

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Basic Financial Statements
For the Years Ended
June 30, 2023 and 2022
(With Independent Auditors' Report Thereon)

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

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Independent Auditor's Report

To the Board of Directors
University of Colorado Hospital Authority

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of University of Colorado Hospital Authority (UCHA), a component unit of University of Colorado Health, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise UCHA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of UCHA as of June 30, 2023 and 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of UCHA 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 opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, UCHA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, on a retroactive basis. Our opinions are not modified with respect to this matter.

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 UCHA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits 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 auditor's 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 audits conducted in accordance with GAAS and *Government 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.

To the Board of Directors
University of Colorado Hospital Authority

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 UCHA'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 UCHA'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 on our consideration of UCHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCHA's internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering UCHA's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 26, 2023

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis Years Ended June 30, 2023, 2022 and 2021 (\$s in thousands)

This discussion and analysis of the financial performance of the University of Colorado Hospital Authority (“UCHA”) provides an overall review of UCHA’s financial activities as of and for the years ended June 30, 2023, 2022 and 2021.

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

Joint Operating Agreement and Integration and Affiliation Agreement

- Effective July 1, 2012, University of Colorado Health (“UCHealth” or the “Health System”) was created through a joint operating agreement with Poudre Valley Health Care Inc. (“PVHS”) and UCHA. Together, UCHA and PVHS are member organizations in UCHealth. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture are members of the obligated group under UCHA’s master trust indenture, and, thereby, pledge their gross revenues to secure each member’s obligations.
- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the “City”) was executed with the purpose of leasing Memorial Health System (“MHS”). Effective October 1, 2012, a sublease agreement was executed with Children’s Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children’s Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City.

Overview of the Basic Financial Statements

- This discussion and analysis is intended to serve as an introduction to UCHA’s basic financial statements, which consist of the enterprise fund, the pension trust fund, the health benefits trust fund, and the University of Colorado Hospital Foundation (the “Foundation”), which is presented as a blended component unit, and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.
- UCHA has two types of funds: an enterprise fund, which accounts for all transactions related to UCHA’s and the Foundation’s business, and fiduciary funds for UCHA’s employee pension plan and health benefits trust.
- The statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHA’s financial health. The statements of net position include all of UCHA’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the periods indicated. The statements of cash flows report the cash provided and used by operating activities as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.
- Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Required supplementary information relates to UCHA’s progress in funding its obligation to provide pension benefits to its employees.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
 Years Ended June 30, 2023, 2022 and 2021
 (\$s in thousands)

Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30 are summarized in Table 1 and are discussed in the following pages.

Table 1
University of Colorado Hospital Authority
Statements of Net Position

	June 30,		
	2023	2022	2021
Current assets	\$ 1,716,841	\$ 1,602,510	\$ 1,653,714
Capital assets, net of accumulated depreciation and amortization	1,245,573	1,100,964	963,271
Non-current assets and other assets	3,748,651	3,482,217	4,309,795
Total assets	<u>6,711,065</u>	<u>6,185,691</u>	<u>6,926,780</u>
Deferred amortization on refundings	12,333	13,283	16,343
Deferred amortization related to pension plan	23,844	28,959	17,558
Total deferred outflows of resources	<u>36,177</u>	<u>42,242</u>	<u>33,901</u>
Total assets and deferred outflows of resources	<u>\$ 6,747,242</u>	<u>\$ 6,227,933</u>	<u>\$ 6,960,681</u>
Current liabilities	\$ 639,759	\$ 651,352	\$ 1,032,307
Long-term liabilities	1,185,313	1,213,538	1,404,427
Total liabilities	1,825,072	1,864,890	2,436,734
Deferred amortization related to pension plan	541	1,178	53,282
Deferred amortization related to lease accounting	1,349	1,495	2,127
Deferred amortization on refunding	10,342	-	-
Total liabilities and deferred inflows of resources	<u>1,837,304</u>	<u>1,867,563</u>	<u>2,492,143</u>
Net position			
Invested in capital assets, net of related debt	852,146	710,906	289,668
Restricted			
Expendable			
Held by trustee for debt service	-	1	99
Restricted by donors	8,869	10,606	13,526
Non-expendable			
Permanent endowments	21,484	21,483	21,479
Unrestricted	4,027,439	3,617,374	4,143,766
Total net position	<u>4,909,938</u>	<u>4,360,370</u>	<u>4,468,538</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,747,242</u>	<u>\$ 6,227,933</u>	<u>\$ 6,960,681</u>

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

At June 30, 2023, UCHA's total net position was \$4,909,938, which is an increase in total net position of \$549,568, or 12.6% from the prior year-end. UCHA classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Net position invested in capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by improved operating performance due to continued strong volumes, revenue enhancements, and continued cost controls.

At June 30, 2023, UCHA's unrestricted cash and investment position, including assets designated for long-term purposes, increased \$257,143 compared to June 30, 2022. Days cash on hand were 456.8 days and net days in accounts receivable were 34.8 as of June 30, 2023.

At June 30, 2022, UCHA's total net position was \$4,360,370, which is a decrease in total net position of \$(108,168) or 2.4% from the prior year end. Net position invested in capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by improved operating performance due to continued strong volumes, revenue enhancements, and continued cost controls.

At June 30, 2022, UCHA's unrestricted cash and investment position, including assets designated for long-term purposes, decreased \$855,390 compared to June 30, 2021. Days cash on hand were 471.0 days and net days in accounts receivable were 41.0 as of June 30, 2022.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
 Years Ended June 30, 2023, 2022 and 2021
 (\$s in thousands)

Financial Analysis and Results of Operations (continued)

Revenues, Expenses and Change in Net Position

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

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

	Fiscal Years Ended June 30,		
	2023	2022	2021
Operating revenue			
Net patient service revenue	\$ 2,825,726	\$ 2,496,273	\$ 2,341,625
Other operating revenue	30,430	23,851	25,190
Total operating revenue	<u>2,856,156</u>	<u>2,520,124</u>	<u>2,366,815</u>
Operating expenses			
Wages, contract labor, and benefits	942,984	852,404	735,070
Supplies	834,382	717,738	654,876
Purchased services and other expenses	691,035	624,391	563,991
Depreciation and amortization	116,664	88,794	83,361
Total operating expenses	<u>2,585,065</u>	<u>2,283,327</u>	<u>2,037,298</u>
Operating income	<u>271,091</u>	<u>236,797</u>	<u>329,517</u>
Non-operating revenues and expenses			
Interest expense	(28,907)	(35,073)	(43,248)
Investment income (loss)	309,119	(358,138)	659,020
Unrealized gain on derivative instruments	5,813	47,288	25,501
Gain on disposal of capital assets	2,987	139	26
Grant revenue	-	9,269	33,401
Other, net	<u>(13,609)</u>	<u>(10,950)</u>	<u>(19,482)</u>
Total non-operating revenue and expenses	<u>275,403</u>	<u>(347,465)</u>	<u>655,218</u>
Income (loss) before contributions	546,494	(110,668)	984,735
Contributions restricted for capital assets and transfers	-	3	183
Contributions restricted, other	<u>3,074</u>	<u>2,497</u>	<u>5,716</u>
Change in net position	549,568	(108,168)	990,634
Net position, beginning of year	4,468,538	4,468,538	3,482,243
Restatement upon adoption of accounting pronouncement	-	-	(4,339)
Net position, beginning of year, as restated	<u>4,360,370</u>	<u>4,468,538</u>	<u>3,477,904</u>
Net position, end of year	<u>\$ 4,909,938</u>	<u>\$ 4,360,370</u>	<u>\$ 4,468,538</u>

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2023 Compared with Year Ended June 30, 2022

- Inpatient volumes, measured in admissions and patient days, increased from 2022. Volumes include all volumes except those associated with the Center for Dependency, Addiction, and Rehabilitation (“CeDAR”) and normal newborns. Admissions increased 5.3% in 2023 compared to 2022. Patient days increased 0.6% in 2023. Medical/surgical admissions increased 6.3% in 2023.
- Outpatient volumes, measured by clinic visits, increased 6.1% in 2023.
- Net patient service revenue was \$2,825,726 in 2023 compared to \$2,496,273 in 2022. The detail of net patient service revenue can be found in Note 3 to the basic financial statements. Year over year increases are due to continued growth in the IP and OP areas due to continued patient demand at UCHA. Total operating revenue consists of net patient revenue and other operating revenue.
- UCHA provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on analysis of direct and indirect costs specific to the procedures performed, the cost of these services was \$52,057 in 2023, an increase of \$15,236 or 41.4% from 2022.
- UCHA maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges. This program reduces uninsured patients’ liabilities to a level more equivalent to insured patients. The self-pay discounts and packages for 2023 were \$172,839, an increase of \$505, or 0.3% over 2022.
- In 2010, the state of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the “Act”) authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. For the year ended June 30, 2023, UCHA was charged \$119,246 in hospital provider fees, an increase of \$11,039, or 10.2% over 2022, and received \$163,742 in disproportionate share revenue as compensation for indigent and uninsured care services, an increase of \$42,078, or 34.6% over 2022.
- UCHA provides programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHA’s uninsured and underinsured patients was \$200,840 in 2023, which is an increase of \$14,607, or 7.8% from 2022 and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.
- Wages, contract labor and benefits expense of \$942,984 was a \$90,580, or 10.6% increase over the 2022 expense. This includes a 9.1% increase in salaries, a .5% decrease in contract labor and a 19.2% increase in benefits.
- Medical and non-medical supplies expense of \$834,382 increased by \$116,644, or 16.3%, in 2023. Purchased services and other expenses of \$691,035 increased over 2022 by \$66,644, or 10.7%.
- Operating expenses were \$2,585,065 in 2023. This was an increase of \$301,738, or 13.2% compared to 2022.
- Operating income was \$271,091 during the fiscal year, which is a 14.5% increase from 2022 operating income of \$236,797. The increase is due to continued patient demand for UCHA services coupled with capacity growth from recent expansions.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2023 Compared with Year Ended June 30, 2022

- According to Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHA’s basic financial statements. Operating income would be \$242,184 in 2023 and \$201,724 in 2022 if interest expense was included as an operating expense.
- Income (loss) before contributions was \$546,494 and \$(110,668) in 2023 and 2022, respectively. Included in non-operating revenue is \$0 and \$9,269 of grant revenue received in 2023 and 2022, respectively, as part of general and targeted distributions of the CARES Act Provider Relief Fund. The remaining amount of non-operating revenue is primarily generated from investment income and an unrealized gain on derivative instruments. The income is offset by interest expense of \$28,907 and \$35,073 for the years ended June 30, 2023 and 2022, respectively. The year-over-year changes were driven by existing market conditions.
- Non-operating gain from UCHA’s investment portfolio was \$309,119 in 2023, an increase of \$667,257 from 2022. Unrealized gain on derivative instruments totaled \$5,813 for fiscal year 2023.
- Other net non-operating expenses were \$13,609 in 2023 primarily due to donations made to the University of Colorado School of Medicine.
- Contribution revenue of \$3,074 was a \$574 increase from 2022 contribution revenue of \$2,500. Beginning in 2018, UCHA entered into an agreement with the University of Colorado School of Medicine to partner in the fundraising process with a portion of monies raised provided to UCHA.

Year Ended June 30, 2022 Compared with Year Ended June 30, 2021

- UCHA continued to experience disruption in operations associated with the impact of the COVID-19 pandemic in the first and second quarter of the fiscal year. Hospital statistics and financial performance recovered in the third and fourth quarter as Colorado COVID-19 trended lower. Staffing created a significant challenge during the year ended 2022. UCHA maintained appropriate staffing during the year through investments in contract labor and market adjustments to maintain current staffing levels.
- Inpatient volumes, measured in admissions and patient days, increased from 2021. Volumes include all volumes except those associated with the Center for Dependency, Addiction, and Rehabilitation (“CeDAR”) and normal newborns. Admissions increased 1.1% in 2022 compared to 2021. Patient days increased 5.4% in 2022. Medical/surgical admissions increased 0.4% in 2022.
- Outpatient volumes, measured by clinic, procedural, ancillary and urgent care visits, increased 6.6% in 2022. The increase in outpatient volumes is due to continued growth in the outpatient practices at UCHA.
- Net patient service revenue was \$2,496,273 and \$2,341,625 in 2022 and 2021, respectively. Year over year increases continue to be impacted by the COVID-19 pandemic in the first two quarters of the current year. Total operating revenue consists of net patient revenue and other operating revenue. The detail of net patient service revenue can be found in Note 3 to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2022 Compared with Year Ended June 30, 2021 (continued)

