

**COLORADO EDUCATIONAL AND  
CULTURAL FACILITIES AUTHORITY**

Financial Statements As Of  
September 30, 2023 And 2022

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Colorado Educational and Cultural Facilities Authority:

**Opinion**

We have audited the accompanying financial statements of the business-type activities and the major enterprise fund of the Colorado Educational and Cultural Facilities Authority (the "Authority") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 respective financial position of the business-type activities and the major enterprise fund of the Colorado Educational and Cultural Facilities Authority, as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**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 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.

Independent Auditors' Report (Continued)

**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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 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 Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

Independent Auditors' Report (Continued)**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financials 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 audit of the basic financials 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 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.

**Reporting on Comparative Information**

The financial statements of the Colorado Educational and Cultural Facilities Authority as of September 30, 2022, were audited by other auditors, whose report dated January 17, 2023, expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*JDS Professional Group*

January 17, 2024

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023 AND 2022**

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, 2023. This overview and analysis are 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 \$5,158,497 to \$5,504,117 for the year ending September 30, 2023, which is an increase of \$345,620, despite having a below average year for both the number and dollar volume of transactions. These positive changes over the previous year can be attributed to a significant increase in interest revenue, a modest increase in annual fee revenue, a full recovery of unrealized gain on investments, and a decrease in project financing costs and professional services.

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

FY 2020-2021: \$361,481,000  
FY 2021-2022: \$567,849,316  
FY 2022-2023: \$208,939,060

Total operating revenues for the year ended September 30, 2023 were \$990,399, which was a decrease of \$519,728 over the prior year's operating revenues. The 2021-2022 fiscal year was far above average with dollar amount of bonds issued generating above average initial fee revenue, and this past 2022-2023 fiscal year was below average, so the difference between the two years is eye-catching.

Reflecting this pendulum swing, Initial Fee revenues were \$422,778 which was \$566,796 lower than the previous year, again due to the past year's activity tracking below average. However, Annual Fee revenue was \$567,621 which was an increase of \$47,068 from the previous year.

For the year ended September 30, 2023, total operating expenses including project financing costs totaled \$801,108, which was \$248,910 lower than the previous year, due to decreases in proportional payments that are keyed off of initial fee revenue. For example, project financing costs (legal and financial advisors), which are related to the number, type and dollar volume of transactions completed, totaled \$286,736 for the current fiscal year. This was \$259,648 lower than in the prior year due to the lower volume of new debt issuances and decreased costs for financial advisory services compared to the prior fiscal year.

Operating expenses other than project financing costs increased from \$503,634 in the prior fiscal year to \$514,372 in the current fiscal year, an increase of \$10,738 primarily related to increased salaries and benefits costs.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023 AND 2022**

**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 are 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 Statements 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 Statements 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 Statements 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, 2023 AND 2022**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

Statements of Net Position

The net position of the Authority increased by \$345,620 since September 30, 2022. The following table summarizes the changes in assets, liabilities and net position between September 30, 2023 and 2022 and September 30, 2022 and 2021:

	2023	2022	Change	2022	2021	Change
Current assets	\$ 3,131,762	\$ 2,910,764	\$ 220,998	\$ 2,910,764	\$ 2,757,969	\$ 152,795
Other long-term assets	2,252,446	2,143,535	108,911	2,143,535	1,916,460	227,075
Capital assets, net	270,674	282,489	(11,815)	282,489	294,304	(11,815)
Total assets	<u>\$ 5,654,882</u>	<u>5,336,788</u>	<u>318,094</u>	<u>\$ 5,336,788</u>	<u>4,968,733</u>	<u>368,055</u>
Current liabilities	<u>150,765</u>	<u>178,291</u>	<u>(27,526)</u>	<u>178,291</u>	<u>141,879</u>	<u>36,412</u>
Investment in capital assets	270,674	282,489	(11,815)	282,489	294,304	(11,815)
Unrestricted	<u>5,233,443</u>	<u>4,876,008</u>	<u>357,435</u>	<u>4,876,008</u>	<u>4,532,550</u>	<u>343,458</u>
Total net position	<u>\$ 5,504,117</u>	<u>\$ 5,158,497</u>	<u>\$ 345,620</u>	<u>\$ 5,158,497</u>	<u>\$ 4,826,854</u>	<u>\$ 331,643</u>

