</u>	<u>(283,598)</u>
Change in Net Position	<u>\$ 73,580</u>	<u>\$ 331,643</u>	<u>\$ 825,259</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 five years without advance refunding, it can be concluded that the elimination of this option has dramatically curtailed the Authority's deal flow. Fortunately, historically low interest rates have allowed many of the Authority's borrowers, especially charter schools, to refund bonds and to begin new projects, which has resulted in very active years. The moral obligation program was increased by \$250 million in September of 2021, which allows many more schools into the program. Since the Authority cannot collect annual fees from moral obligation charter schools, this change in the program will have a long-term negative impact on the Authority's annual fees. Interest rates have also risen, which could slow deal flow, offset by the tax-exempt benefits of the Authority's bonds creating 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 the Authority's market share in the charter school sector.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021**

Because of the unpredictability of the Authority's financings, the coming fiscal year's budget is conservative, projecting revenues based on only 10 transactions. Investment income is expected to increase along with interest rates of CDs, although inflation has cost much more than the investment earnings. 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, although this might be reversed by rising interest rates driving renewed use of tax-exempt bonds. These negative trends have been temporarily offset by the recent very active years, during which initial fee revenue has increased the Authority's net position substantially, but the longer-term downward revenue trends seem likely to prevail. The Authority 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, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 271,207	\$ 396,430
Accounts Receivable	61,047	25,828
Accrued Interest Receivable	10,216	5,112
Prepaid Expenses and Other Assets	4,512	4,154
Investments	2,563,782	2,326,445
Total Current Assets	2,910,764	2,757,969
LONG-TERM ASSETS		
Investments	2,143,535	1,916,460
Capital Assets, Net of Accumulated Depreciation of \$71,875 and \$60,060	282,489	294,304
Total Long-Term Assets	2,426,024	2,210,764
TOTAL ASSETS	\$ 5,336,788	\$ 4,968,733
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 32,064	\$ 1,810
Accrued Expenses	38,698	38,495
Unearned Revenue	107,529	101,574
Total Current Liabilities	178,291	141,879
NET POSITION		
Investment in Capital Assets Unrestricted	282,489	294,304
Total Net Position	4,876,008	4,532,550
Total Net Position	5,158,497	4,826,854
TOTAL LIABILITIES AND NET POSITION	\$ 5,336,788	\$ 4,968,733

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Annual Service Fees	\$ 520,553	537,779
Initial Fees	989,574	760,595
Total Operating Revenues	1,510,127	1,298,374
OPERATING EXPENSES		
Project Financing Costs	546,384	472,162
Operating Expense		
Salary and Benefit Costs	288,611	285,790
Professional Services	92,748	96,479
Depreciation Expense	11,815	11,815
Other Expenses	110,460	79,872
Total Operating Expenses	1,050,018	946,118
Operating Income	460,109	352,256
NONOPERATING REVENUES (EXPENSES)		
Gain (Loss) on Investments	(2,359)	(16,220)
Unrealized Gain (Loss) on Investment	(169,075)	(17,181)
Interest Income	42,968	34,659
Total Nonoperating Revenues (Expenses)	(128,466)	1,258
CHANGE IN NET POSITION	331,643	353,514
Net Position - Beginning of Year	4,826,854	4,473,340
NET POSITION - END OF YEAR	\$ 5,158,497	\$ 4,826,854

See accompanying Notes to Financial Statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Institutions	\$ 1,480,863	\$ 1,317,006
Cash Paid to Suppliers and Contract Laborers	(719,696)	(717,381)
Cash Paid for Salaries and Benefits	(288,408)	(283,377)
Net Cash Provided by Operating Activities	472,759	316,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,279,846)	(1,548,976)
Proceeds from Maturities of Investments	644,000	1,145,260
Interest and Dividends Received	37,864	39,530
Net Cash Used by Investing Activities	(597,982)	(364,186)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(125,223)	(47,938)
Cash and Cash Equivalents - Beginning of Year	396,430	444,368
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 271,207	\$ 396,430
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 460,109	\$ 352,256
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	11,815	11,815
Effect of Changes in Operating Assets and Liabilities		
Accounts Receivable	(35,219)	17,608
Prepaid Expenses and Other Assets	(358)	(889)
Accounts Payable	30,254	(67,979)
Unearned Revenue	5,955	1,024
Accrued Expenses	203	2,413
Net Cash Provided by Operating Activities	\$ 472,759	\$ 316,248

See accompanying Notes to Financial Statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 nonoperating 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.