- UCHA provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on analysis of direct and indirect costs specific to the procedures performed, the cost of these services was \$36,821 in 2022, an increase of \$3,052 or 9.0% from 2021.
- UCHA maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. The self-pay discounts and packages for 2022 were \$172,334, an increase of \$16,190, or 10.4% over 2021.
- For the year ended June 30, 2022, UCHA was charged \$108,207 in hospital provider fees, an increase of \$13,678, or 14.5% over 2021, and received \$121,664 in disproportionate share revenue as compensation for indigent and uninsured care services, an increase of \$6,516, or 5.7% over 2021.
- UCHA provides programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHA's uninsured and underinsured patients for these programs was \$186,233 in 2022, which is an increase of \$30,890, or 19.9% from 2021, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.
- Wages, contract labor and benefits expense of \$852,404 was a \$117,334, or 16.0% increase over the 2021 expense. This includes a 12.5% increase in salaries, a 337.9% increase in contract labor and a 9.9% increase in benefits.
- Medical and non-medical supplies expense of \$717,738 increased by \$62,862, or 9.6%, in 2022. Purchased services and other expenses of \$624,391 increased over 2021 by \$60,400, or 10.7%.
- Operating expenses were \$2,283,327 in 2022. This was an increase of \$246,029, or 12.1%, compared to 2021.
- Operating income was \$236,797 and \$329,517 in 2022 and 2021, respectively. The decrease was due to increased labor costs in 2022 from increased use of contract labor and market adjustments, in addition to increased benefit costs.
- According to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHA's basic financial statements. Operating income would be \$201,724 in 2022 and \$286,269 in 2021 if interest expense was included as an operating expense.
- Non-operating loss from UCHA's investment portfolio was \$358,138 in 2022, a decrease of \$1,017,158 from 2021. Unrealized gain on derivative instruments totaled \$47,288 for fiscal year 2022.
- Non-operating revenue and expenses were \$(347,465) and \$655,218 in 2022 and 2021, respectively. Included in non-operating revenue is \$9,269 and \$33,401 of grant revenue received in 2022 and 2021, respectively as part of general and targeted distributions of the CARES Act Provider Relief Fund. The remaining amount of non-operating revenue is primarily generated from investment income and an unrealized gain on derivative instruments. The income is offset by interest expense of \$35,073 and \$43,248 for the years ended June 30, 2022 and 2021, respectively. The year-over-year changes were driven by existing market conditions.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2022 Compared with Year Ended June 30, 2021

- (Loss) income before contributions was \$(110,668) and \$984,735 in 2022 and 2021, respectively.
- Other net non-operating expenses were \$10,950 in 2022 due to donations made to the University of Colorado School of Medicine.
- Contribution revenue of \$2,500 was a \$3,399 decrease over 2021 contribution revenue of \$5,899. Beginning in 2018, UCHA entered into an agreement with the University of Colorado School of Medicine to partner in the fundraising process with a portion of monies raised provided to UCHA.
- Enacted on March 27, 2020, the CARES Act was established, which authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenues from canceled procedures, and to provide support for related healthcare expenses, such as constructing temporary structures or emergency operation centers, retrofitting facilities, purchasing medical supplies and equipment including personal protective equipment and testing supplies, and maintaining or increasing the workforce. UCHA has recognized \$9,269 and \$33,401 in grant revenue from the CARES Act funds in 2022 and 2021, respectively.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation, amortization and impairment, at June 30, 2023, 2022 and 2021 are summarized in Table 3 and discussed below.

Table 3
University of Colorado Hospital Authority
Capital Assets, Net of Depreciation, Amortization and Impairment

	2023	2022	2021
Land	\$ 2,545	\$ 2,545	\$ 2,026
Buildings and Improvements	934,630	615,151	637,967
Equipment	116,722	70,800	86,374
Right to Use Asset	52,923	37,863	44,831
Construction in progress	<u>138,753</u>	<u>374,605</u>	<u>194,364</u>
Total	<u>\$ 1,245,573</u>	<u>\$ 1,100,964</u>	<u>\$ 965,562</u>

Net capital assets have increased 13.1% from the prior year.

In 2023 there were two capital additions in excess of \$5,000, which included the Anschutz Inpatient Pavilion Tower 3 with spend of \$115,029 and Parking Expansion with a spend of \$20,164. In 2022 there were two capital additions in excess of \$5,000, which were the Anschutz Inpatient Pavilion Tower 3 with spend of \$123,395 and the Parking Expansion with spend of \$16,583. In 2021 there were two capital additions in excess of \$5,000, which were the Anschutz Inpatient Pavilion Tower 3 with spend of \$68,978 and OR Instrument replacement with a spend of \$5,030. The Anschutz Inpatient Pavilion Tower 3 was completed in June 2023.

Ongoing capital requirements are funded from a combination of operating cash and contributions. UCHA's annual capital budget, exclusive of the larger strategic projects, was \$45,097 in 2023 and \$45,781 in 2022. The 2023 and 2022 capital budgets are exclusive of the UCHealth capital allocation. Cash flows related to capital expenditures totaled \$206,824 in 2023 compared to \$185,398 in 2022. Total depreciation expense on capital assets was \$116,664 and \$88,794 in 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
 Years Ended June 30, 2023, 2022 and 2021
 (\$s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt

Long-term debt is summarized in Table 4 and discussed below:

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

	2023	2022	2021
Lease liabilities	\$ 50,649	\$ 40,740	\$ 47,127
SBITA liabilities	783	1,395	-
2011B Revenue Bonds	-	-	93,990
2011C Revenue Bonds	-	-	16,450
2012A Revenue Bonds	-	245,454	249,094
2012B Revenue Bonds	-	-	50,000
2012C Revenue Bonds	87,510	87,510	87,510
2013A Revenue Bonds	-	-	80,000
2013C Revenue Bonds	-	-	57,130
2015D Revenue Bonds	196,375	196,915	197,360
2017A Revenue Bonds	152,075	152,075	152,075
2017B1 Revenue Bonds	57,685	57,685	57,685
2017B2 Revenue Bonds	16,155	23,730	30,995
2017C1C2 Revenue Bonds	-	-	136,575
2018A Revenue Bonds	45,915	45,915	45,915
2018B Revenue Bonds	76,170	76,170	76,170
2018C Revenue Bonds	75,265	75,265	75,265
2019A Revenue Bonds	100,000	100,000	100,000
2019B Revenue Bonds	50,000	50,000	50,000
2019C Revenue Bonds	128,039	132,005	135,970
2019D Revenue Bonds	50,000	50,000	50,000
2022A Bonds Payable	115,283	-	-
2022B Bonds Payable	115,282	-	-
Less current portion	(37,870)	(17,788)	(257,547)
Less long-term debt subject to short-term remarketing arrangements	(211,855)	(219,755)	(227,330)
	<u>\$ 1,067,461</u>	<u>\$ 1,097,316</u>	<u>\$ 1,304,434</u>

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. For more information about outstanding debt, see note 10 to the basic financial statements.

UCHA utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps necessarily involve counterparty credit risk, and UCHA seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. UCHA was party to two floating-to-fixed payer swap agreements tied to the Series 2013A and 2013C Revenue Bonds, which were both terminated in November 2021. UCHealth is party to a total return fixed-to-floating swap agreement tied to the Series 2017A Revenue Bonds. These agreements are used to create synthetic fixed rate bonds by converting the variable rates on those series to a fixed rate, reducing interest rate risk, or reducing the overall cost of capital. Therefore, cash flows on these agreements are recorded as interest expense. These agreements are discussed in greater detail in Note 6 to the basic financial statements.

- In January 2023, UCHealth completed an annual ratings update with Moody's, Standard & Poor's and Fitch Ratings to rate the member organizations. Moody's maintained its UCHA rating at Aa2 Stable. Standard & Poor's maintained its rating at AA Stable. Fitch maintained its UCHA rating at AA Stable.
- In March 2021, UCHA issued forward starting 2022A ("Series 2022A") and Series 2022B ("Series 2022B") direct purchase bonds, in the amount of \$230,565, to refinance the 2012A bonds effective November 2022. Series 2022A and Series 2022B are a fixed rate issuance with interest paid semi-annually and principal according to a mandatory sinking fund redemption schedule beginning in fiscal year 2024. The interest rate for the series 2022A and 2022B bonds is 1.58%. The Series 2022A and Series 2022B bonds have a maturity date of November 2030.
- In September 2021, UCHA paid off Series 2017C-2 Revenue bonds for \$134,450. Citibank, N.A. was the holder of the put bonds at a fixed rate of 2.08%. In November 2021, UCHA also paid off Series 2011B Revenue bonds for \$93,990. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a fixed rate of 3.28%. In November 2021, UCHA also paid off Series 2011C Revenue bonds for \$16,450. PNC Bank was the holder of the direct purchase bonds at a fixed rate of 2.308%. In December 2021, UCHA also paid off Series 2012B Revenue bonds for \$50,000. Citibank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread. In December 2021, UCHA also paid off Series 2013A Revenue bonds for \$77,655. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread. In December 2021, UCHA also paid off Series 2013C Refunding bonds for \$55,295. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread.
- In November 2021, UCHA terminated a fixed payor swap with Wells Fargo Bank, N.A. and a fixed payor swap with PNC Bank, with termination payments totaling \$26,851.
- The maximum debt service coverage ratio was 8.00 at June 30, 2023 compared to 9.97 and 12.99 at June 30, 2022 and 2021 respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 14.5% at June 30, 2023, compared to 16.2% and 19.9% at June 30, 2022 and 2021, respectively, and bond covenants require an indebtedness ratio of less than 65.0%. Financial covenant calculations exclude the impact of GASB statements No. 87, 94 and 96.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Management's Discussion and Analysis
Years Ended June 30, 2023, 2022 and 2021
(\$s in thousands)

Economic Factors and Next Year's Activities and Rates

Demand for inpatient beds at the Anschutz Medical Campus is expected to continue in fiscal year 2024. Denver county and other surrounding counties including Adams and Arapahoe are expected to continue their growth in the future. The challenge and opportunity for UCHA will be to most effectively manage the utilization of available beds to the best advantage of UCHA, University of Colorado School of Medicine, and the community in the coming year.

UCHA expects to maintain a stable payor mix. Continued growth in high-deductible benefit plans is anticipated, creating higher out-of-pocket costs for patients and a greater burden on UCHA in managing receivables. UCHA expects to remain in-network with all major payors in the Denver area in 2023-2024.

Management believes that UCHA's current balance sheet and liquidity remain strong. Management will continue to explore and pursue options and plans to help UCHA continue its growth as Tower III has opened and the hospital continues to build its patient base and medical care opportunities.

Requests for Information

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

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

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Net Position

June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 98,891	\$ 138,024
Patient accounts receivable, less allowances for uncollectible accounts of \$284,355 and \$246,890, respectively	269,252	280,087
Receivables from related parties	951,043	830,089
Receivables from affiliates for debt	33,665	11,135
Other receivables	46,614	28,261
Inventories	55,794	52,654
Prepaid expenses	49,727	42,505
Investments designated for liquidity support	211,855	219,755
Total current assets	<u>1,716,841</u>	<u>1,602,510</u>
Non-current assets		
Restricted investments, bonds	-	1
Restricted investments, other	681	1
Restricted investments and donor pledges	35,149	35,609
Capital assets, net of accumulated depreciation and amortization	1,245,573	1,100,964
Long-term investments	1,340,746	1,094,583
Assets designated for long-term purposes	1,437,614	1,379,601
Other investments	6,000	6,000
Receivable from affiliates for debt	925,199	963,669
Other assets	3,262	2,753
Total non-current assets	<u>4,994,224</u>	<u>4,583,181</u>
Total assets	<u>6,711,065</u>	<u>6,185,691</u>
Deferred Outflows of Resources		
Deferred amortization on refundings	12,333	13,283
Deferred amortization related to pension plan	23,844	28,959
Total deferred outflows of resources	<u>36,177</u>	<u>42,242</u>
Total assets and deferred outflows of resources	<u>\$ 6,747,242</u>	<u>\$ 6,227,933</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Net Position

June 30, 2023 and 2022

(\$s in thousands)

	2023	2022
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 37,870	\$ 17,788
Accounts payable and accrued expenses	224,295	249,673
Accounts payable - construction	25,445	30,005
Accrued compensated absences	31,717	30,916
Accrued interest payable	3,920	4,641
Payables to affiliates	15,972	10,002
Estimated third-party settlements	88,685	88,572
Long-term debt subject to short-term remarketing arrangements	211,855	219,755
Total current liabilities	639,759	651,352
Long-term liabilities		
Long-term debt, less current portion	1,067,461	1,097,316
Net pension liability	115,262	113,385
Other long-term liabilities	2,590	2,837
Total liabilities	1,825,072	1,864,890
Deferred Inflows of Resources		
Deferred amortization related to pension plan	541	1,178
Deferred amortization related to lease accounting	1,349	1,495
Deferred amortization on refunding	10,342	-
Total deferred inflows of resources	12,232	2,673
Total liabilities and deferred inflows of resources	1,837,304	1,867,563
Net Position		
Invested in capital assets, net of related debt	852,146	710,906
Restricted expendable		
Held by trustee for debt service	-	1
Restricted by donors	8,869	10,606
Restricted non-expendable		
Permanent endowments	21,484	21,483
Unrestricted	4,027,439	3,617,374
Total net position	4,909,938	4,360,370
Total liabilities, deferred inflows of resources, and net position	\$ 6,747,242	\$ 6,227,933

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenue		
Net patient service revenue, net of provision for bad debts of \$125,380 and \$97,776, respectively	\$ 2,825,726	\$ 2,496,273
Other operating revenue	<u>30,430</u>	<u>23,851</u>
Total operating revenue	<u>2,856,156</u>	<u>2,520,124</u>
Operating expenses		
Wages, contract labor, and benefits	942,984	852,404
Supplies	834,382	717,738
Purchased services and other expenses	691,035	624,391
Depreciation and amortization	<u>116,664</u>	<u>88,794</u>
Total operating expenses	<u>2,585,065</u>	<u>2,283,327</u>
Operating income	<u>271,091</u>	<u>236,797</u>
Non-operating revenue and expenses		
Interest expense	(28,907)	(35,073)
Investment income (loss)	309,119	(358,138)
Unrealized gain on derivative instruments	5,813	47,288
Gain on disposal of capital assets	2,987	139
Grant revenue	-	9,269
Other, net	<u>(13,609)</u>	<u>(10,950)</u>
Total non-operating revenue and expenses	<u>275,403</u>	<u>(347,465)</u>
Income (loss) before contributions	546,494	(110,668)
Contributions restricted for capital assets and transfers	-	3
Contributions restricted, other	<u>3,074</u>	<u>2,497</u>
Change in net position	549,568	(108,168)
Net position, beginning of year	<u>4,360,370</u>	<u>4,468,538</u>
Net position, end of year	<u>\$ 4,909,938</u>	<u>\$ 4,360,370</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(\$s in thousands)

