
University of Colorado Health

Financial Report
June 30, 2025

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Independent Auditor's Report

To the Board of Directors
University of Colorado Health

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 Health (UCHealth) as of and for the years ended June 30, 2025 and 2024 and the related notes to the basic financial statements, which collectively comprise UCHealth'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 UCHealth as of June 30, 2025 and 2024 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 UCHealth 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.

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 UCHealth'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 Health

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 UCHealth'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 UCHealth'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 24, 2025 on our consideration of UCHealth'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 UCHealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCHealth's internal control over financial reporting and compliance.

Plante & Moreau, PLLC

September 24, 2025

Management's Discussion and Analysis

This discussion and analysis of the financial performance of University of Colorado Health (UCHealth or the "Health System") provides an overall review of UCHealth's financial activities as of and for the years ended June 30, 2025, 2024, and 2023. Unless otherwise indicated, dollars are in thousands.

The management's discussion and analysis (MD&A) is designed to focus on the current fiscal year while providing comparison information for the previous fiscal years, resulting changes, and currently known facts; therefore, please read it in conjunction with the Health System's basic financial statements and related notes.

UCHealth Overview

Effective July 1, 2012, UCHealth was created through a joint operating agreement with Poudre Valley Health Care Inc. (PVHS) and the University of Colorado Hospital Authority (UCHA). Together, UCHA and PVHS are member organizations in UCHealth. 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 revenue 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, Colorado (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 percent 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.

Through new builds and acquisitions in years past, as of 2025, UCHealth now also includes Longs Peak Hospital, Highlands Ranch Hospital, Greeley Hospital, Yampa Valley Medical Center, Broomfield Hospital, Grandview Hospital, Pikes Peak Regional Hospital, Parkview Medical Center (Parkview), and additional ambulatory care settings.

UCHealth entities pool their respective revenue 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.

Overview of the Basic Financial Statements

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

UCHealth has two types of funds: an enterprise fund that accounts for all transactions related to UCHealth hospitals, physician groups, ambulatory care operations, and the foundations' business and fiduciary funds for UCHA's employee pension plan and health benefits trust. The health benefits trust fund was closed during fiscal year 2024.

The statement of net position; statement of revenue, expenses, and changes in net position; and statement of cash flows are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHealth's financial health. The statement of net position includes all of UCHealth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statement of revenue, expenses, and changes in net position reports all of the revenue and expenses during the periods indicated. The statement of cash flows reports 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.

Management's Discussion and Analysis (Continued)

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

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: Statement of Net Position

	2025	2024	2023
Assets			
Current assets	\$ 1,754,912	\$ 1,876,002	\$ 1,448,491
Capital assets - Net	4,582,453	4,391,508	3,921,964
Other noncurrent assets	7,460,764	6,572,473	5,611,452
Total assets	13,798,129	12,839,983	10,981,907
Deferred Outflows of Resources	131,160	158,075	181,026
Total assets and deferred outflows	13,929,289	12,998,058	11,162,933
Liabilities			
Current liabilities	1,578,977	1,602,075	1,313,503
Long-term liabilities	1,573,171	1,746,637	1,737,018
Total liabilities	3,152,148	3,348,712	3,050,521
Deferred Inflows of Resources	124,172	93,707	73,745
Total liabilities and deferred inflows	3,276,320	3,442,419	3,124,266
Net Position			
Invested in capital assets - Net of related debt	2,774,327	2,473,210	2,125,720
Restricted	78,411	71,033	116,079
Unrestricted	7,800,231	7,011,396	5,796,868
Total net position	\$ 10,652,969	\$ 9,555,639	\$ 8,038,667

UCHealth classifies net position as invested in capital assets, net of related debt; restricted; and unrestricted. At June 30, 2025, UCHealth's total net position was \$10,652,969, which is an increase in total net position of \$1,097,330, or 11.5 percent, from June 30, 2024. Net position invested in capital assets, net of related debt increased during the fiscal year due to additional capital spend and pay down of related debt obligations. The unrestricted net position increase was driven primarily by investment and operating income. At June 30, 2024, UCHealth's total net position was \$9,555,639, which is an increase in total net position of \$1,516,972, or 18.9 percent, from June 30, 2023. Net position invested in capital assets, net of related debt increased during the fiscal year ended June 30, 2024 due to additional capital spend and the acquisition of Parkview. The unrestricted net position increase was driven primarily by investment and operating income.

At June 30, 2025, UCHealth's cash and investment position, including assets designated for long-term purposes, was \$7,634,316, which is an increase of \$686,653, or 9.9 percent, from June 30, 2024. At June 30, 2024, UCHealth's cash and investment position, including assets designated for long-term purposes, was \$6,947,663, which is an increase of \$1,191,139, or 20.7 percent, from June 30, 2023.