Capital assets, net, consists of an office building owned by the Authority and related accumulated depreciation. The decrease of \$11,815 in both 2023 and 2022, represents 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, 2023 AND 2022**

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in revenues and expenses between September 30, 2023 and September 30, 2022:

	2023	2022	Variance
<b>REVENUES</b>			
Annual Service Fees	\$ 567,621	\$ 520,553	\$ 47,068
Initial Fees	422,778	989,574	(566,796)
Investment Income	<u>156,329</u>	<u>(128,466)</u>	<u>284,795</u>
<b>Total Revenue</b>	<b>1,146,728</b>	<b>1,381,661</b>	<b>(234,933)</b>
<b>EXPENSES</b>			
Project Financing Costs	286,736	546,384	(259,648)
Operating Expenses			
Salary and Benefit Costs	317,845	288,611	29,234
Professional Services	80,439	92,748	(12,309)
Depreciation Expense	11,815	11,815	-
Other Expenses	<u>104,273</u>	<u>110,460</u>	<u>(6,187)</u>
<b>Total Expenses</b>	<b><u>801,108</u></b>	<b><u>1,050,018</u></b>	<b><u>(248,910)</u></b>
<b>Change in Net Position</b>	<b>345,620</b>	<b>331,643</b>	<b>13,977</b>
<b>Net Position - Beginning of Year</b>	<b><u>5,158,497</u></b>	<b><u>4,826,854</u></b>	<b><u>331,643</u></b>
<b>Net Position - End of Year</b>	<b>\$ <u>5,504,117</u></b>	<b>\$ <u>5,158,497</u></b>	<b>\$ <u>345,620</u></b>

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, 2023 AND 2022**

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

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

	2022	2021	Variance
<b>REVENUES</b>			
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>
<b>Total Revenue</b>	<b>1,381,661</b>	<b>1,299,632</b>	<b>82,029</b>
<b>EXPENSES</b>			
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>
<b>Total Expenses</b>	<b><u>1,050,018</u></b>	<b><u>946,118</u></b>	<b><u>103,900</u></b>
<b>Change in Net Position</b>	<b>331,643</b>	<b>353,514</b>	<b>(21,871)</b>
<b>Net Position - Beginning of Year</b>	<b><u>4,826,854</u></b>	<b><u>4,473,340</u></b>	<b><u>353,514</u></b>
<b>Net Position - End of Year</b>	<b>\$ <u>5,158,497</u></b>	<b>\$ <u>4,826,854</u></b>	<b>\$ <u>331,643</u></b>

## OTHER FINANCIAL ANALYSIS

Below is a comparison of the year ended September 30, 2023, budget compared to actual revenues and expenses:

### Comparison of FY 2023 Budget to Actual Revenues and Expenses

	Budget	Actual	Variance
<b>REVENUES</b>			
Annual Service Fees	\$ 500,000	\$ 567,621	\$ 67,621
Initial Fees	300,000	422,778	122,778
Investment and Other Income	<u>40,000</u>	<u>156,329</u>	<u>116,329</u>
Total Revenue	840,000	1,146,728	306,728
<b>EXPENSES</b>			
Project Financing Costs	250,000	286,736	(36,736)
Operating Expenses			
Salary and Benefit Costs	316,362	317,845	(1,483)
Professional Services	93,056	80,439	12,617
Depreciation Expense	-	11,815	(11,815)
Other Expenses	<u>128,054</u>	<u>104,273</u>	<u>23,781</u>
Total Expenses	<u>787,472</u>	<u>801,108</u>	<u>(13,636)</u>
Change in Net Position	\$ <u>52,528</u>	\$ <u>345,620</u>	\$ <u>320,364</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, 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 advance refunding of tax-exempt bonds. Since these changes were enacted, it can be concluded that the elimination of advance refunding has dramatically curtailed the Authority's deal flow. After more than a decade of rock bottom interest rates, the rapid rise in interest rates significantly dampened new projects and refundings, resulting in a below average FY 2022-23. Because of the unpredictability of the Authority's financings, the coming fiscal year's budget is conservative, projecting revenues based on only 10 transactions and stable interest rates and investment revenue.