	2023	2022
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 2,830,388	\$ 2,315,092
Cash payments to suppliers for goods and services	(1,584,537)	(1,365,446)
Cash payments to employees/UCDHSC/other on behalf of employees	(906,409)	(822,373)
Cash payments to affiliates	(133,022)	(121,410)
Other receipts	(14,945)	14,945
Net cash provided by operating activities	<u>191,475</u>	<u>20,808</u>
Cash flows from capital and related financing activities		
Distributions for intercompany bonds	15,940	146,206
Principal payments under lease obligations	(7,532)	(7,328)
Principal repayments of long-term debt	(11,675)	(442,525)
Payments of interest on long-term debt	(33,631)	(40,978)
Capital expenditures	(206,824)	(185,398)
Receipt of contributions	3,074	2,500
Proceeds on disposition of capital assets	(2,584)	139
Net cash used in capital and related financing activities	<u>(243,232)</u>	<u>(527,384)</u>
Cash flows from noncapital financing activities		
Receipt of grant revenue	-	9,269
Net cash provided by noncapital financing activities	<u>-</u>	<u>9,269</u>
Cash flows from investing activities		
Investment income	72,949	145,521
Distributions from joint ventures	-	14
Proceeds from sale and maturities of investments	1,517,998	2,874,617
Purchases of investments	(1,578,323)	(2,693,996)
Net cash provided by investing activities	<u>12,624</u>	<u>326,156</u>
Net decrease in cash and cash equivalents	(39,133)	(171,151)
Cash and cash equivalents, beginning of year	<u>138,024</u>	<u>309,175</u>
Cash and cash equivalents, end of year	<u>\$ 98,891</u>	<u>\$ 138,024</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 271,091</u>	<u>\$ 236,797</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	116,664	88,794
Provision for bad debts	125,380	97,776
Increase in patient accounts receivable	(114,545)	(117,644)
Increase in other receivables and receivables from related parties and affiliates	(177,742)	(130,624)
(Increase) decrease in inventories	(3,490)	2,864
Increase in prepaid expenses and other assets	(7,731)	(930)
Decrease in accounts payable and accrued expenses	(25,028)	(4,385)
Increase (decrease) in estimated third-party settlements	113	(154,469)
Change in net pension liability and pension-related deferred inflows and outflows of resources	6,355	3,723
Change in lease related deferred inflows of assets	(146)	(632)
Increase (decrease) in accrued compensated absences and other long-term liabilities	554	(462)
Total adjustments	<u>(79,616)</u>	<u>(215,989)</u>
Net cash provided by operating activities	<u>\$ 191,475</u>	<u>\$ 20,808</u>

(Continued on the following page)

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(Continued from the previous page)

	<u>2023</u>	<u>2022</u>
Non-cash transactions		
Donated pharmaceuticals	\$ 6,286	\$ 6,844
Leases executed	16,829	2,291
Construction in progress accrued	25,445	20,115
Unrealized gain (loss) on investments	236,631	(503,561)
Unrealized gain on derivative instruments	5,813	47,288

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Fiduciary Net Position – Pension Trust

June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Investments	\$ <u>1,564,116</u>	\$ <u>1,354,890</u>
Net Position		
Held in trust for pension benefits	\$ <u>1,564,116</u>	\$ <u>1,354,890</u>

Statements of Changes in Fiduciary Net Position – Pension Trust

Years Ended June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Additions		
Contributions	\$ <u>145,200</u>	\$ <u>122,900</u>
Investment income (loss)		
Increase (decrease) in fair value of investments	95,315	(214,906)
Interest	14,959	6,450
Dividends and other	<u>7,371</u>	<u>98,450</u>
Investment income (loss)	<u>117,645</u>	<u>(110,006)</u>
Total additions	<u>262,845</u>	<u>12,894</u>
Deductions		
Benefits	48,943	46,954
Administrative expenses	<u>4,676</u>	<u>4,643</u>
Total deductions	<u>53,619</u>	<u>51,597</u>
Change in net position	209,226	(38,703)
Net position, beginning of year	<u>1,354,890</u>	<u>1,393,593</u>
Net position, end of year	\$ <u>1,564,116</u>	\$ <u>1,354,890</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Statements of Fiduciary Net Position – Health Benefits Trust

June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ <u>3,161</u>	\$ <u>3,091</u>
Liabilities		
Unpaid claims	\$ <u>2,779</u>	\$ <u>1,481</u>
Net Position		
Restricted for health benefits	\$ <u>382</u>	\$ <u>1,610</u>

Statements of Changes in Fiduciary Net Position – Health Benefits Trust

Years Ended June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Additions		
Contributions - Employer	\$ 312,891	\$ 293,046
Contributions - Employee	56,837	56,112
Interest income	<u>81</u>	<u>2</u>
Total additions	<u>369,809</u>	<u>349,160</u>
Deductions		
Benefits	359,645	336,826
Administrative expenses	<u>11,392</u>	<u>10,904</u>
Total deductions	<u>371,037</u>	<u>347,730</u>
Change in net position	(1,228)	1,430
Net position, beginning of year	<u>1,610</u>	<u>180</u>
Net position, end of year	\$ <u>382</u>	\$ <u>1,610</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(1) Organization and Mission

The University of Colorado Hospital Authority (“UCHA”) was created pursuant to Section 23-21-503 of the Colorado Revised Statutes and is a political subdivision and body corporate of the State of Colorado. UCHA owns and operates a 738-licensed-bed, non-sectarian, general acute care hospital; the Anschutz Centers for Advanced Medicine, which include the Anschutz Outpatient Pavilion, the Anschutz Inpatient Pavilion 1, the Anschutz Inpatient Pavilion 2, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction, and Rehabilitation (“CeDAR”), and the Rocky Mountain Lions Eye Institute; outlying outpatient primary care clinics; outlying specialty clinics; and the University of Colorado Hospital Foundation (the “Foundation”), collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver (“UCD”), which is comprised of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School, and the School of Public Health. UCHA’s mission is to advance healthcare for its patients and their families through healing, discovery, and education.

Effective July 1, 2012, UCHA entered into a joint operating agreement with Poudre Valley Health Care Inc. (“PVHS”) and University of Colorado Health (“UCHealth” or the “Health System”), a newly formed non-profit corporation (collectively, the “members”), resulting in a joint venture among the organizations. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. As a joint venture, all future operations of UCHA will be combined with PVHS, and, together, these combined operations will be the basis for possible future expansion and diversification of the Health System. Under the joint operating agreement, the members of the joint venture are members of the obligated group under UCHA’s master trust indenture and, thereby, pledge their gross revenues to secure each member’s obligations. UCHA and PVHS are reported as component units of UCHealth in UCHealth’s separately issued basic financial statements.

Subsequent to the formation of the joint venture, UCHealth formed UCH-MHS, a non-profit corporation, for the purpose of acquiring the assets of Memorial Health System. Collectively, PVHS, UCH-MHS, and the Health System are referred to as the “affiliates” of UCHA.

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

The accompanying basic financial statements reflect the operations and financial position of UCHA, its component unit, and its fiduciary (pension trust and health benefits trust) funds. UCHA is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the “Regents”) or any department, commission, board, or agency of the state. Members of UCHA’s Board of Directors (the “Board”) are appointed by the Regents.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

The health benefits trust fund is used to account for assets held in trust for the benefit of the employees of UCHA for the health and welfare benefit plan (the "Health and Welfare Plan"). In accordance with the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the assets and net position of the health and welfare trust fund are presented separately from the enterprise fund. The basic financial statements of the health and welfare trust fund are prepared using the accrual basis of accounting. Employer contributions to the Health and Welfare Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Health and Welfare Plan.

(b) Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows of resources and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(c) Net Position

UCHA's net position is classified as follows:

- *Invested in capital assets, net of related debt* – consists of capital assets net of accumulated depreciation and amortization reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.
- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity.
- *Unrestricted* – consists of the remaining net position that is available for unrestricted use.

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

(d) Cash and Cash Equivalents

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

(e) Investments, Assets Designated for Long-Term Purposes, and Restricted Investments

Investments include undesignated investments.

Assets designated for long-term purposes consist of assets designated by the Board of Directors for purchases of long-term assets and funding of long-term liabilities and commitments. The Board of Directors retains complete control over these assets, and may, at its discretion, subsequently use these assets for other purposes.

Restricted investments include assets restricted by donors and assets held by trustees under bond indenture and insurance agreements.

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

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

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(f) Inventories

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

(g) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. All capital assets are depreciated or amortized over the estimated useful life of each class of assets using the straight-line method. Useful lives for buildings and improvements are 20-40 years, equipment is 3-15 years, and leasehold improvements are 3-20 years. Depreciation expense includes depreciation on assets held and used solely by UCHA in addition to allocated depreciation expense on assets held by the Health System. Capital assets are defined by UCHA as assets with an initial cost of \$5 or more and an estimated useful life in excess of one year.

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

(h) Leases and SBITAs

UCHA obtains the right to use vendors' equipment and real estate through various long-term contracts. UCHA recognizes a lease liability and an intangible right to use asset in the basic financial statements.

UCHA obtains the right to use vendors' information technology software through various long-term contracts referred to as Subscription Based Information Technology Agreements (SBITAs). UCHA recognizes a subscription liability and an intangible right to use asset in the basic financial statements.

At the commencement of an agreement, UCHA initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The right to use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the agreement commencement date, plus initial implementation costs. Subsequently, the assets are amortized on a straight-line basis over the shorter of the useful life of the underlying assets or the agreement terms.

UCHA uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, UCHA generally uses its estimated incremental borrowing rate as the discount rate for the agreements.

The agreement term includes the noncancelable period of the agreement.

UCHA monitors changes in circumstances that would require a remeasurement of its right to use assets and will remeasure the right to use asset and related liability if certain changes occur that are expected to significantly affect the amount of the related liability.

Right to use assets are reported within capital assets, net of accumulated amortization, and related liabilities are reported within long-term debt in the accompanying statements of net position.

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(i) *Compensated Absences*

UCHA employees use paid time off (“PTO”) for vacation, holidays, personal short-term illness, family member illness, and personal absences. Extended illness pay (“EIP”) is used to continue salary during extended absences due to employee medical disability or serious health conditions. UCHA employees generally earned PTO and EIP based on length of service and actual hours worked. Effective June 30, 2013, the EIP program ended with vested hours continuing for active employees. Upon retirement, the liability for each employee's remaining accrued EIP is settled in full at 25% of the remaining balance. Employees who terminate employment prior to retirement forfeit their unused EIP balances. UCHA records PTO expense as it is earned. Accrued EIP is based on amounts estimated to become payable to retirees from UCHA. The current portion of PTO and EIP is based on employee tenure, rate of pay, and accrued hours. Amounts in excess of an employee's annual accrual are classified as long-term liabilities.

(j) *Deferred Amortization on Refundings*

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

(k) *Financial Instruments*

Financial instruments consist of cash and cash equivalents, accounts receivable, restricted investments, long-term investments, assets designated for long-term purposes, interest rate swap agreements, current liabilities, and long-term debt obligations. The carrying amounts reported in the statements of net position for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management’s estimate of the fair value of the other financial instruments is described in Notes 5, 6, and 10 to the basic financial statements.

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

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(l) Endowments

UCHA's endowments consist of individual funds restricted by donors for a variety of purposes. The State of Colorado's Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, UCHA classifies as non-expendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by UCHA. UCHA may spend the net appreciation on the endowment funds based on the individual endowment fund agreements, and considers factors such as duration and preservation of the fund, purposes of the fund, general economic conditions, possible effects of inflation and deflation, expected total return from investment income, and other resources of the Foundation when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments that was available for expenditure at June 30, 2023 and 2022 was \$3,070 and \$4,036, respectively.

(m) Revenue and Expenses

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

(n) Net Patient Service Revenue

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

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

(o) Risk Management

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

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(p) *Income Taxes*

UCHA is a political subdivision and body corporate of the State of Colorado and, as such, the income generated by UCHA in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Code. UCHA also has a determination letter from the IRS, which states that it is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Code. UCHA has recognized a tax liability of \$1,579 and \$1,704 at June 30, 2023 and 2022, respectively, for unrelated business income taxes.

(q) *Pension Trust*

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Basic Pension Plan and additions to/deductions from the Basic Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Basic Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(r) *Health Benefits Trust*

UCHA accounts for its health benefits trust under GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and how those activities should be reported.

(s) *New Accounting Pronouncements*

In May 2020, the GASB issued Statement No. 96, *Subscription Based Information Technology Agreements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right to use subscription asset for SBITAs. UCHA adopted this statement effective July 1, 2021.

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Notes to Basic Financial Statements
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(\$s in thousands)

(2) Summary of Significant Accounting Policies (continued)

(s) New Accounting Pronouncements (continued)

The following schedule shows the impact of the adoption of GASB Statement No. 96 to the line items previously reported in the Statement of Net Position as of June 30, 2022.