Management's Discussion and Analysis (Continued)

Revenue, Expenses, and Changes in Net Position

Revenue, expenses, and changes in net position are summarized in Table 2 and are discussed below.

Table 2: Revenue, Expenses, and Changes in Net Position

	2025	2024	2023
Operating Revenue			
Net patient service revenue	\$ 8,652,717	\$ 8,033,218	\$ 6,851,030
Other operating revenue	83,188	97,563	93,535
Total operating revenue	8,735,905	8,130,781	6,944,565
Operating Expenses			
Wages, contract labor, and benefits	3,853,282	3,595,264	3,149,777
Supplies	2,211,932	1,959,345	1,680,038
Purchased services and other expenses	1,736,943	1,586,880	1,389,489
Depreciation and amortization	482,387	466,248	394,387
Total operating expenses	8,284,544	7,607,737	6,613,691
Operating Income	451,361	523,044	330,874
Nonoperating Revenue (Expense)			
Investment income	750,234	791,312	543,198
Gain (loss) on disposal of capital assets	982	(13,047)	6,601
Unrealized (loss) gain on derivative instruments	(15,124)	13,401	27,070
Interest expense	(34,865)	(39,532)	(32,751)
Other - Net	(60,973)	(61,564)	(36,750)
Total nonoperating revenue	640,254	690,570	507,368
Income before Distributions and Contributions	1,091,615	1,213,614	838,242
Net Distributions to Minority Interest in Component Unit	-	-	(1,327)
Contributions Restricted - Other	5,715	15,567	8,841
Acquisition of Interest in Component Units	-	(45,830)	-
Change in Net Position	1,097,330	1,183,351	845,756
Net Position - Beginning of year	9,555,639	8,372,288	7,192,911
Net Position - End of year	\$ 10,652,969	\$ 9,555,639	\$ 8,038,667

Note: In the above table, the 2024 beginning of year net position does not agree to the 2023 ending net position as a result of the acquisition of Parkview, which was accounted for as a change in reporting entity as of July 1, 2023.

Year Ended June 30, 2025 Compared with Year Ended June 30, 2024

Inpatient volumes, measured in admissions and patient days, increased over 2024. Volumes include inpatient units at UCHHealth hospital facilities, excluding residential and normal newborn activity. Admissions totaled 128,826, which was a 5.1 percent increase over 2024. Patient days totaled 644,748, a 1.8 percent increase over the prior year.

Outpatient volumes, measured by clinic, procedural, ancillary, and urgent care visits, were 9,373,996 in 2025, which was a 5.9 percent increase over 2024. This figure includes activity at the hospital locations, various outpatient clinics, and activity performed by the UCHHealth Medical Group.

Net patient service revenue of \$8,652,717 increased from 2024 by \$619,499, or 7.7 percent. Total operating revenue in 2025 was \$8,735,905. Total operating revenue consists of net patient revenue and other revenue.

Management's Discussion and Analysis (Continued)

UCHealth provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of these services was \$206,707 in 2025, an increase of \$3,829, or 1.9 percent, from 2024. The increase is due to the growth of the Hospital Discounted Care program required in the state of Colorado.

UCHealth maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which varies by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients.

In 2010, the State of Colorado modified the CICIP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act") authorizing the Department of Health Care Policy & Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public health care programs. For the year ended June 30, 2025, UCHealth was charged \$380,699 in hospital provider fees, an increase of \$37,199, or 10.8 percent, over 2024, and received \$465,893 in disproportionate share (DSH) and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of \$32,286, or 7.4 percent, over 2024.

UCHealth provides programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHealth's uninsured and underinsured patients for these programs was \$600,087 in 2025, which is an increase of \$29,306, or 5.1 percent, over 2024, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating expenses were \$8,284,544 in 2025. This was an increase of \$676,807, or 8.9 percent, compared to 2024. Wages, contract labor, and benefits expense of \$3,853,282 was an increase of \$258,018, or 7.2 percent, over the 2024 expense. This includes a 7.7 percent increase in salaries, a 7.1 percent decrease in contract labor, and a 6.4 percent increase in benefits. Medical and nonmedical supplies expense of \$2,211,932 increased by \$252,587, or 12.9 percent, in 2025. Purchased services and other expenses of \$1,736,943 increased over 2024 by \$150,063, or 9.5 percent.

Operating income was \$451,361 during the fiscal year, which is a 13.7 percent decrease from 2024 operating income of \$523,044.

According to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, interest expense is defined as a nonoperating expense and is classified as such in UCHealth's basic financial statements. Operating income would be \$416,496 in 2025, compared to \$483,512 in 2024, if interest expense were included as an operating expense.