Nonoperating Revenues

Nonoperating 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 2022 and 2021, the original budget was not amended.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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 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 nonrefundable. 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 90 days or less. Certificates of deposit with maturities greater than 90 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, 2022 and 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, 2022 AND 2021

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The Authority's net position consists 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, 2022 and 2021 were \$2,935,361 and \$2,484,795, 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 five years and an average life no longer than three 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, 2022 and 2021, 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, 2022 AND 2021

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

As of September 30, 2022, 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	\$ 791,826	17%	None	Less Than 1 Year
Certificates of Deposit	2,143,535	46%	None	1 Year to 5 Years
CSAFE	1,771,956	38%	AAAmf/AAAf	Less Than 1 Year
Total	<u>\$ 4,707,317</u>			

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/AAAf	Less Than 1 Year
Total	<u>\$ 4,242,905</u>			

The following table presents the investments that represent 5% or more of the Authority's total investments for the year ended September 30, 2022 and the year ended September 30, 2021:

	<u>2022</u>	<u>2021</u>
Capital One CDs	\$ 373,801	\$ 210,811
Bankwell Bank CD	241,719	249,369
Morgan Stanley CD	228,400	-
JP Morgan Chase CDs	171,532	-
Sallie Mae Bank CDs	156,730	-

The Authority had \$336,888 as of September 30, 2022 and \$334,248 as of September 30, 2021 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 AAAmf by Fitch Ratings. 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, 2022 AND 2021

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

The Authority had \$1,435,068 as of September 30, 2022 and \$1,423,862 as of September 30, 2021 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. CSAFE is rated AA+ 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, 2022 follows:

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
Capital Assets, Being Depreciated				
Buildings	\$ 354,364	\$ -	\$ -	\$ 354,364
Accumulated Depreciation:				
Buildings	60,060	11,815	-	71,875
Total Capital Assets, Net	<u>\$ 294,304</u>	<u>\$ (11,815)</u>	<u>\$ -</u>	<u>\$ 282,489</u>

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>

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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, 2022 and 2021, (latest report available) plus balances of bonds closed between July 1 and September 30, 2022 and 2021, were \$2,536,272,001 and \$2,361,138,398, 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, 2022 AND 2021

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 24 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 2022 and 2021 were \$17,443 and \$16,866, 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 \$20,500 in calendar year 2022 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, 2022 and 2021.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUE			
Annual Service Fees	\$ 500,000	\$ 520,553	\$ 20,553
Initial Fees	300,000	989,574	689,574
Total Operating Revenue	800,000	1,510,127	710,127
OPERATING EXPENSE			
Project Financing Costs			
Legal Services - Bond Issues	120,000	400,759	(280,759)
Financial Services - Bond Issues	112,500	145,625	(33,125)
Total Project Financing Costs	232,500	546,384	(313,884)
Salaries and Benefits	299,209	288,611	10,598
Professional Service Fees	107,405	92,748	14,657
Depreciation Expense	-	11,815	(11,815)
Other Expenses	127,306	110,460	16,846
Total Other Operating Expenses	533,920	503,634	30,286
Total Operating Expenses	766,420	1,050,018	(283,598)
CHANGE IN NET POSITION FROM OPERATING ACTIVITIES	33,580	460,109	426,529
NONOPERATING REVENUE (EXPENSES)			
Gain (Loss) on Investments	-	(171,434)	(171,434)
Interest and Dividends on Investments	40,000	42,968	2,968
Total Nonoperating Revenue (Expenses)	40,000	(128,466)	(168,466)
CHANGE IN NET POSITION	\$ 73,580	\$ 331,643	\$ 825,259



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