	Previously Reported	Restated	Change
Other Receivables	\$ 28,262	\$ 28,261	\$ (1)
Prepaid Expenses	42,772	42,505	(267)
Total Current Assets	\$ 1,602,778	1,602,510	(268)
Capital assets, net of accumulated depreciation and amortization	\$ 1,099,343	\$ 1,100,964	\$ 1,621
Total non-current assets	4,581,560	4,583,181	1,621
Total assets	6,184,338	6,185,691	1,353
Total assets and deferred outflows of resources	\$ 6,226,580	\$ 6,227,933	\$ 1,353
Current portion of long-term debt	17,104	17,788	684
Total current liabilities	650,668	651,352	684
Long-term debt, less current portion	1,096,605	1,097,316	711
Total liabilities	1,863,495	1,864,890	1,395
Total liabilities and deferred inflows of resources	1,866,168	1,867,563	1,395
Invested in capital assets, net of related debt	710,680	710,906	226
Unrestricted net position	3,617,642	3,617,374	(268)
Total net position	4,360,412	4,360,370	(42)
Total liabilities, deferred inflows of resources, and net position	\$ 6,226,580	\$ 6,227,933	\$ 1,353

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
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(2) Summary of Significant Accounting Policies (continued)

(s) New Accounting Pronouncements (continued)

The following schedule shows the impact of the adoption of GASB Statement No. 96 on the previously reported Statement of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2022.

	Previously Reported	Restated	Change
Purchased services and other expenses	625,028	624,391	(637)
Depreciation and amortization	88,123	88,794	671
Total operating expenses	2,283,293	2,283,327	34
Operating income	236,831	236,797	(34)
Interest expense	(35,065)	(35,073)	(8)
Total non-operating revenue and expenses	(347,457)	(347,465)	(8)
Income before distributions and contributions	(110,626)	(110,668)	(42)
Change in net position	(108,126)	(108,168)	(42)
Net position, beginning of year	4,468,538	4,468,538	-
Net position, end of year	\$ 4,360,412	\$ 4,360,370	\$ (42)

In April 2022, the Governmental Accounting Standards Board issued GASB Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, PPPs, SBITAs, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The standard has various effective dates. UCHA is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for UCHA's financial statements for the year ending June 30, 2024. UCHA is currently evaluating the impact this standard will have on the financial statements when adopted.

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
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(2) Summary of Significant Accounting Policies (continued)

(s) New Accounting Pronouncements (continued)

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for UCHA's financial statements for the year ending June 30, 2025. UCHA is currently evaluating the impact this standard will have on the financial statements when adopted.

(3) Net Patient Service Revenue

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

	2023	2022
Gross charges	\$ 12,889,552	\$ 11,497,874
Third-party contractual allowances	(9,779,217)	(8,733,929)
Indigent and charity care	(150,132)	(119,226)
Provision for bad debt	(125,380)	(97,776)
Self-pay packages and other discounts	(172,839)	(172,334)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	163,742	121,664
Net patient service revenue	\$ 2,825,726	\$ 2,496,273

UCHA has programs that receive add-on payments to the established rate or that are paid at a reasonable cost by third-party payors. Amounts received for these additional payments from Medicare, Medicaid, and TriCare programs are subject to audit and retroactive adjustment. Generally, provisions for estimated retroactive adjustments under such programs are provided in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue under the Medicare and Medicaid programs in 2023 and 2022 was \$808,312 and \$750,055, respectively.

(a) Medicare

Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a Diagnostic-Related Group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. UCHA is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by UCHA and audits thereof by the Medicare administrative contractor. UCHA's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with UCHA. UCHA's Medicare cost reports have been audited and settled by the Medicare Administrative Contractor (the "MAC") through June 30, 2018.

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
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(3) Net Patient Service Revenue (continued)

(b) Medicaid

Inpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Prior to October 31, 2016, outpatient services were reimbursed by a combination of fee schedule and a tentative payment rate, with final settlement determined after submission of an annual cost report by UCHA and audits thereof by the Medicaid fiscal intermediary. Beginning October 31, 2016, outpatient services are reimbursed based on the product of a hospital-specific base rate and the Enhanced Ambulatory Patient Group's adjusted relative weight. UCHA's classification of patients under the Medicaid program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with UCHA. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2014.

(c) Other Payors

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

(d) Self-Pay

UCHA maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. Discounts for this program were \$172,839 and \$172,334 in 2023 and 2022, respectively.

(e) Disproportionate Share Hospital and Charity Care Policy

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the years ended June 30, 2023 and 2022, UCHA was charged \$119,246 and \$108,207, respectively, in hospital provider fees and received \$163,742 and \$121,664, respectively, in disproportionate share and Medicaid supplemental payments as compensation for indigent and underinsured care services provided.

Based on an analysis of the direct and indirect costs of the procedures performed, the cost of charity care services provided was \$52,057 and \$36,821 for the years ended June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
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(4) Restricted and Unrestricted Pledges

UCHA records pledges as restricted or unrestricted receivables based on the donors' specifications and UCHA's satisfaction of the donors' restrictions. Long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge.

The current balance of contributions receivable, included in other receivables in the accompanying statements of net position, at June 30, 2023 was \$1,995 (unrestricted) and \$0 (restricted). The current balance of unrestricted contributions receivable at June 30, 2022 was \$1,963 (unrestricted) and \$0 (restricted).

(5) Deposits and Investments

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

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

At June 30, 2023 and 2022, UCHA's unrestricted cash deposits had a book balance of \$98,891 and \$138,024, respectively, and a bank balance of \$139,293 and \$171,408, respectively. UCHA's receivables and investments restricted by donors included cash deposits that had a book and bank balance of \$30,352 and \$32,087 at June 30, 2023 and 2022, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are covered by federal depository insurance up to the applicable maximum, as applicable.

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Notes to Basic Financial Statements
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(5) Deposits and Investments (continued)

The members effectively pool their cash and investments within UCHHealth’s investment account structure to ease the cash and investment functions within the Health System. The balances below as of June 30, 2023 and 2022 reflect UCHA’s share of the cash and investments held at the Health System level.

	June 30, 2023		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	\$ 98,891	\$ -	\$ 98,891
Restricted investments	-	35,830	35,830
Investments designated for liquidity support	-	211,855	211,855
Long-term investments	-	1,340,746	1,340,746
Assets designated for long-term purposes	-	1,437,614	1,437,614
	<u>\$ 98,891</u>	<u>\$ 3,026,045</u>	<u>\$ 3,124,936</u>
	June 30, 2022		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	\$ 138,024	\$ -	\$ 138,024
Restricted investments	-	35,611	35,611
Investments designated for liquidity support	-	219,755	219,755
Long-term investments	-	1,094,583	1,094,583
Assets designated for long-term purposes	-	1,379,601	1,379,601
	<u>\$ 138,024</u>	<u>\$ 2,729,550</u>	<u>\$ 2,867,574</u>

Enterprise fund investments consist of the following:

	June 30,	
	2023	2022
Restricted by trustee under bond agreement	\$ -	\$ 1
Restricted investments, other	681	1
Restricted by donor	35,149	35,609
Designated for liquidity support	211,855	219,755
Long-term investments	1,340,746	1,094,583
Assets designated for long-term purposes	<u>1,437,614</u>	<u>1,379,601</u>
Total investments	<u>\$ 3,026,045</u>	<u>\$ 2,729,550</u>

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
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(5) Deposits and Investments (continued)

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

	June 30,	
	2023	2022
Cash equivalents	\$ 39,146	\$ 46,914
U.S. Treasury bills	158,499	191,368
U.S. government agency, pool, and mortgage-backed securities	198,760	145,497
Asset-backed securities	154,041	140,718
Mutual bond funds	323,211	317,913
Treasury inflation protected securities ("TIPS")	139,646	140,766
Alternative investments	40,983	11,231
Corporate bonds	250,900	302,502
Equity securities	1,697,374	1,422,910
Interest rate swaps	14,116	3,768
Interest and dividends receivable	1,012	521
Miscellaneous investment receivable	8,357	5,442
 Total investments	 \$ 3,026,045	 \$ 2,729,550

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

	June 30,	
	2023	2022
Cash equivalents	\$ 23,680	\$ 18,791
U.S. Treasury bills	92,857	98,970
U.S. government agency, pool, and mortgage-backed securities	82,435	34,019
Asset-backed securities	45,140	25,872
TIPS	43,125	33,198
Corporate bonds	95,986	118,477
Alternative investments	183,402	156,148
Private real estate	133,268	125,643
Mutual bond funds	85,784	66,713
Other mutual funds	789,312	677,789
Interest and dividends (payable) receivable	(46)	7
Miscellaneous investment payable	(10,827)	(737)
 Total investments	 \$ 1,564,116	 \$ 1,354,890

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Notes to Basic Financial Statements
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(5) Deposits and Investments (continued)

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

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 2,836	\$ 3,091

(a) Credit Risk

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

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

The following is a summary of enterprise fund investments at June 30, 2023 and 2022. The ratings are presented as the lower of Standard & Poor’s or Moody’s rating using the S&P scale.

	2023		2022	
	2023 Fair Value	Average Rating	2022 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 198,760	AA+	\$ 145,497	AA+
Asset-backed securities	154,041	AA+	140,718	AA+
Mutual bond funds	323,211	BBB+	317,913	BBB+
TIPS	139,646	AA+	140,766	AA+
Corporate bonds	250,900	BBB+	302,502	BBB+

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Notes to Basic Financial Statements
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(5) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of pension trust fund investments at June 30, 2023 and 2022, with average credit ratings based on the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2023		2022	
	2023 Fair Value	Average Rating	2022 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 82,435	AA+	\$ 34,019	AA+
Asset-backed securities	45,140	AA+	25,872	AA+
Mutual bond funds	85,784	BB-	66,713	BB-
TIPS	43,125	AAA	33,198	AAA
Total corporate bonds	95,986	BBB+	118,477	BBB+

(b) Interest Rate Risk

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

As of June 30, 2023 and 2022, the enterprise fund held the following investments. Modified duration is in years.

	2023		2022	
	2023 Fair Value	Modified Duration	2022 Fair Value	Modified Duration
U.S. Treasury bills	\$ 158,499	10.81	\$ 191,368	8.64
U.S. government agency, pool, and mortgage-backed securities	198,760	6.36	145,497	7.40
Asset-backed securities	154,041	2.30	140,718	2.00
Mutual bond funds	323,211	4.36	317,913	4.36
TIPS	139,646	5.38	140,766	5.93
Corporate bonds	250,900	3.89	302,502	5.56

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Notes to Basic Financial Statements
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(5) Deposits and Investments (continued)

(b) Credit Risk (continued)

As of June 30, 2023 and 2022, the pension trust fund held the following investments. Modified duration is in years.

	2023		2022	
	2023 Fair Value	Modified Duration	2022 Fair Value	Modified Duration
U.S. Treasury bills	\$ 92,857	11.16	\$ 98,970	8.65
U.S. government agency, pool, and mortgage-backed securities	82,435	5.72	34,019	7.62
Asset-backed securities	45,140	3.58	25,872	3.45
Mutual bond funds	85,784	5.50	66,713	5.54
TIPS	43,125	6.70	33,198	5.90
Total corporate bonds	95,986	4.20	118,477	6.22

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Notes to Basic Financial Statements
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(5) Deposits and Investments (continued)

(c) Foreign Currency Risk

UCHA's enterprise and pension trust fund investment policies manage exposure to foreign currency risk by limiting the allocation percentage of international mutual funds to 5-15% of the total fair value for the enterprise fund and 10-30% of the total fair value for the pension trust fund. All of UCHA's investments exposed to foreign currency risk are held in international equities and international mutual funds. UCHA's enterprise and pension trust fund investments are exposed to foreign currency risk as illustrated in the following table as of June 30, 2023 and 2022.