Nonoperating revenue and expenses in 2025 had a gain of \$640,254, which is a \$50,316 decrease from 2024. The change from 2024 was primarily the result of investment gains during the year being slightly less than in the prior year. Nonoperating income from UCHealth's equity, fixed income, and cash investments was \$750,234 in 2025, compared to \$791,312 in 2024. Unrealized loss on derivative instruments totaled \$15,124 for fiscal year 2025.

UCHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. UCHealth is party to four floating-to-fixed swap agreements to hedge underlying floating-rate debt and is also party to a total return fixed-to-floating swap agreement tied to the Series 2012B, 2012C, 2017A, 2017B-1, 2018A, 2018B, 2018C, and 2019A 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. Cash flows on these agreements are recorded as interest expense.

Other net nonoperating expenses were \$60,973 and \$61,564 in 2025 and 2024, respectively, related primarily to donations made and fundraising expenses.

Income before distributions and contributions was \$1,091,615 in 2025, which decreased by \$121,999 from 2024.

Management's Discussion and Analysis (Continued)

Year Ended June 30, 2024 Compared with Year Ended June 30, 2023

All amounts in this section include Parkview operations for the entire year ended June 30, 2024. The addition of Parkview in 2024 is a significant driver for the increases over 2023.

Inpatient volumes, measured in admissions and patient days, increased over 2023. Volumes include inpatient units at UCHealth hospital facilities, excluding residential and normal newborn activity. Admissions totaled 122,587, which was a 17.1 percent increase over 2023. Patient days totaled 633,595, a 13.2 percent increase over the prior year.

Outpatient volumes, measured by clinic, procedural, ancillary, and urgent care visits, were 8,848,676 in 2024, which was an 18.5 percent increase over 2023. This figure includes activity at the hospital locations, various outpatient clinics, and activity performed by the UCHealth Medical Group.

Net patient service revenue of \$8,033,218 increased from 2023 by \$1,182,188, or 17.3 percent. Total operating revenue in 2024 was \$8,130,781. Total operating revenue consists of net patient revenue and other revenue. In 2019, the Centers for Medicare & Medicaid Services (CMS) lowered Medicare reimbursement for drugs purchased under the 340B program. In 2022, the United States Supreme Court determined such action was not within the authority of CMS. During the year ended June 30, 2024, CMS issued a final rule outlining the remedy for the decreased reimbursement. UCHealth received a one-time settlement of \$87,373 as a remedy for the situation, which is included within net patient service revenue during 2024.

UCHealth provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of these services was \$202,878 in 2024, an increase of \$71,902, or 54.9 percent, from 2023. The increase is due to the growth of the Hospital Discounted Care program required in the state of Colorado.

UCHealth maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which varies by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients.

In 2010, the State of Colorado modified the CACP Safety Net Provider Program with the Colorado Health Care Affordability Act authorizing the Department of Health Care Policy & Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public health care programs. For the year ended June 30, 2024, UCHealth was charged \$343,500 in hospital provider fees, an increase of \$59,226, or 20.8 percent, over 2023, and received \$433,607 in disproportionate share and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of \$77,954, or 21.9 percent, over 2023.

UCHealth provides programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHealth's uninsured and underinsured patients for these programs was \$570,781 in 2024, which is an increase of \$47,276, or 9.0 percent, over 2023, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating expenses were \$7,607,737 in 2024. This was an increase of \$994,046, or 15.0 percent, compared to 2023. Wages, contract labor, and benefits expense of \$3,595,264 was an increase of \$445,487, or 14.1 percent, over the 2023 expense. This includes a 16.2 percent increase in salaries, an 11.6 percent decrease in contract labor, and a 9.3 percent increase in benefits. Medical and nonmedical supplies expense of \$1,959,345 increased by \$279,307, or 16.6 percent, in 2024. Purchased services and other expenses of \$1,586,880 increased over 2023 by \$197,391, or 14.2 percent.

Operating income was \$523,044 during the fiscal year, which is a 58.1 percent increase from 2023 operating income of \$330,874.

Management's Discussion and Analysis (Continued)

According to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, interest expense is defined as a nonoperating expense and is classified as such in UCHealth's basic financial statements. Operating income would be \$483,512 in 2024, compared to \$298,123 in 2023, if interest expense were included as an operating expense.

Nonoperating revenue and expenses in 2024 had a gain of \$690,570, which is a \$183,202 increase from 2023. The change from 2023 was primarily generated by investment gains. Nonoperating income from UCHealth's equity, fixed income, and cash investments was \$791,312 in 2024, compared to \$543,198 in 2023. Unrealized gain on derivative instruments totaled \$13,401 for fiscal year 2024.

Other net nonoperating expenses were \$61,564 and \$36,750 in 2024 and 2023, respectively, related primarily to donations made and fundraising expenses.

Income before distributions and contributions was \$1,213,614 in 2024, which increased by \$375,372 from 2023.