## 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. For faster responses, readers should email questions to [mheller@cecfa.org](mailto:mheller@cecfa.org).

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**

Statements of Net Position  
As Of September 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 462,202	\$ 271,207
Accounts receivable	48,001	61,047
Accrued interest receivable	11,645	10,216
Prepaid expenses and other assets	4,355	4,512
Investments	2,605,559	2,563,782
Total current assets	<u>3,131,762</u>	<u>2,910,764</u>
Noncurrent Assets:		
Investments	2,252,446	2,143,535
Capital assets, net of accumulated depreciation of \$83,690 and \$71,875, respectively	<u>270,674</u>	<u>282,489</u>
Total noncurrent assets	<u>2,523,120</u>	<u>2,426,024</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,654,882</u>	<u>\$ 5,336,788</u>
 <b>LIABILITIES AND NET POSITION</b>		
Current Liabilities:		
Accounts payable	\$ 17,062	\$ 32,064
Accrued expenses	38,061	38,698
Unearned revenue	95,642	107,529
Total current liabilities	<u>150,765</u>	<u>178,291</u>
Net Position:		
Invested in capital assets	270,674	282,489
Unrestricted	5,233,443	4,876,008
Total net position	<u>5,504,117</u>	<u>5,158,497</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 5,654,882</u>	<u>\$ 5,336,788</u>

The accompanying notes are an integral part of the financial statements.

# COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position  
For The Years Ended September 30, 2023 and 2022

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	2023	2022
Operating Revenues:		
Annual service fees	\$ 567,621	\$ 520,553
Initial fees	422,778	989,574
Total operating revenues	990,399	1,510,127
Operating Expenses:		
Project financing costs	286,736	546,384
Operating expense:		
Salaries and benefits	317,845	288,611
Professional services	80,439	92,748
Depreciation expense	11,815	11,815
Other expenses	104,273	110,460
Total operating expenses	801,108	1,050,018
Net operating income	189,291	460,109
Nonoperating Revenue (Expense):		
Gain (loss) on investments	10,671	(2,359)
Unrealized gain (loss) on investments	4,826	(169,075)
Interest income	140,832	42,968
Total nonoperating revenue (expense)	156,329	(128,466)
<b>CHANGE IN NET POSITION</b>	<b>345,620</b>	<b>331,643</b>
Net Position, Beginning Of Year	5,158,497	4,826,854
<b>NET POSITION, END OF YEAR</b>	<b>\$ 5,504,117</b>	<b>\$ 5,158,497</b>

The accompanying notes are an integral part of the financial statements.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**

Statements of Cash Flows  
For The Years Ended September 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from institutions	\$ 991,558	\$ 1,480,863
Cash paid to suppliers	(471,928)	(719,696)
Cash paid to employees	(332,847)	(288,408)
Net cash provided by operating activities	<u>186,783</u>	<u>472,759</u>
Cash flows from investing activities:		
Purchase of investments	(857,191)	(1,279,846)
Proceeds from maturities of investments	722,000	644,000
Interest and dividends received	139,403	37,864
Net cash provided by (used in) investing activities	<u>4,212</u>	<u>(597,982)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>190,995</b>	<b>(125,223)</b>
Cash and Cash Equivalents, Beginning of Year	<u>271,207</u>	<u>396,430</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 462,202</u></b>	<b><u>\$ 271,207</u></b>
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 189,291	\$ 460,109
Adjustments to reconcile net operating income to net cash:		
Depreciation expense	11,815	11,815
(Increase) decrease in accounts receivable	13,046	(35,219)
(Increase) decrease in prepaid expenses and other assets	157	(358)
Increase (decrease) in accounts payable	(15,002)	30,254
Increase (decrease) in accrued expenses	(637)	5,955
Increase (decrease) in unearned revenue	(11,887)	203
Net cash provided by operating activities	<u>\$ 186,783</u>	<u>\$ 472,759</u>

The accompanying notes are an integral part of the financial statements.

# COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Notes To Financial Statements  
For the Years Ended September 30, 2023 and 2022

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## (1) 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, as 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.

(2) **Summary Of 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.

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.

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 annual service fees and initial financing fees. Operating expenses include the related costs of service, and administrative expenses of the Authority.

(2) **Summary Of Significant Accounting Policies** (Continued)

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, including 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 2023 and 2022, the original budget was not amended.

**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 and with the last additional increase effective July 1, 2018.

**Cash Equivalents**

For purposes of the statements 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.

(2) **Summary Of Significant Accounting Policies** (Continued)

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 31 days may be accumulated at any point in time. Accrued paid time off balances are paid upon termination up to the maximum allowed. The Authority's liability related to compensated absences is included in accrued expenses.

Net Position

Net position results from the accumulation of net earnings from operating income and nonoperating revenues and expenses, and are classified in the financial statements as follows:

*Investment in Capital Assets* - The investment in capital assets consists of capital assets, net of accumulated depreciation.

*Restricted* - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. As of September 30, 2023 and 2022, the Authority had no restricted net position.

*Unrestricted* - This classification includes the residual net position that does not meet the classification of "investment in capital assets" or "restricted."

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Subsequent Events

Management has performed an evaluation of subsequent events through January 17, 2024, which is the date the financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements.

(3) **Cash And Investments**

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government, and entities such as the Authority, deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

For deposits, custodial credit risk is the risk that in the event of a bank failure the Authority's deposits might not be returned. Each of these Authority's accounts are either insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized in accordance with the State of Colorado Public Deposit Protection Act. The cash demand deposits are held at financial institutions where deposits are insured up to \$250,000 per institution by the FDIC.

Investments

The Authority's investment policy specifies investment instruments meeting defined rating, maturity and risk criteria, which includes the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

(3) **Cash And Investments** (Continued)

The Authority categorizes its fair value measurements with the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

Level 2 inputs include prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Securities that are categorized as Level 2 include certificates of deposit.

*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’s investment policy limits investment maturities to no longer than 5 years and an average life no longer than 3 years.

As of September 30, 2023, the Authority had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Measurement</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of deposit	\$ 747,707	Fair Value Level 2	None	Less than 1 year
Certificates of deposit	2,252,446	Fair Value Level 2	None	1 - 5 years
CSAFE	1,857,852	Net Asset Value	AAAf	Less than 1 year
Total	<u>\$ 4,858,005</u>			

As of September 30, 2022, the Authority had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Measurement</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of deposit	\$ 791,826	Fair Value Level 2	None	Less than 1 year
Certificates of deposit	2,143,535	Fair Value Level 2	None	1 - 5 years
CSAFE	1,771,956	Net Asset Value	AAAf	Less than 1 year
Total	<u>\$ 4,707,317</u>			

# COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

## (3) Cash And Investments (Continued)

*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, 2023 and 2022, the Authority's investments were concentrated 62% in certificates of deposit and 38% in local government investment pools as described below.