<u>Currency</u>	<u>Enterprise Fund Fair Value</u>		<u>Pension Trust Fund Fair Value</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Argentine Peso	\$ 169	\$ -	\$ 167	\$ -
Australian Dollar	12,631	21,034	10,753	15,786
Bahraini Dinar	(27)	(53)	(48)	(79)
Brazilian Real	8,323	6,896	2,942	4,643
Canadian Dollar	15,214	18,048	14,326	13,356
Chilean Peso	(1,666)	316	(1,842)	559
Chinese Yuan Reminbi	17,608	12,537	18,070	22,964
Chinese Offshore Renminbi	(1,530)	-	-	-
Colombian Peso	954	2,040	908	2,863
Czech Koruna	(2,605)	(1,433)	(4,456)	(2,391)
Danish Krone	7,479	5,906	3,850	3,972
Egyptian Pound	1,167	424	1,656	653
Euro	94,727	70,194	74,546	54,407
Hong Kong Dollar	13,207	12,225	17,069	6,362
Hungarian Forint	(1,489)	2,438	(2,252)	3,681
Indian Rupee	13,921	15,172	14,669	16,143
Indonesian Rupiah	2,076	1,013	1,980	1,099
Israel New Shekel	1,835	(1,422)	2,432	(1,140)
Japanese Yen	75,542	52,080	55,727	43,819
Korean Won	14,840	10,097	12,770	-
Kuwaiti Dinar	9	16	327	224
Malyasian Ringgit	38	394	453	402
Mexican Peso	3,614	4,433	4,830	5,556
New Taiwan Dollar	14,381	1,312	15,780	1,848
New Turkish Lira	5,925	-	8,525	-
New Zealand Dollar	(435)	-	(357)	-
Norwegian Krone	16,603	9,923	187	1,655
Omani Real	(27)	-	(12)	-
Pakistani Rupee	1	1	-	-
Peru Newsol	567	575	1,078	443
Phillipines Peso	2,116	4,382	2,885	5,965
Polish Zloty	(534)	1,277	(1,053)	1,104
Qatari Riyal	(188)	(32)	299	210
Romanian Leu	(16)	2,177	-	3,273
Russian Rouble	1,414	2,243	383	2,529
Saudi Riyal	191	38	1,950	1,511
Serbian Dinar	400	-	-	-
Singapore Dollar	666	(692)	(1,494)	(2,107)
South African Rand	4,923	3,933	3,605	2,307
South Korean Won	-	-	-	10,762
Swedish Krona	6,181	6,329	5,948	4,999
Swiss Franc	24,001	23,666	19,502	19,234
Taiwan New Dollar	-	3,099	-	4,658
Thailand Baht	(189)	(1,389)	515	(328)
Turkish Lira	-	3,308	-	5,201
United Arab Emirates Dirham	991	547	1,626	1,127
United Kingdom Pound Sterling	54,415	47,161	41,654	27,090
	<u>\$ 407,423</u>	<u>\$ 340,213</u>	<u>\$ 329,898</u>	<u>\$ 284,360</u>

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(5) Deposits and Investments (continued)

(d) Concentration of Credit Risk

UCHA's enterprise and pension trust fund investment policies state that the equity and fixed income portfolio should be well-diversified to avoid undue exposure to any single economic sector, industry, or individual security. UCHA has evaluated all investments at June 30, 2023 and confirmed that no more than 5% of total investments are held in any one issuer, except for securities issued by the U.S. government and its agencies.

Additionally, UCHA's enterprise and pension trust fund investment policies state that within each equity investment manager, portfolio exposure is generally limited to 5% to 7.5% of assets for any single issuer, subject to exceptions for the most heavily weighted securities in the index. Within each fixed income portfolio investment manager, except for securities issued by the U.S. government and its agencies, no more than 5% of the fixed income portfolio, based on market value, shall be invested in the securities of any one issuing entity at the time of purchase. At June 30, 2023, the fixed income and equity investment managers were in compliance with the stated diversification policy.

(6) Investments with Fair Values that are Highly Sensitive to Interest Rate Changes

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

During the years ended June 30, 2023 and 2022, UCHA was party to two swap agreements as follows:

- *A fixed-to-floating swap agreement having an original and current notional value of \$152,075, reducing on the dates and the amounts set forth in the Series 2017A bond offering documents describing principal payments.* This agreement was entered into in February 2017. Under the terms of the total return swap agreement, UCHHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHHealth settles with the counterparty semi-annually each May and November. The swap agreement carries a 10-year term. At June 30, 2023 and 2022, this swap had an approximate fair value of \$148 and \$749, respectively.
- *A floating-to-fixed swap agreement having an original and current notional value of \$195,195, reducing on the dates and the amounts set forth in the 2012B, 2012C, and 2017B1 bond series offering documents describing principal payments.* The swap agreement includes a fixed payor rate of 1.971% and UCHA will receive 70% of one-month LIBOR for the entire swap term, which expires November 2046. Settlements are to be made monthly. At June 30, 2023 and 2022, this swap had an approximate fair value of \$13,968 and \$3,019, respectively.

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(6) Investments with Fair Values that are Highly Sensitive to Interest Rate Changes (continued)

Effective July 1, 2023, the London Interbank Offered Rate (“LIBOR”) reference rate associated with the UCHA swaps has been replaced with the Secured Overnight Financing Rate (“SOFR”). As a result, the UCHA LIBOR related swaps will now utilize the “Fallback for ICE LIBOR USD 1 Month” benchmark rate, which is the equivalent of the SOFR rate plus 11.448 bps. Outside of the change to the reference rate benchmark, no other terms associated with the swaps have changed.

The swaps produced annual net cash inflows of \$2,637 for the year ended June 30, 2023 and cash outflows of \$30,221 during the year ended June 30, 2022. Included in the net cash outflows in 2022 is \$26,851 in settlement losses upon termination of swaps, which is treated as a realized investment loss. The other cash flows associated with the floating-to-fixed swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, none of UCHA’s swap agreements qualify as effective hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported within long term investments on the statements of net position and changes in fair value are reported as unrealized gain (loss) on derivative investments on the statements of revenue, expenses, and changes in net position.

(7) Fair Value Measurement

(a) Fair Value Hierarchy

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

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

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

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

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

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(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2023, the enterprise fund held the following financial instruments, by level, within the fair value hierarchy.

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 158,499	\$ -	\$ 158,499	\$ -
U.S. government agency, pool, and mortgage-backed securities	198,760	-	198,760	-
Asset-backed securities	154,041	-	154,041	-
Mutual bond funds	323,211	113,790	209,421	-
TIPS	139,646	72,791	66,855	-
Corporate bonds	250,900	-	250,900	-
Equity securities	1,697,374	869,737	827,631	6
Alternative investments	40,983	-	15,606	25,377
Interest rate swaps	14,116	-	14,116	-
Total investments by fair value level	<u>\$ 2,977,530</u>	<u>\$ 1,056,318</u>	<u>\$ 1,895,829</u>	<u>\$ 25,383</u>

As of June 30, 2022, the enterprise fund held the following financial instruments, by level, within the fair value hierarchy.

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 191,368	\$ -	\$ 191,368	\$ -
U.S. government agency, pool, and mortgage-backed securities	145,497	-	145,497	-
Asset-backed securities	140,718	-	140,718	-
Mutual bond funds	317,913	109,508	208,405	-
TIPS	140,766	73,600	67,166	-
Corporate bonds	302,502	-	302,502	-
Equity securities	1,422,910	731,642	691,262	6
Alternative investments	11,231	-	-	11,231
Interest rate swaps	3,768	-	-	3,768
Total investments by fair value level	<u>\$ 2,676,673</u>	<u>\$ 914,750</u>	<u>\$ 1,746,918</u>	<u>\$ 15,005</u>

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Notes to Basic Financial Statements
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(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2023, the pension trust fund held the following financial instruments, by level, within the fair value hierarchy.

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 92,857	\$ -	\$ 92,857	\$ -
U.S. government agency, pool, and mortgage-backed securities	82,435	-	82,435	-
Asset-backed securities	45,140	-	45,140	-
TIPS	43,125	-	43,125	-
Corporate bonds	95,986	-	95,986	-
Alternative investments	183,402	-	-	183,402
Private real estate	133,268	-	33,481	99,787
Mutual bond funds	85,784	41,464	44,320	-
Equity securities	<u>789,312</u>	<u>401,462</u>	<u>387,850</u>	<u>-</u>
Total investments	<u>\$ 1,551,309</u>	<u>\$ 442,926</u>	<u>\$ 825,194</u>	<u>\$ 283,189</u>

As of June 30, 2022, the pension trust fund held the following financial instruments, by level, within the fair value hierarchy.

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 98,970	\$ -	\$ 98,970	\$ -
U.S. government agency, pool, and mortgage-backed securities	34,019	-	34,019	-
Asset-backed securities	25,872	-	25,872	-
TIPS	33,198	-	33,198	-
Corporate bonds	118,477	-	118,477	-
Alternative investments	156,148	-	-	156,148
Private real estate	125,643	-	37,042	88,601
Mutual bond funds	66,713	37,791	28,922	-
Other Mutual Funds	<u>677,789</u>	<u>346,603</u>	<u>331,186</u>	<u>-</u>
Total investments	<u>\$ 1,336,829</u>	<u>\$ 384,394</u>	<u>\$ 707,686</u>	<u>\$ 244,749</u>

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Notes to Basic Financial Statements
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(7) Fair Value Measurement (continued)

(a) Fair Value Hierarchy (continued)

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

The table below reconciles the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments as disclosed in Note 5.

	June 30,	
	2023	2022
Enterprise fund investments		
Total investments by fair value level	\$ 2,977,530	\$ 2,676,673
Cash equivalents	39,146	46,914
Interest and dividends receivable	1,012	521
Miscellaneous investment receivable	8,357	5,442
Total enterprise fund investments	\$ 3,026,045	\$ 2,729,550
Pension trust fund investments		
Total investments by fair value level	\$ 1,551,309	\$ 1,336,829
Cash equivalents	23,680	18,791
Interest and dividends (payable) receivable	(46)	7
Miscellaneous investment payable	(10,827)	(737)
Total pension trust fund investments	\$ 1,564,116	\$ 1,354,890

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(8) Capital Assets

Capital assets consist of the following at June 30, 2023, 2022, and 2021:

	June 30, 2021	Additions	Transfers	Disposals	June 30, 2022	Additions	Transfers	Disposals	June 30, 2023
Capital assets, not being depreciated									
Land	\$ 2,026	\$ -	\$ 519	\$ -	\$ 2,545	\$ -	\$ -	\$ -	\$ 2,545
Construction in progress	194,364	199,102	(18,861)	-	374,605	151,450	(387,302)	-	138,753
Total capital assets, not being depreciated	196,390	199,102	(18,342)	-	377,150	151,450	(387,302)	-	141,298
Capital assets, being depreciated									
Buildings and improvements	1,001,241	-	7,441	-	1,008,682	-	350,899	-	1,359,581
Fixed and moveable equipment	390,823	9,018	10,993	(498)	410,336	50,840	35,733	(9,380)	487,529
Right to use assets - land	7,290	-	-	-	7,290	-	-	-	7,290
Right to use assets - buildings	62,400	30	-	-	62,430	10,151	-	(12,212)	60,369
Right to use assets - equipment	607	-	-	-	607	6,544	-	-	7,151
Right to use assets - SBITA	2,291	-	-	-	2,291	109	-	-	2,400
Total capital assets, being depreciated	1,464,652	9,048	18,434	(498)	1,491,636	67,644	386,632	(21,592)	1,924,320
Accumulated depreciation, amortization and impairment									
Buildings and improvements	363,274	30,257	-	-	393,531	31,420	-	-	424,951
Fixed and moveable equipment	304,449	35,856	(271)	(498)	339,536	40,593	(12)	(9,310)	370,807
Right to use assets - land	2,488	408	-	-	2,896	408	-	-	3,304
Right to use assets - buildings	25,018	5,799	-	-	30,817	5,832	-	(17,853)	18,796
Right to use assets - equipment	251	121	-	-	372	456	-	-	828
Right to use assets - SBITA	-	671	-	-	670	688	-	-	1,358
Total accumulated depreciation, amortization and impairment	695,480	73,112	(271)	(498)	767,822	79,397	(12)	(27,163)	820,044
Total capital assets, net	\$ 965,562	\$ 135,038	\$ 363	\$ -	\$ 1,100,964	\$ 139,697	\$ (658)	\$ 5,571	\$ 1,245,574

Transfers in the above table include assets transferred between UCHA and other entities within the Health System.

(9) Contractual Arrangements and Concentrations of Credit Risk

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

	June 30,	
	2023	2022
Medicare	27%	28%
Medicaid, including Colorado Access	16%	20%
Managed care	39%	39%
Commercial	2%	2%
Self-pay and medically indigent	12%	8%
Other	4%	4%

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(9) Contractual Arrangements and Concentrations of Credit Risk (continued)

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

(10) Long-Term Debt, Leases, and SBITA Liabilities

Long-term debt consists of the following:

Type	Description	June 30,	
		2023	2022
Direct borrowing	Lease Liabilities	\$ 50,649	\$ 40,740
Direct borrowing	SBITA Liabilities	783	1,395
Direct Placement	Revenue Bonds, Series 2022A, due in installments through fiscal year 2030	115,283	-
Direct Placement	Revenue Bonds, Series 2022B, due in installments through fiscal year 2030	115,282	-
Other Bonds	Revenue Bonds, Series 2019A, due in installments through fiscal year 2050	100,000	100,000
Direct Placement	Revenue Bonds, Series 2019B, due in installments through fiscal year 2049	50,000	50,000
Other Bonds	Revenue Bonds, Series 2019C, due in installments through fiscal year 2048, (inclusive of unamortized premium of \$5,254 and \$9,220 at June 30, 2022 and 2021, respectively).	128,039	132,005
Direct Placement	Revenue Bonds, Series 2019D, due in installments through fiscal year 2049	50,000	50,000
Other Bonds	Revenue Bonds, Series 2018A, due in installments through fiscal year 2031	45,915	45,915
Other Bonds	Revenue Bonds, Series 2018B, due in installments through fiscal year 2036	76,170	76,170
Other Bonds	Revenue Bonds, Series 2018C, due in installments through fiscal year 2040	75,265	75,265
Direct Placement	Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	152,075
Other Bonds	Revenue Bonds, Series 2017B1, due in installments through fiscal year 2040	57,685	57,685
Other Bonds	Revenue Bonds, Series 2017B2, due in installments through fiscal year 2025	16,155	23,730
Direct Placement	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	196,375	196,915
Other Bonds	Revenue Bonds, Series 2012A, due in installments through fiscal year 2043, (inclusive of unamortized premium of \$0 and \$13,023 and net of unamortized discounts of \$0 and \$539 at June 30, 2023 and 2022, respectively)	-	245,454
Direct Placement	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
	Total long-term debt	1,317,186	1,334,859
	Less long-term debt subject to short-term remarketing arrangements	(211,855)	(219,755)
	Less current portion	(37,870)	(17,788)
		<u>\$ 1,067,461</u>	<u>\$ 1,097,316</u>