Capital Asset and Debt Administration

Capital Assets

Capital assets, net of depreciation and amortization, at June 30, 2025, 2024, and 2023 are summarized in Table 3 and are discussed below. Note that the 2023 column in the table below excludes Parkview, as it was not included in the financial statements until July 1, 2023.

Table 3: Capital Assets, Net of Depreciation and Amortization

	2025	2024	2023
Land	\$ 140,701	\$ 140,091	\$ 129,171
Buildings and improvements	2,762,292	2,647,288	2,409,379
Equipment	531,432	551,652	466,852
Right-to-use asset	349,670	419,262	394,649
Construction in progress	798,358	633,215	521,913
Total	<u>\$ 4,582,453</u>	<u>\$ 4,391,508</u>	<u>\$ 3,921,964</u>

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. Cash flows related to capital expenditures totaled \$644,244 in 2025, compared to \$497,020 and \$578,897 in 2024 and 2023, respectively. Total depreciation and amortization expense on capital assets during 2025 was \$482,387, compared to \$466,248 and \$394,387 in 2024 and 2023, respectively. At June 30, 2025 and 2024, the Health System had planned future capital spending of \$1,372,146 and \$956,272, respectively, for ongoing significant strategic IT and facility expansion projects.

Management's Discussion and Analysis (Continued)

Long-term Debt

Long-term debt is summarized and discussed below. Note that the 2023 column in the table below excludes Parkview, as it was not included in the financial statements until July 1, 2023.

Table 4: Outstanding Long-term Debt at Year End

	2025	2024	2023
Lease liabilities (combined)	\$ 176,152	\$ 235,675	\$ 233,416
SBITA liabilities (combined)	107,369	103,054	97,056
PPP liabilities (combined)	59,339	59,545	59,709
City of Colorado Springs, Colorado agreement (MHS)	75,111	78,366	81,523
Bonds, including premium (UCHA)	1,354,207	1,227,674	1,265,754
Bonds, including premium (Parkview)	-	169,759	-
Note payable (Parkview)	1,350	1,350	-
Less current portion	(115,042)	(194,003)	(103,069)
Less long-term debt subject to short-term remarketing arrangements	(291,245)	(203,600)	(211,855)
Total long-term debt	<u>\$ 1,367,241</u>	<u>\$ 1,477,820</u>	<u>\$ 1,422,534</u>

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

In March 2025, UCHealth issued Series 2025A Refunding Revenue Bonds for \$87,645 to refinance the Series 2012C Revenue Bonds.

In August 2024, UCHealth issued Series 2024A and 2024B Revenue and Refunding Revenue Bonds for \$262,300. These bonds were issued to refinance various outstanding bonds.

UCHealth completes 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 UCHA rating at AA Stable. Fitch Ratings maintained its UCHA rating at AA Stable.

As of July 1, 2023, UCHealth assumed Parkview's long-term debt totaling \$236,179, which was composed of various bond, note payable, lease, and SBITA liabilities. In December 2023, UCHealth defeased \$58,450 of Parkview debt; in July 2024, UCHealth defeased the remaining Parkview bonds.

The maximum annual debt service coverage ratio was 11.52 at June 30, 2025, compared to 11.82 and 8.00 at June 30, 2024 and 2023, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 11.9 percent at June 30, 2025, compared to 13.5 percent and 14.5 percent at June 30, 2024 and 2023, respectively, and bond covenants require an indebtedness ratio of less than 65.0 percent.

Economic Factors and Next Year's Activities and Rates

Demand for services at UCHealth facilities is anticipated to remain high in the upcoming year and generally exceed 2025 volumes. UCHealth expects to maintain a stable payor mix. Continued growth in high-deductible benefit plans is anticipated, creating higher out-of-pocket costs for patients and a greater burden on UCHealth in managing receivables. UCHealth expects to remain in-network with all major payors in 2026. UCHealth expects inflation in excess of reimbursement and competition for clinical talent to continue to impact performance.

Requests for Information

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

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

Statement of Net Position

June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
Assets and Deferred Outflows Of Resources		
Current Assets		
Cash and cash equivalents	\$ 165,677	\$ 445,690
Patient accounts receivable - Less allowances for uncollectible accounts of \$975,872 and \$815,011 in 2025 and 2024, respectively	846,988	830,712
Other receivables	123,731	106,347
Inventories	164,016	160,930
Prepaid expenses	163,255	128,723
Investments designated for liquidity support	291,245	203,600
Total current assets	1,754,912	1,876,002
Investments		
Restricted investments and donor pledges	87,544	74,861
Assets designated for long-term purposes	3,674,793	3,106,691
Long-term investments	3,502,601	3,191,682
Other investments	115,224	113,466
Capital Assets - Net	4,582,453	4,391,508
Other Assets	80,602	85,773
Total assets	13,798,129	12,839,983
Deferred Outflows of Resources	131,160	158,075
Total assets and deferred outflows of resources	\$ 13,929,289	\$ 12,998,058