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

	<u>2023</u>	<u>2022</u>
Capital One CDs	\$ -	\$ 373,801
Bankwell Bank CD	-	241,719
Morgan Stanley CD	364,113	228,400
JP Morgan Chase CDs	-	171,532
Sallie Mae Bank CDs	-	156,730

### Local Government Investment Pools

The Authority has invested in the Colorado Surplus Asset Fund Trust (CSAFE) and the CSAFE Core Fund (the "Trusts"). The Trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trusts operate similarly to a money market fund. CSAFE is measure at net asset value per share, with each share valued at \$1.00. CSAFE Core Fund is measure at net asset value per share, with each share valued at \$2.00. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trusts. Both CSAFE and the CSAFE Core Funds are rated AA+ by Fitch Ratings. For CSAFE, there are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. For CSAFE Core Fund, there are no unfunded commitments, the redemption frequency is limited to three redemptions per month with a redemption notice of one business day. On September 30, 2023, the Authority had invested \$353,020 in CSAFE and \$1,504,832 in CSAFE Core Fund. On September 30, 2022, the Authority had invested \$336,888 in CSAFE and \$1,435,068 in CSAFE Core Fund. Combined investment in the Trusts for the year ended September 30, 2023 and 2022, represented 38% of the Authority's total investment portfolio.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**

(4) **Accounts Receivable**

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.

(5) **Capital Assets**

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance September 30, 2022	Additions	(Deletions)	Balance September 30, 2023
Capital Assets, being depreciated				
Building	\$ 354,364	\$	\$	\$ 354,364
Less:				
Accumulated depreciation	(71,875)	(11,815)		(83,690)
Total Capital Assets, Net	<u>\$ 282,489</u>	<u>\$ (11,815)</u>	<u>\$</u>	<u>\$ 270,674</u>

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance September 30, 2021	Additions	(Deletions)	Balance September 30, 2022
Capital Assets, being depreciated				
Building	\$ 354,364	\$	\$	\$ 354,364
Less:				
Accumulated depreciation	(60,060)	(11,815)		(71,875)
Total Capital Assets, Net	<u>\$ 294,304</u>	<u>\$ (11,815)</u>	<u>\$</u>	<u>\$ 282,489</u>

(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.

(7) **Commitments And Contingencies**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, management believes the Authority is exempt from the provisions of the Amendment. In addition, 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.

**Claims and Judgements**

The Authority is named in a legal claim. Management is vigorously defending such matter. Although the outcome of this litigation cannot be predicted with certainty, the Authority expects to prevail and the claim is not expected to result in a material liability which would not be covered by current insurance or have a material effect on the Authority's financial statements.

(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, 2023 and 2022, (latest report available) plus balances of bonds closed between July 1 and September 30, 2023 and 2022, were \$2,656,305,320 and \$2,526,272,001, 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.

(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, and a commercial crime policy for \$10,000. The Authority has not had losses exceeding coverage in the last three years.

(10) **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 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 2023 and 2022 was \$18,542 and \$17,443, 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 2023 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, 2023 and 2022.

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Supplemental Schedule of Budget And Actual Revenues And Expenses  
For The Year Ended September 30, 2023

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Operating Revenues:</b>			
Annual service fees	\$ 500,000	\$ 567,621	\$ 67,621
Initial fees	300,000	422,778	122,778
Total operating revenues	<u>800,000</u>	<u>990,399</u>	<u>190,399</u>
<b>Operating Expenses:</b>			
Project financing costs			
Legal services - bond issues	120,000	184,861	(64,861)
Financial services - bond issues	130,000	101,875	28,125
Total project financing costs	<u>250,000</u>	<u>286,736</u>	<u>(36,736)</u>
Other operating expenses			
Salaries and benefits	316,362	317,845	(1,483)
Professional services	93,056	80,439	12,617
Depreciation expense	-	11,815	(11,815)
Other expenses	128,054	104,273	23,781
Total other operating expenses	<u>537,472</u>	<u>514,372</u>	<u>23,100</u>
Total operating expenses	787,472	801,108	(13,636)
<b>Change in Net Position from Operating Activities</b>	12,528	189,291	204,035
<b>Nonoperating Revenue (Expense):</b>			
Gain (Loss) on investments	-	15,497	15,497
Interest and dividends on investments	40,000	140,832	100,832
Total nonoperating revenue	<u>40,000</u>	<u>156,329</u>	<u>116,329</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 52,528</u>	<u>\$ 345,620</u>	<u>\$ 320,364</u>