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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

Changes in long-term debt for the years ended June 30, 2023 are as follows:

2023	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Lease liabilities	Direct Borrowing	Various	\$ 40,740	\$ 16,694	\$ -	\$ (6,785)	\$ 50,649	\$ 3,009
SBITA Liabilities	Direct Borrowing	Various	1,395	135	-	(747)	783	746
Series 2012A	Other Bonds	10/01/12	245,454	(229,410)	(12,484)	(3,560)	-	-
Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
Series 2015D	Direct Placement	09/01/15	196,915	-	-	(540)	196,375	450
Series 2017A	Direct Placement	02/16/17	152,075	-	-	-	152,075	-
Series 2017B-1	Other Bonds	02/16/17	57,685	-	-	-	57,685	-
Series 2017B-2	Other Bonds	02/16/17	23,730	-	-	(7,575)	16,155	7,900
Series 2018A	Other Bonds	07/25/18	45,915	-	-	-	45,915	-
Series 2018B	Other Bonds	07/25/18	76,170	-	-	-	76,170	-
Series 2018C	Other Bonds	07/25/18	75,265	-	-	-	75,265	-
Series 2019A	Other Bonds	10/30/19	100,000	-	-	-	100,000	-
Series 2019B	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
Series 2019C	Other Bonds	10/30/19	132,005	-	(3,966)	-	128,039	-
Series 2019D	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
Series 2022A	Direct Placement	11/15/22	-	115,283	-	-	115,283	12,883
Series 2022B	Direct Placement	11/15/22	-	115,282	-	-	115,282	12,882
Total			<u>\$ 1,334,859</u>	<u>\$ 17,984</u>	<u>\$ (16,450)</u>	<u>\$ (19,207)</u>	<u>\$ 1,317,186</u>	<u>\$ 37,870</u>

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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

Changes in long-term debt for the years ended June 30, 2022 are as follows:

2022	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Lease liabilities	Direct Borrowing	Various	\$ 47,127	\$ -	\$ -	\$ (6,387)	\$ 40,740	\$ 5,429
SBITA liabilities	Direct Borrowing	Various	2,291	-	-	(896)	1,395	684
Series 2011B	Direct Placement	11/09/11	93,990	-	-	(93,990)	-	-
Series 2011C	Direct Placement	11/16/11	16,450	(8,435)	-	(8,015)	-	-
Series 2012A	Other Bonds	10/01/12	249,094	-	(845)	(2,795)	245,454	3,560
Series 2012B	Direct Placement	10/01/12	50,000	(50,000)	-	-	-	-
Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
Series 2013A	Direct Placement	11/18/13	80,000	(77,655)	-	(2,345)	-	-
Series 2013C	Direct Placement	11/18/13	57,130	(55,295)	-	(1,835)	-	-
Series 2015D	Direct Placement	09/01/15	197,360	-	-	(445)	196,915	540
Series 2017A	Direct Placement	02/16/17	152,075	-	-	-	152,075	-
Series 2017B-1	Other Bonds	02/16/17	57,685	-	-	-	57,685	-
Series 2017B-2	Other Bonds	02/16/17	30,995	-	-	(7,265)	23,730	7,575
Series 2017C1C2	Other Bonds	02/16/17	136,575	-	(2,125)	(134,450)	-	-
Series 2018A	Other Bonds	07/25/18	45,915	-	-	-	45,915	-
Series 2018B	Other Bonds	07/25/18	76,170	-	-	-	76,170	-
Series 2018C	Other Bonds	07/25/18	75,265	-	-	-	75,265	-
Series 2019A	Other Bonds	10/30/19	100,000	-	-	-	100,000	-
Series 2019B	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
Series 2019C	Other Bonds	10/30/19	135,970	-	(3,965)	-	132,005	-
Series 2019D	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
Total			<u>\$ 1,791,602</u>	<u>\$ (191,385)</u>	<u>\$ (6,935)</u>	<u>\$ (258,423)</u>	<u>\$ 1,334,859</u>	<u>\$ 17,788</u>

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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

Annual debt service requirements for direct placement bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,215	\$ 11,347	\$ 37,562
2025	31,605	10,880	42,485
2026	40,765	10,291	51,056
2027	41,500	9,640	51,140
2028	29,320	9,105	38,425
2029-2033	80,605	40,265	120,870
2034-2038	61,865	36,665	98,530
2039-2043	128,455	28,257	156,712
2044-2048	253,345	12,379	265,724
2049-2050	<u>72,850</u>	<u>456</u>	<u>73,306</u>
 Total long-term debt payments	 766,525	 <u>\$ 169,285</u>	 <u>\$ 935,810</u>
 Other bonds	 493,975		
Lease liabilities	50,649		
SBITA liabilities	783		
Unamortized net premium and discount	<u>5,254</u>		
 Total carrying amount of long-term debt	 <u>\$ 1,317,186</u>		

Annual debt service requirements for other bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 7,900	\$ 12,320	\$ 20,220
2025	8,255	9,242	17,497
2026	-	7,415	7,415
2027	-	7,415	7,415
2028	12,870	7,264	20,134
2029-2033	76,575	32,080	108,655
2034-2038	105,505	24,203	129,708
2039-2043	76,950	13,198	90,148
2044-2048	105,920	10,245	116,165
2049-2050	<u>100,000</u>	<u>1,457</u>	<u>101,457</u>
 Total long-term debt payments	 <u>\$ 493,975</u>	 <u>\$ 124,840</u>	 <u>\$ 618,815</u>

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Notes to Basic Financial Statements
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(\$s in thousands)

(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

UCHA leases certain assets from various third parties. The assets leased include land, buildings and equipment. Payments are generally fixed monthly. UCHA also leases certain assets that are subsequently subleased by UCHA to a third party. The noncancelable terms of these leasing agreements mature between 2023 and 2038. The discount rates applicable to these leasing arrangements range from 0.34% to 4.00%.

Future principal and interest payment requirements related to UCHA’s lease liabilities at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,998	\$ 1,216	\$ 4,214
2025	6,121	1,073	7,194
2026	6,289	926	7,215
2027	5,913	776	6,689
2028	5,327	630	5,957
2029-2033	19,948	1,353	21,301
2034-2038	<u>4,053</u>	<u>147</u>	<u>4,200</u>
 Total lease payments	 <u>\$ 50,649</u>	 <u>\$ 6,121</u>	 <u>\$ 56,770</u>

UCHA obtains the right to use vendors’ information technology software through various long-term contracts. Payments are generally fixed monthly, quarterly or annually. Subscription asset activity of UCHA is included in Note 8.

Future principal and interest payment requirements related to UCHA’s SBITA liabilities at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 746	\$ 3	\$ 749
2025	<u>37</u>	<u>1</u>	<u>38</u>
 Total SBITA payments	 <u>\$ 783</u>	 <u>\$ 4</u>	 <u>\$ 787</u>

In March 2021, UCHA issued forward starting 2022A (“Series 2022A”) and 2022B (“Series 2022B”) direct purchase bonds, in the amount of \$230,565, to refinance the 2012A bonds effective November 2022. Series 2022A and Series 2022B are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2024. The interest rate for the series 2022A and 2022B bonds is 1.58%. The series 2022A and Series 2022B bonds have a maturity date of November 2030.

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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

In October 2019, UCHA issued Series 2019A Revenue Bonds (“Series 2019A”) in the amount of \$100,000 to finance the construction of the Highlands Ranch Hospital. Series 2019A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2022 and 2021, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In October 2019, UCHA issued Series 2019B Revenue Bonds (“Series 2019B”) in the amount of \$50,000 to finance the construction of the Greeley Hospital. Series 2019B were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Wells Fargo Bank, N.A. is the holder of the bonds at a fixed interest rate of 1.67%. The direct purchase bonds were issued with a ten-year term that will expire October 2029.

In October 2019, UCHA issued Series 2019C Revenue Bonds (“Series 2019C”) in the amount of \$122,785 to fully refinance the Series 2017C-1 Bonds. Series 2019C were issued as 5 year put bonds at a premium. Series 2019C, while subject to a long-term amortization period, are puttable in 2024. Interest is paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule.

In October 2019, UCHA issued Series 2019D Revenue Bonds (“Series 2019D”) in the amount of \$50,000 to finance the construction of the Greeley Hospital. Series 2019D were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 1.67%. The direct purchase bonds were issued with a ten-year term that will expire October 2029.

In July 2018, UCHA issued Series 2018A Revenue Bonds (“Series 2018A”) in the amount of \$45,915 to fully refund PVHS Series 2005A bonds. Series 2018A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2021 and 2020, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In July 2018, UCHA issued Series 2018B Revenue Bonds (“Series 2018B”) in the amount of \$76,170 to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018B were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week, and principal is paid according to a mandatory sinking fund redemption schedule. UCHHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on February 8, 2028 unless extended by the bank.

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Notes to Basic Financial Statements
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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

In July 2018, UCHA issued Series 2018C Revenue Bonds (“Series 2018C”) in the amount of \$75,265 to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018C were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week, and principal is paid according to a mandatory sinking fund redemption schedule. UCHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018C. The Standby Bond Purchase Agreement expires on February 8, 2028 unless extended by the bank.

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

In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds (“Series 2017B”) in the amounts of \$57,685 and \$57,125, respectively, to fully refund UCHA Series 2015B and 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2021 and 2020, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. Within the accompanying statements of net position, receivables from affiliates includes a balance for a portion of amounts associated with Series 2017B.

In September 2015, UCHA issued Series 2015D Revenue Bonds (“Series 2015D”) in the amount of \$200,180 to fully refund UCHA Series 2011A Revenue Bonds. Series 2015D were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. In April 2020, the terms of the bonds were updated to a fixed rate mode of 1.48%. UCHA also extended the original direct placement agreement with Wells Fargo Bank, which will expire April 2027.

In October 2012, UCHA issued Series 2012A Revenue Bonds (“Series 2012A”) to partially finance the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs to lease the Memorial Health System. Series 2012A were issued in the amount of \$272,090 and are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2015. Series 2012A were issued with an original issue premium of \$21,975 and an original issue discount of \$910. The average interest rate for Series 2012A is 4.26%. Within the accompanying statements of net position, receivable from affiliates includes a balance for a portion of amounts associated with Series 2012A. The Series 2012A bonds had an optional redemption date of November 2022, at which time UCHA issued the 2022A and 2022B bonds to refinance and fully defease the 2012A bonds in full. As part of the defeasance, the difference between the reacquisition price and the net carrying amount of the old debt, including unamortized premium and discount, was recognized as a deferred outflow of resources on the statements of net position.

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Notes to Basic Financial Statements
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(10) Long-Term Debt, Leases, and SBITA Liabilities (continued)

In October 2012, UCHA issued Series 2012C Revenue Bonds (“Series 2012C”) in the amount of \$87,510 to fully refund PVHS Series 2005D and 2005E Revenue Bonds. Series 2012C were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. In April 2020, the terms of the bonds were updated to a fixed rate mode of 1.35% with interest paid semi-annually. UCHA also extended the original direct purchase agreement with Wells Fargo Bank, N.A. on Series 2012C, which will expire April 2025. Within the accompanying statements of net position, receivable from affiliates includes a balance for all amounts associated with Series 2012C.

All bonds are secured by a security interest with respect to all gross revenues of the Health System. The UCHA 1997A Master Indenture, as supplemented, requires the Health System to maintain certain financial ratios.

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

During 2023 and 2022, the Health System met all of the financial ratio requirements as follows:

	Requirement	June 30, 2023	June 30, 2022
Days cash on hand	90	308	325
Debt to capitalization percent	< 65%	14%	18%
Maximum debt service coverage	1.50	8.00	10.40

Cash paid for interest in 2023 and 2022 was \$33,631 and \$40,978, respectively.

The fair value of UCHA’s long-term debt is based on the most recent trading price as of June 30, 2023 and 2022, respectively. The fair value of the Revenue Bonds at June 30, 2023 and 2022 was \$1,261,317 and \$1,275,096, respectively.

(11) Self-Insurance Trust

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

The Trust provides coverage to its participants up to statutory limitations relating to malpractice claim immunity for government entities. The coverage is \$387 per claimant and \$1,093 per occurrence for claims arising from activities of covered persons and entities within the state of Colorado. The Trust also provides coverage of \$500 per claimant and \$1,500 per occurrence for claims arising outside the state of Colorado. The Trust contracts with a commercial insurance company to provide \$15,000 per occurrence or aggregate per year for claims in which the limits of governmental immunity do not apply.

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(11) Self-Insurance Trust (continued)

As of June 30, 2023, the Trust had a fund balance of \$4,102, which is net of \$9,986 in reserves for losses and loss adjustment expenses. At June 30, 2023, plan assets exceed the actuarially determined liability. For 2023 and 2022, UCHA recorded premium and administrative expenses of \$821 and \$998, respectively. There were no refunds received during 2023 or 2022.

(12) Health Benefits Trust

UCHA administers its employee dental benefit coverage through the Health Trust of the University of Colorado Hospital Authority (the "Health Trust"). Effective July 1, 2020, UCHA began administering its employee health coverage through the Health Trust. The Health Trust is a self-insurance trust set up for the benefit of eligible employees of the Health System and their eligible dependents. Contributions to the Health Trust were \$369,728 and \$349,158 during the years ending June 30, 2023 and 2022, respectively. UCHA recognized reserves for claims incurred but not yet paid of \$6,669 and \$6,047 at June 30, 2023 and 2022, respectively. Reserves for claims incurred but not yet paid are estimated based upon historical claims experience and actuarial development factors. Actual results could differ from those estimates.