Statement of Net Position (Continued)

June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 784,247	\$ 790,398
Accounts payable - Construction	64,875	70,958
Current portion of long-term debt	115,042	194,003
Long-term debt subject to short-term remarketing arrangements	291,245	203,600
Estimated third-party payor settlements	157,581	185,664
Accrued liabilities and other:		
Accrued interest	4,317	5,463
Accrued compensated absences	161,670	151,989
Total current liabilities	1,578,977	1,602,075
Long-term Debt - Net of current portion	1,367,241	1,477,820
Net Pension Liability	75,773	157,060
Other Long-term Liabilities	130,157	111,757
Total liabilities	3,152,148	3,348,712
Deferred Inflows of Resources	124,172	93,707
Total liabilities and deferred inflows of resources	3,276,320	3,442,419
Net Position		
Invested in capital assets - Net of related debt	2,774,327	2,473,210
Restricted:		
Restricted by donors - Expendable	49,915	42,516
Permanent endowments - Nonexpendable	28,496	28,517
Unrestricted	7,800,231	7,011,396
Total net position	10,652,969	9,555,639
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 13,929,289</u></u>	<u><u>\$ 12,998,058</u></u>

University of Colorado Health

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
Operating Revenue		
Net patient service revenue - Net of provision for bad debts of \$260,590 and \$315,603 in 2025 and 2024, respectively	\$ 8,652,717	\$ 8,033,218
Other operating revenue	83,188	97,563
Total operating revenue	8,735,905	8,130,781
Operating Expenses		
Wages, contract labor, and benefits	3,853,282	3,595,264
Supplies	2,211,932	1,959,345
Purchased services and other expenses	1,736,943	1,586,880
Depreciation and amortization	482,387	466,248
Total operating expenses	8,284,544	7,607,737
Operating Income	451,361	523,044
Nonoperating Revenue (Expense)		
Investment income	750,234	791,312
Gain (loss) on disposal of capital assets	982	(13,047)
Unrealized (loss) gain on derivative instruments	(15,124)	13,401
Interest expense	(34,865)	(39,532)
Other - Net	(60,973)	(61,564)
Total nonoperating revenue	640,254	690,570
Income before Distributions and Contributions	1,091,615	1,213,614
Contributions Restricted - Other	5,715	15,567
Acquisition of Interest in Component Units	-	(45,830)
Change in Net Position	1,097,330	1,183,351
Net Position - Beginning of year	9,555,639	8,372,288
Net Position - End of year	\$ 10,652,969	\$ 9,555,639

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 8,598,854	\$ 7,953,502
Cash payments to suppliers for services and goods	(4,051,763)	(3,628,568)
Cash payments to employees/other on behalf of employees	(3,782,915)	(3,431,350)
Other cash payments	(68,219)	(36,051)
Other cash received	76,239	94,749
Net cash and cash equivalents provided by operating activities	772,196	952,282
Cash Flows from Capital and Related Financing Activities		
Principal payments under lease and right-to-use obligations	(86,062)	(108,741)
Principal repayments of long-term debt	(209,618)	(97,554)
Payments of interest and issuance costs on long-term debt	(40,374)	(47,997)
Capital expenditures	(644,244)	(497,020)
Receipt of contributions	1,979	20,091
Proceeds from sale of capital assets	413	1,314
Acquisition of interest in component units	-	(45,830)
Proceeds from long-term debt	169,317	-
Net cash and cash equivalents used in capital and related financing activities	(808,589)	(775,737)
Cash Flows from Investing Activities		
Investment income	193,195	205,646
Distributions from joint ventures	13,967	10,267
Net change in loans made to third parties	1,449	1,478
Proceeds from sale and maturities of investments	7,471,477	5,978,753
Purchases of investments	(7,923,708)	(6,144,824)
Net cash and cash equivalents (used in) provided by investing activities	(243,620)	51,320
Net (Decrease) Increase in Cash and Cash Equivalents	(280,013)	227,865
Cash and Cash Equivalents - Beginning of year	445,690	217,825
Cash and Cash Equivalents - End of year	\$ 165,677	\$ 445,690

Statement of Cash Flows (Continued)

Years Ended June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
A reconciliation of operating income to net cash and cash equivalents from operating activities is as follows:		
Cash Flows from Operating Activities		
Operating income	\$ 451,361	\$ 523,044
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	482,387	466,248
Provision for bad debts	260,590	315,603
Equity income from joint ventures	12,458	3,074
Other cash payments	(72,981)	(62,011)
Changes in assets and liabilities:		
Patient accounts receivable	(276,866)	(451,480)
Estimated third-party payor settlements	(28,084)	18,064
Other receivables	(17,384)	(9,870)
Inventories	(3,086)	(15,515)
Net pension liability and pension-related deferred inflows and outflows of resources	(19,087)	6,040
Prepaid expenses	(34,532)	(21,844)
Other assets	5,171	19,274
Accounts payable and accrued expenses	(6,151)	140,409
Accrued compensated absences and other long-term liabilities	18,400	21,246
Total adjustments	320,835	429,238
Net cash and cash equivalents provided by operating activities	<u><u>\$ 772,196</u></u>	<u><u>\$ 952,282</u></u>
Significant Noncash Transactions		
Donated pharmaceuticals	\$ 9,503	\$ 9,457
Construction in progress accrued	64,875	70,958
Unrealized gain on investments	360,597	424,469
Noncash change in right-to-use assets	96,040	124,747
Unrealized (loss) gain on derivative instruments	(15,124)	13,401
Noncash refunding of debt	212,890	-

Statement of Fiduciary Net Position - Pension Trust

	June 30, 2025 and 2024	
	(Dollars in Thousands)	
	2025	2024
Assets - Investments	\$ 2,112,838	\$ 1,844,745
Net Position - Restricted for pension benefits	\$ 2,112,838	\$ 1,844,745

Statement of Changes in Fiduciary Net Position - Pension Trust

Years Ended June 30, 2025 and 2024

(Dollars in Thousands)

	2025	2024
Additions		
Investment income:		
Increase in fair value of investments	\$ 131,517	\$ 134,383
Interest	27,290	20,956
Dividends and other	41,785	19,055
Net investment income	200,592	174,394
Contributions	150,854	163,333
Total additions	351,446	337,727
Deductions		
Benefit payments	76,300	51,723
Administrative expenses	7,053	5,375
Total deductions	83,353	57,098
Change in Fiduciary Net Position	268,093	280,629
Net Position - Beginning of year	1,844,745	1,564,116
Net Position - End of year	\$ 2,112,838	\$ 1,844,745

**Statement of Changes in Fiduciary Net Position - Health
Benefits Trust**

Year Ended June 30, 2024

(Dollars in Thousands)

Additions

Employer contributions	\$ 156,611
Employee contributions	34,072
Interest income	<u>65</u>
Total additions	190,748

Deductions

Benefit payments	190,770
Administrative expenses	<u>360</u>
Total deductions	<u>191,130</u>

Change in Fiduciary Net Position

(382)

Net Position - Beginning of year

382

Net Position - End of year

\$ -

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 1 - Organization and Mission

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

University of Colorado Hospital Authority (UCHA)

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 nonsectarian, general acute-care hospital; the Anschutz Centers for Advanced Medicine, which includes a variety of inpatient and outpatient pavilions, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction, and Rehabilitation (CeDAR), and the Rocky Mountain Lions Eye Institute; outlying outpatient primary care and specialty clinics; and the University of Colorado Hospital Foundation (the "UCHA Foundation"). These combined entities are collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver (UCD), which is composed of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School; and the School of Public Health. UCHA issues a separate financial report. That report may be obtained by writing to UCHA, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, CO 80045.

The UCHA Foundation serves as the primary fundraising arm for UCHA and manages restricted and unrestricted donations received for future use by UCHA. Although UCHA does not control the timing or amount of receipts from the UCHA Foundation, the majority of the resources, or income thereon, is restricted to the activities of UCHA by the donors. Because these restricted resources held by the UCHA Foundation can be used only by or for the benefit of UCHA and because the UCHA Foundation exists for the sole benefit of UCHA, the UCHA Foundation is considered a blended component unit of UCHA.

Poudre Valley Health Care Inc. (PVHS)

PVHS operates two hospital facilities, Poudre Valley Hospital (PVH) and Medical Center of the Rockies (MCR), which are both nonsectarian, general acute-care hospitals. PVH includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado. PVHS' component units also include a physician group named UCHealth Medical Group (North); UCHealth Northern Colorado Foundation (the "UCHNC Foundation"); Lakota Lake, LLC; Heron Lake, LLC; and Innovation Enterprises, LLC. The UCHNC Foundation was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations. PVHS' component units are considered blended component units of PVHS because their activities are significantly intertwined with PVHS.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 1 - Organization and Mission (Continued)

Memorial Health System (MHS)

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs, Colorado was executed with the purpose of leasing MHS. UCHA created the UCH-MHS entity to assume operations of MHS. During the year ended June 30, 2021, UCHA transferred its membership interest in UCH-MHS to UCHealth. The original lease is for a 40-year term, with renewals or extensions anticipated. UCHealth guarantees MHS' obligations under the lease, and the gross revenue of MHS is pledged to secure the obligations under UCHA's master trust indenture. MHS' component units include two nonsectarian, general acute-care hospitals named Memorial Hospital Central and Memorial Hospital North; a physician group named UCHealth Medical Group (South); and a nonprofit corporation controlled by MHS (Memorial Hospital Corporation). MHS' component units are considered blended component units of MHS because their activities are significantly intertwined with MHS.