(13) Retirement Plans

UCHA offers four retirement plans: the University of Colorado Hospital Authority Retirement Plan (the "Basic Pension Plan"), the University of Colorado Hospital Authority Fixed Contribution Investment Plan (the "Investment Account"), the University of Colorado Hospital Authority Matching Tax Deferred Annuity Plan (the "Matching Account"), and the University of Colorado Hospital Deferred Compensation Savings Plan (the "457b Plan"). The UCHA Board is the fiduciary of the Basic Pension Plan and has the ability to amend this plan at its sole discretion.

The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The UCHA Board has the authority to establish and amend the benefit provisions of these plans.

(a) Pension Plans

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

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

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Notes to Basic Financial Statements
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

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

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

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

UCHA’s portion of the actuarially computed net periodic pension cost for the Basic Pension Plan for 2023 and 2022 was \$46,985 and \$39,462, respectively. Investment gains (losses) for 2023 and 2022, including interest, dividends, and realized and unrealized gains (losses), were \$117,645 and \$(110,006), respectively.

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Notes to Basic Financial Statements
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

Membership in the Basic Pension Plan consisted of the following at July 1, 2022 and 2021 (dates of the latest actuarial valuations):

	2022	2021
Retirees and beneficiaries receiving benefits	2,576	2,242
Terminated plan members entitled to but not yet receiving benefits	6,407	5,381
Active plan members, includes all participants within the system	28,247	25,933
Total members	37,230	33,556

As a governmental entity, UCHA has considerable flexibility in determining the amount to contribute to the Basic Pension Plan each year. The actuarially determined contribution calculated as part of this report is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the Basic Pension Plan. It is calculated in a manner intended to remain relatively stable, as a percentage of valuation compensation, over time. This stability is intended to facilitate the annual budgeting process and to keep the cost of the Basic Pension Plan manageable. All employees that work at UCHHealth facilities are employees of UCHA; however, UCHA allocates the cost related to the pension to other entities within UCHHealth. The full contributions made for all UCHA employees were \$145,200 and \$122,900 for the years ended June 30, 2023 and 2022, respectively. UCHA's contributions, net of reimbursements from the Health System, to the Basic Pension Plan were \$40,629 and \$35,738 in 2023 and 2022, respectively. UCHA's average contribution rates were 6.39% and 6.46% of annual payroll for the years ended June 30, 2023 and 2022, respectively.

The Hospital's net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022 and 2021, respectively. UCHA utilized update procedures to roll valuation amounts forward to the respective measurement dates using the calculated service and interest cost, actual contributions, and return on plan assets.

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Notes to Basic Financial Statements
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

Additional information as of the latest actuarial valuation date follows:

Valuation date	July 1, 2022 and 2021
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Actuarial assumptions	
i) Discount rate*	6.75%
	For the July 1, 2022 valuation, 3.25% to 8.75%
	For the July 1, 2021 valuation, 3.05% to 7.25%
	with one-time loads for fiscal year ends 2022 and
	2023 of 4.44% and (2.10%), respectively
ii) Projected salary increases*	
iii) Cost of living adjustments**	2.25%

* Includes inflation at 2.25%.

** Cost of living adjustments apply only to those participants who fall under the Rule of 75.

Mortality rates were based on the Sex-distinct Pri-2012 mortality tables with base year 2012, without collar or amount adjustments, using the base mortality improvement scale MP-2019 with generational projections using a 0.75% long-term rate of improvement.

The actuary is required to use assumptions that represent his or her best estimate of future experience under the Basic Pension Plan and are reasonably related to the experience of the Plan. The actuary will monitor the actuarial experience under the Plan in future years in order to judge the continuing appropriateness of these assumptions. The actuarial assumptions used in the valuations were based on the results of an actuarial experience study for the period July 1, 2018 through July 1, 2022.

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Notes to Basic Financial Statements
 Years Ended June 30, 2023 and 2022
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

The long-term rate of return on pension plan investments was determined using a variety of industry accepted practices to determine 10-year estimated ranges of future expected returns for major asset classes. For public equities, a building block approach incorporating inflation, real earnings growth, dividend yield, and re-pricing was used. For fixed income, current yields and credit spreads were used. For the various alternative asset classes, a combination of historical risk premiums, illiquidity premiums and style-specific premiums were used. The arithmetic average forecast returns for each asset class are combined at target asset allocation weights to provide a forecasted geometric (50th percentile) expected return for the plan and are shown below at July 1, 2022 and 2021. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	2023		2022	
	Target Allocation	Arithmetic Expected Return (10-Year Average)	Target Allocation	Arithmetic Expected Return (10-Year Average)
Domestic equity	28%	7.6%	28%	6.6%
International equity	22%	10.7%	22%	8.0%
Fixed income	30%	5.2%	30%	2.8%
Real estate	10%	6.5%	10%	7.2%
Alternative	10%	13.0%	10%	12.4%
	<u>100%</u>		<u>100%</u>	

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(13) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the Health System's net pension liability (asset) for the years ended June 30, 2023 and 2022 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 1,359,129	\$ 1,393,593	\$ (34,464)
Changes for the year			
Service cost	100,439	-	100,439
Interest	99,075	-	99,075
Contributions - employer	-	122,900	(122,900)
Net investment income	-	(110,006)	110,006
Changes in experience	9,269	-	9,269
Changes in assumptions	30,617	-	30,617
Benefit payments	(46,954)	(46,954)	-
Administrative expense	-	(4,643)	4,643
Net changes	<u>192,446</u>	<u>(38,703)</u>	<u>231,149</u>
Balances at June 30, 2022	\$ 1,551,575	\$ 1,354,890	\$ 196,685
Changes for the year			
Service cost	114,551	-	114,551
Interest	112,454	-	112,454
Contributions - employer	-	145,200	(145,200)
Net investment income	-	117,645	(117,645)
Changes in experience	30,223	-	30,223
Changes in assumptions	6,444	-	6,444
Benefit payments	(48,943)	(48,943)	-
Administrative expense	-	(4,676)	4,676
Net changes	<u>214,729</u>	<u>209,226</u>	<u>5,503</u>
Balances at June 30, 2023	\$ 1,766,304	\$ 1,564,116	\$ 202,188

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Notes to Basic Financial Statements
 Years Ended June 30, 2023 and 2022
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

UCHA's portion of the net pension liability as of June 30, 2023 and 2022, totaled \$115,262 and \$113,385, respectively.

The pension plan's fiduciary net position as a percentage of the total pension liability was 88.6% and 87.3% as of June 30, 2023 and 2022, respectively.

The following presents the net pension liability (asset) of UCHA, calculated using the discount rate of 6.75%, as well as what UCHA's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Net pension liability (asset)			
June 30, 2023	\$ 467,849	\$ 202,188	\$ (14,657)
June 30, 2022	428,670	196,685	6,877

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Notes to Basic Financial Statements
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(\$s in thousands)

(13) Retirement Plans (continued)

(a) Pension Plans (continued)

For the years ended June 30, 2023 and 2022, UCHA recognized pension expense of \$46,690 and \$38,807, respectively. At June 30, 2023 and 2022, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2023		
Differences between expected and actual experience	\$ 12,894	\$ -
Changes in assumptions	7,947	541
Net difference between projected and actual earnings on pension plan investments	3,003	-
Total	\$ 23,844	\$ 541
June 30, 2022		
Differences between expected and actual experience	\$ 10,380	\$ -
Changes in assumptions	9,586	1,178
Net difference between projected and actual earnings on pension plan investments	8,993	-
Total	\$ 28,959	\$ 1,178

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

Year Ending June 30,

2024	\$ 5,467
2025	3,251
2026	15,287
2027	(702)
	\$ 23,303

UCHA has made all required contributions to the pension plan for the year ended June 30, 2023.

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Notes to Basic Financial Statements
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(13) Retirement Plans (continued)

(a) Pension Plans (continued)

At June 30, 2023 and 2022, UCHA had two and three state employees, respectively. State employees are participants in a defined benefit pension plan of PERA, a cost-sharing multi-employer pension trust. Benefits are based upon length of service and compensation earned by the employee during the highest three years of service. UCHA has made contributions to PERA in accordance with actuarially determined funding amounts. Pension expense related to state employees was \$26 and \$39 for 2023 and 2022, respectively. Required contributions during fiscal years 2023 and 2022 were \$26 and \$39, respectively. UCHA contributed 100% of each year's required contribution. As UCHA's proportionate share of PERA's net pension liability is insignificant, detailed disclosures regarding this plan are not included in this report. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(b) Investment Account

The Investment Account is a qualified, single-employer defined contribution retirement plan under the provisions of Code Section 401(a). Employees are required to contribute 6.2% of their gross compensation (limited to the OASDI wage base), which is equivalent to what their OASDI contributions would be under FICA participation. Employees are always fully vested in this component of the plan. Total compensation subject to the plans for the years ended June 30, 2023 and 2022 was \$597,347 and \$551,654, respectively. Total employee contributions made under the provisions of this plan were \$34,359 and \$32,269 for the years ended June 30, 2023 and 2022, respectively. This represents 5.75% of the current year's payroll. In accordance with Code regulations, UCHA is required to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHA were \$269 and \$231 in 2023 and 2022, respectively.

(c) Matching Account

The Matching Account is a single-employer, tax-deferred annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. In addition, UCHA will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, UCHA's matching contributions are subject to a five-year, graduated vesting schedule. Certain part-time employees are not eligible for UCHA matching contributions. UCHA's matching contributions for 2023 and 2022 were \$10,703 and \$10,731, respectively. Employees may elect from two investment companies, Fidelity Investments and TIAA-CREF, who provide a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Employee contributions to the Matching Account for 2023 and 2022 were \$27,758 and \$26,402, respectively.

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(13) Retirement Plans (continued)

(d) 457b Plan

The 457b Plan is a single-employer, tax-deferred plan under the provisions of Code Section 457. The TIAA-CREF 457b Plan became effective in February 2005, and the Fidelity 457b Plan became effective in January 2011, whereby employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. Employees are always vested 100% in their contributions, and UCHA does not contribute to this plan. Employees may elect from a broad array of mutual funds with their respective investment companies. Employee contributions to the TIAA-CREF 457b Plan for 2023 and 2022 were \$33 and \$100, respectively. Employee contributions to the Fidelity 457b Plan in 2023 and 2022 were \$2,929 and \$2,415, respectively.

The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans.

(e) Other Post-Employment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a post-retirement medical premium subsidy to employees retiring from UCHA who are covered under the PERA benefit guarantee provision of the state of Colorado legislation creating UCHA. This plan provides a medical premium subsidy of up to \$0.112 per month for medical plan coverage (pro-rated for less than 20 years of service) and an employer-funded life insurance benefit of \$3. An employer-funded life insurance benefit is provided to all employees who retire from UCHA. The accumulated post-retirement benefit obligation for the medical and life premiums was \$1,950 and \$2,245 at June 30, 2023 and 2022, respectively. Total benefit costs related to this plan were \$(96) and \$(417) for the years ended June 30, 2023 and 2022, respectively. In the calculation of the liability, an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan was used. The discount rate used to measure the liability was 3.65% and 3.54% at June 30, 2023 and 2022, respectively.

(14) Related-Party/Affiliate Transactions

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

(a) University of Colorado Health

Effective July 1, 2012, UCHealth was created through a joint operating agreement with PVHS and UCHA. Together, UCHA and PVHS are member organizations in the Health System. UCHealth received its 501(c)(3) designation from the IRS on June 29, 2013. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions.

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

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(14) Related-Party/Affiliate Transactions (continued)

(a) *University of Colorado Health (continued)*

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

UCHA statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows include transactions among UCHealth's members and affiliates.

Total current assets at June 30, 2023 and 2022 include a receivable from affiliates that is comprised of amounts due from UCH-MHS for the Series 2022A and Series 2022B proceeds related to the acquisition of MHS of \$25,765 and \$3,560, respectively, and amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of \$7,900 and \$7,575, respectively. At June 30, 2023 and 2022, current assets also included \$948,805 and \$828,138, respectively, related to transactions between UCHA and its affiliates.

Total non-current assets at June 30, 2023 and 2022 include receivables from affiliates that comprise amounts due for the Series 2012A, Series 2012C, Series 2017A, Series 2017B, Series 2017C, 2022A and 2022B bond issuances related to ongoing capital expenditures, the acquisition of MHS, and the refinancing of PVHS Revenue Bonds. At June 30, 2023 and 2022, the total receivable was \$925,199 and \$963,669, respectively.

UCHA and affiliates effectively pool their investments within the Health System's investment account structure. UCHA's share of pooled cash at June 30, 2023 and 2022 was \$98,711 and \$137,736, respectively. UCHA's share of pooled investments at June 30, 2023 and 2022 was \$2,961,068 and \$2,676,609, respectively.

(b) *UCD*

UCD and UCHA have developed an Institutional Master Plan (the "Master Plan") to create a new academic health sciences center over the next 20 to 50 years on the Anschutz Medical Campus. The Master Plan has been approved by the Regents, UCHA, and the Colorado Commission on Higher Education. The Regents and UCHA entered into a ground lease in 1998 for 18.4 acres of the property acquired by the Regents pursuant to the quitclaim conveyance from the United States Department of Education. Subsequent agreements have been executed between these parties to provide additional land to UCHA, which has been used to continue development of the Anschutz Medical Campus. As a result, UCHA has expanded its facilities with an office tower, parking garages and inpatient towers.