Other Hospital Entities

UCHealth's component units also include the following nonsectarian, general acute-care hospitals: Longs Peak Hospital (LPH), UCHealth Highlands Ranch Hospital (HRH), UCHealth Greeley Hospital (GH), Yampa Valley Medical Center (YVMC), UCHealth Broomfield Hospital (BFH), UCHealth Grandview Hospital (GVH), UCHealth Pikes Peak Regional Hospital (PPRH), and Parkview Medical Center (PMC or Parkview).

Other Entities

UCHealth's component units also include the following entities, which provide a variety of health care services in the ambulatory setting or other support or fundraising activities: UCHealth Ambulatory Surgery Centers (UCHASC); UCHealth Medical Group (Longmont and Metro Denver); UCHealth Community Services (UCHCS); UCHealth Emergency Physician Services (UCHEPS); UCHealth Imaging Services, LLC (UCHIS); UCHealth Laboratory Services, LLC (UCHLS); UCHealth Centralized Pharmacy, LLC (UCHCP); Longs Peak Hospital Foundation (the "LPH Foundation"); and UCHealth Risk Management Solutions, LLC (RMS).

UCHealth Plan Administrators, LLC (UCHPA) was a wholly owned subsidiary that was sold to Select Health for \$823 during the year ended June 30, 2024. UCHPA was previously treated as a blended component unit in the financial statements, but, following the sale, it is no longer included in the financial statements.

The accompanying basic financial statements reflect the operations and financial position of the Health System, its component units, and its fiduciary (pension trust and health benefits trust) funds. All inter-entity transactions have been eliminated in the basic financial statements. The Health System is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the "Regents") or any department, commission, board, or agency of the State. The Health System is not financially accountable to the Regents. Of the Health System's board of directors (the "Board"), 2 of the 11 members are appointed by the president of the University of Colorado and an additional 4 members are appointed by the Regents subject to the final approval of the Board.

Note 2 - Significant Accounting Policies

Basis of Presentation

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

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

The enterprise fund is used to account for the Health System's ongoing activities. The statement of net position; statement of revenue, expenses, and changes in net position; and statement 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 employees of the Health System that are employed by UCHA for the noncontributory 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.

In fiscal year 2023 and prior, the health benefits trust fund was used to account for assets held in trust for the benefit of the employees of the Health System (the "Health and Welfare Plan"). In accordance with 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 were 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. The health benefits trust fund was closed during fiscal year 2024; at the time the trust fund was closed, the remaining assets were used to satisfy obligations of the Health and Welfare Plan.

Use of Estimates

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

Net Position

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

- Invested in capital assets - Net of related debt - Consists of capital assets net of accumulated depreciation and amortization reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets
- Restricted - Consists of net position subject to stipulations imposed by external parties, such as creditors (through debt covenants) and donors. The nonexpendable 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 the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's practice to use restricted resources before unrestricted resources.

Prior to September 2023, PVHS reported a minority interest in a component unit, representing the 12 percent interest in MCR that was not owned by PVHS. In September 2023, PVHS acquired the remaining interest in MCR for \$45,830 (see Note 20).

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments in highly liquid investments with an original maturity of three months or less when purchased, excluding amounts restricted under trust agreements.

Accounts Receivable

Patient accounts receivable are stated at net realizable value. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off factors applied to unpaid amounts based on aging and other factors. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting UCHHealth's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies.

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 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.

The Health System 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 sale price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in nonoperating revenue and expenses when earned.

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

Inventories

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

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 to 40 years, equipment is 3 to 15 years, and leasehold improvements are 3 to 20 years. Capital assets are defined by UCHHealth as assets with an initial cost of \$5 or more and an estimated useful life in excess of one year.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

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

Leases, SBITAs, and PPPs

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

UCHealth obtains the right to use vendors' information technology software through various long-term contracts referred to as subscription-based information technology agreements (SBITAs). UCHealth recognizes a subscription liability and an intangible right-to-use asset in the basic financial statements.

UCHealth obtains the right to provide public services by conveying control of the right to operate or use nonfinancial assets for a period of time in an exchange or exchange-like transaction through long-term contracts. UCHealth recognizes a public-private partnership (PPP) liability and an intangible right-to-use asset in the basic financial statements.

At the commencement of an agreement, UCHealth initially measures the liability at the present value of payments expected to be made during the agreement term. The agreement term includes the noncancelable period of the agreement. 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.

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

UCHealth 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 statement of net position.