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

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(14) Related-Party/Affiliate Transactions (continued)

(b) UCD (continued)

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid \$73,085 and \$71,687 for these services, which are recorded in purchased services and other expenses in 2023 and 2022, respectively.

UCHA has also entered into contracts with the Regents for the provision of services to UCD, including clinic services, research projects, infrastructure expense, and other items. Reimbursements of \$1,144 and \$1,790 were recognized in other operating revenue for these services during 2023 and 2022, respectively.

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of \$1,075 and \$842 were billed to CRC for the cost of these services during 2023 and 2022, respectively, and were recognized in other operating revenue. Amounts due from UCD, including CRC, were \$979 and \$715 at June 30, 2023 and 2022, respectively, and are included in related-party receivables on the statements of net position. UCHA recorded amounts due to UCD of \$2,162 and \$1,916 at June 30, 2023 and 2022, respectively, for contract labor costs and School of Pharmacy support expenses.

Effective July 1, 2014, UCHealth entered into a five-year academic support agreement with the University of Colorado School of Medicine, which was subsequently amended to extend it with rolling three-year terms requiring written notice of nonrenewal no later than June 30 of each year if UCHealth is not going to renew 24 months from the date of the notice. The agreement provides that UCHealth make annual academic support donations to enhance the ability of the School of Medicine to fulfill its academic missions of educating students in health-related disciplines and professions and furthering basic and applied biomedical research. UCHA's portion of the academic support donation for the years ended June 30, 2023 and 2022 was \$6,990 and \$7,705, respectively. In November 2018, the Regents and UCHealth entered into a Second Amendment to the Multi-Year Academic Support Agreement which provides an additional, non-terminable (absent mutual consent) academic missions support donation to the University of Colorado Foundation for the benefit of the School of Medicine for funding as expenses are actually incurred in future years, plus additional amounts based on a formula set forth in the Second Amendment. UCHA's portion of total payments to the University of Colorado Foundation for the benefit of the School of Medicine were \$14,322 and \$12,038 for the years ended June 30, 2023 and 2022, respectively.

(c) TriWest

TriWest was formed to deliver healthcare services to eligible beneficiaries of TriCare within certain specified geographic regions. UCHA originally purchased a minority interest in TriWest for \$3,300. In October 2007, UCHA sold 1,656.55 shares for \$18,053 to TriWest. After the sale, CU Medicine had a 60% share of UCHA's minority interest in TriWest. In March 2014, TriWest restructured its ownership, resulting in UCHA and CU Medicine selling their stock back to TriWest and receiving new stock valued at \$9,250. Based on this restructuring, CU Medicine has a 35% share of UCHA's minority interest in TriWest, valued at \$3,250.

UCHA's investment is accounted for under the cost method and is valued at \$6,000 at June 30, 2023 and 2022.

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Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(14) Related-Party/Affiliate Transactions (continued)

(d) CU Medicine

During the years ended June 30, 2023 and 2022, UCHA recognized \$176,540 and \$160,382, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support. UCHA also recognized expenses of \$33,027 and \$27,122 during the years ended June 30, 2023 and 2022, respectively, that represent reimbursements channeled through UCHA by external entities for services provided by CU Medicine on behalf of those external entities (e.g., Ryan White program) and for reimbursements for hospital-based programs for services provided by CU Medicine on behalf of UCHA (e.g., on-call services, joint networking, administrative, and other miscellaneous programs).

UCHA recorded payables to CU Medicine of \$15,858 and \$9,985 at June 30, 2023 and 2022, respectively, for various contract labor and provider support expenses.

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

(e) The Children's Hospital

In July 2010, UCHA began a joint maternal fetal program in conjunction with Children's Hospital Colorado ("CHCO") to establish a center for advanced maternal fetal medicine offering state-of-the-art care for high-risk pregnant women and their babies.

The program is defined in an operating agreement that details the cost and revenue sharing between the two hospitals. UCHA has recorded a related-party payable to CHCO at June 30, 2023 and 2022, of \$40,390 and \$42,577, respectively.

(f) Other Related Parties

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

(15) Commitments and Contingencies

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

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

Notes to Basic Financial Statements
Years Ended June 30, 2023 and 2022
(\$s in thousands)

(15) Commitments and Contingencies (continued)

UCHealth is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these legal actions will not have a material effect on the financial position of UCHealth.

UCHA has entered into contracts for significant new construction and expansion projects it is currently undertaking. At June 30, 2023, UCHA has committed contract expenditures for these significant projects of \$54,327.

(16) COVID Relief Funding

On March 11, 2020, the World Health Organization declared the COVID-19 respiratory disease outbreak as a global pandemic. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Beginning in fiscal year 2020, UCHA's operations were significantly impacted as a result of the pandemic. UCHA experienced staffing shortages, varying volumes, rising costs to retain and attract employees, among other ramifications.

The CARES Act was enacted on March 27, 2020 and authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and maintaining or increasing the workforce. These CARES Act funds were distributed to qualifying healthcare entities through various general and targeted distributions. There was also an additional \$8.5 billion in funds appropriated under America Rescue Plan (ARP) Act of 2021, which began being distributed in December 2021 to eligible health care providers.

During the years ended June 30, 2023 and 2022, UCHA received payments of \$0 and \$9,269, respectively, as part of general and targeted distributions of the CARES Act Provider Relief Fund and American Rescue Plan (ARP) Rural Payments. These payments are not subject to repayment, provided UCHA is able to attest to and comply with the terms and conditions of the funding including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and American Rescue Plan (ARP) programs and the impact of the pandemic on UCHA's operating results through June 30, 2023, UCHA believes that they have complied with the applicable terms and conditions required to retain the funds as of June 30, 2023 and 2022. Therefore, UCHA has recognized \$9,269 as grant revenue on the statement of revenue, expenses, and changes in net position for the year ended June 30, 2022.

HHS' requirements for the uses of the Provider Relief Fund and the American Rescue Plan (ARP) payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as revenue during the year ended June 30, 2022. If UCHA is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

June 30, 2023 and 2022
(\$s in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 114,551	\$ 100,439	\$ 92,812	\$ 86,205	\$ 82,862	\$ 84,811	\$ 63,156	\$ 57,110	\$ 49,411	\$ 50,305
Interest	112,454	99,075	86,477	77,822	63,593	56,967	50,527	44,575	37,092	29,718
Plan changes	-	-	-	-	(38,743)	-	-	-	10,490	-
Difference in expected and actual experience	30,223	9,269	12,337	7,101	42,206	7,291	2,020	4,388	15,584	-
Changes in assumptions	6,444	30,617	25,260	(8,153)	(1,159)	(8,788)	-	(6,213)	37,858	-
Benefits payments	(48,943)	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)
Other	-	-	-	-	-	-	-	714	(713)	-
Net change in total pension liability	214,729	192,446	177,811	130,246	105,936	119,367	96,239	86,527	137,534	70,202
Total pension liability - beginning	1,551,575	1,359,129	1,181,318	1,051,072	945,136	825,769	729,530	643,003	505,469	435,267
Total pension liability - ending (a)	<u>\$ 1,766,304</u>	<u>\$ 1,551,575</u>	<u>\$ 1,359,129</u>	<u>\$ 1,181,318</u>	<u>\$ 1,051,072</u>	<u>\$ 945,136</u>	<u>\$ 825,769</u>	<u>\$ 729,530</u>	<u>\$ 643,003</u>	<u>\$ 505,469</u>
Plan fiduciary net position										
Contributions - employer	\$ 145,200	\$ 122,900	\$ 113,027	\$ 101,800	\$ 91,812	\$ 79,213	\$ 74,356	\$ 68,000	\$ 66,184	\$ 56,311
Net investment (loss) income	117,645	(110,006)	310,588	39,464	40,057	56,395	78,610	(476)	12,212	56,354
Benefits payments	(48,943)	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)
Administrative expense	(4,676)	(4,643)	(3,873)	(3,025)	(4,175)	(2,251)	(1,746)	(1,464)	(1,453)	(794)
Net change in plan fiduciary net position	209,226	(38,703)	380,667	105,510	84,871	112,443	131,756	52,013	64,755	102,050
Plan fiduciary net position - beginning	1,354,890	1,393,593	1,012,926	907,416	822,545	710,102	578,346	526,333	461,578	359,528
Plan fiduciary net position - ending (b)	<u>\$ 1,564,116</u>	<u>\$ 1,354,890</u>	<u>\$ 1,393,593</u>	<u>\$ 1,012,926</u>	<u>\$ 907,416</u>	<u>\$ 822,545</u>	<u>\$ 710,102</u>	<u>\$ 578,346</u>	<u>\$ 526,333</u>	<u>\$ 461,578</u>
UC Health's net pension liability (asset) - ending (a) - (b)	<u>\$ 202,188</u>	<u>\$ 196,685</u>	<u>\$ (34,464)</u>	<u>\$ 168,392</u>	<u>\$ 143,656</u>	<u>\$ 122,591</u>	<u>\$ 115,667</u>	<u>\$ 151,184</u>	<u>\$ 116,670</u>	<u>\$ 43,891</u>
Plan fiduciary net position as a percentage of total pension liability	88.6%	87.3%	102.5%	85.7%	86.3%	87.0%	86.0%	79.3%	81.9%	91.3%
Covered payroll	\$ 2,273,099	\$ 1,902,882	\$ 1,770,242	\$ 1,674,977	\$ 1,476,241	\$ 1,193,744	\$ 1,059,420	\$ 940,375	\$ 862,612	\$ 807,135
Net pension liability as a percentage of covered payroll	8.9%	10.3%	-1.9%	10.1%	9.7%	10.3%	10.9%	16.1%	13.5%	5.4%

Note to Schedule:

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

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

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

The assumed rates of mortality were updated in 2020 by incorporating the Pri-2012 mortality tables with base year 2012 using the base mortality improvement scale MP-2019 with generational projections using a 0.75% long-term rate of improvement. This change decreased the present value of projected benefits by \$8,153 in 2020.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

June 30, 2023 and 2022
(\$s in thousands)

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

Note to Schedule (continued):

The discount rate was reduced from 7.0% to 6.75% in 2021. The projected salary increases were changed to a range of 3.05% to 7.25% in 2021. The cost of living adjustment rate was reduced to 2.25% in 2021. These changes increased the present value of projected benefits by \$25,260 in 2021.

Based on the results of an experience study, retirement and termination rates, salary increase rates, and the assumption regarding election of form of payment upon retirement were updated in 2023. These changes increased the present value of projected benefits by \$6,444.

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June 30, 2023 and 2022
(\$s in thousands)

**Schedule of Contributions
(Last 10 Fiscal Years)**

	Actuarially Determined Contribution	Actual Contributions	Contribution Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 145,195	\$ 145,200	\$ 5	\$ 2,273,099	6.39%
2022	\$ 119,905	\$ 122,900	\$ 2,995	\$ 1,902,882	6.46%
2021	\$ 113,027	\$ 113,027	\$ -	\$ 1,770,242	6.38%
2020	\$ 101,598	\$ 101,800	\$ 202	\$ 1,674,977	6.08%
2019	\$ 91,812	\$ 91,812	\$ -	\$ 1,476,241	6.22%
2018	\$ 79,213	\$ 79,213	\$ -	\$ 1,193,744	6.64%
2017	\$ 74,356	\$ 74,356	\$ -	\$ 1,059,420	7.02%
2016	\$ 67,969	\$ 68,000	\$ 31	\$ 940,375	7.23%
2015	\$ 66,184	\$ 66,184	\$ -	\$ 862,612	7.67%
2014	\$ 56,311	\$ 56,311	\$ -	\$ 807,135	6.98%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Investment rate of return	In the 2020 and later valuations, 6.75%, includes inflation at 2.25%. In the 2019 and prior valuations, 7.0%, includes inflation at 2.5%
Projected salary increases	In the 2022 valuation, 3.25% to 8.75%, with a one time load for FYE 2023 of (2.10%). In the 2021 and 2020 valuations, 3.05% to 7.25%, with one time loads for FYE 2022 and 2023 of 4.44% and (2.10%), respectively. In the 2019 and prior valuations, 3.3% to 7.5%
Cost of living adjustments	In the 2020 and later valuations, 2.25%. In the 2019 and prior valuations, 2.5%
Mortality	In the 2019 and later valuations, mortality rates are based on the Pri-2012 mortality table adjusted for the MP-2019 mortality improvement scale. In the 2018 actuarial valuation, mortality rates are based on the RP-2014 mortality table adjusted for the MP-2018 mortality improvement scale. In the 2017 actuarial valuation, mortality rates were based on the RP-2014 mortality table adjusted for the MP-2017 mortality improvement scale. In the 2016 and 2015 actuarial valuation, mortality rates were based on the RP-2014 mortality table. In prior years, those assumptions were based on the RP-2000 mortality table.

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

June 30, 2023 and 2022

(\$s in thousands)

Schedule of Pension Plan Investment Returns

<u>Year Ending June 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2023	8.70%
2022	-8.30%
2021	28.50%
2020	4.70%
2019	5.10%
2018	7.80%
2017	13.10%
2016	-0.90%
2015	2.40%
2014	15.00%

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
University of Colorado Hospital Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of University of Colorado Hospital Authority (UCHA) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which comprise UCHA's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCHA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UCHA's internal control. Accordingly, we do not express an opinion on the effectiveness of UCHA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of UCHA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCHA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
University of Colorado Hospital Authority

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCHA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCHA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

September 26, 2023