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.

Deferred Amortization on Acquisitions

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

The Health System records liabilities related to compensated absences for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Employees of the Health System use paid time off (PTO) for vacation, holidays, personal short-term illness, family member illness, and personal absences. Health System employees generally earn PTO based on length of service and actual hours worked. The Health System records PTO expense as it is earned. The current portion of PTO is based on employee tenure, rate of pay, and accrued hours. Amounts in excess of an employee's annual accrual are classified as other long-term liabilities.

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 statement of net position for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 6, 7, 8, and 12.

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

Endowments

The Health System's endowments consist of individual funds restricted by donors for a variety of purposes. The State of Colorado's Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Health System classifies as nonexpendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by the Health System. The Health System may spend the net appreciation on the endowment funds based on the individual endowment fund agreements and considers factors such as duration and preservation of the fund, purposes of the fund, general economic conditions, possible effects of inflation and deflation, expected total return from investment income, and other resources of the Health System when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments available for expenditure at June 30, 2025 and 2024 was \$5,965 and \$3,955, respectively.

Revenue and Expenses

The Health System's statement of revenue, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services and includes patient service and other revenue. Nonexchange revenue includes grant revenue, investment income, and restricted contributions and is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services. Nonoperating expenses include interest expense, fundraising activities, and gain or loss on disposal of capital assets.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Costs of Shared Services

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

Net Patient Service Revenue

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

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

Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; fiduciary liability; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Health System has obtained commercial insurance for certain types of losses and is self-insured for others, as discussed in Notes 13, 14, and 15. The Health System records a provision for estimated claims, including estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

UCHHealth 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, PVHS, MCR, UCH-MHS, YVMC, HRH, GH, LPH, BFH, GVH, PPRH, Parkview, UCHASC, UCHCS, Memorial Hospital Corporation, UCHHealth Medical Group, UCHLS, UCHIS, the LPH Foundation, the UCHNC Foundation, and the UCHA Foundation are also exempt under Section 501(a) as organizations described in Section 501(c)(3) of the Code. UCHA is a political subdivision and body corporate of the State of Colorado and, as such, the income generated by UCHA in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Code. Lakota Lake, LLC and Heron Lake, LLC act as tax flow-through entities to PVHS, which, as noted, is tax-exempt under Section 501(c)(3) of the Code. UCHPA and UCHEPS act as tax flow-through entities to UCHHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHCP acts as a tax flow-through entity to HRH. Innovation Enterprises, LLC is a corporation subject to state and federal income tax. The Health System recognizes unrelated business income tax for activities that are outside of the Health System's tax-exempt mission. The tax liabilities and associated expense recognized for unrelated business income is insignificant to the basic financial statements.

Pension Trust

UCHHealth 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 nonemployer contributing entities for benefits provided through the pension plan, about which information is required to be presented. GASB Statement No. 68 establishes new financial reporting requirements for most governmental entities that provide their employees with pension benefits.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 2 - Significant Accounting Policies (Continued)

For the purpose 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.

Health Benefits Trust

UCHealth 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. The health benefits trust was closed during fiscal year 2024.

Reclassifications

Certain 2024 amounts have been reclassified in the statement of cash flows to conform to the 2025 presentation. The reclassifications had no effect on the total change in cash and cash equivalents or on the totals for operating, capital and related financing or investing activities.

Adoption of New Accounting Pronouncement

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. UCHealth adopted the provisions of this statement during the year ended June 30, 2025 and concluded that no material concentrations or constraints existed.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which includes improved reporting requirements for several components included in a government's financial statements, including the MD&A, unusual or infrequent items, and major component unit information, among others. The provisions of this statement are effective for UCHealth's financial statements for the year ending June 30, 2026. Management is currently assessing the impact of the new standard on its financial statements.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for UCHealth's financial statements for the year ending June 30, 2026. Management is currently assessing the impact of the new standard on its financial statements.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information

Condensed combining financial information of each major blended component unit as of and for the year ended June 30, 2025 is summarized below:

Table 1
Condensed Combining Information
Statement of Net Position
June 30, 2025

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 1,123,194	\$ 772,646	\$ 132,193	\$ (2,028,033)	\$ -
Other current assets	888,420	291,286	208,792	366,414	1,754,912
Capital assets - Net	1,246,381	731,624	523,057	2,081,391	4,582,453
Noncurrent receivables from affiliates	835,172	-	-	(835,172)	-
Noncurrent assets and other assets	3,984,407	3,037,376	174,056	264,925	7,460,764
Total assets	8,077,574	4,832,932	1,038,098	(150,475)	13,798,129
Deferred Outflows of Resources	18,925	58,489	9,629	44,117	131,160
Total assets and deferred outflows of resources	<u>\$ 8,096,499</u>	<u>\$ 4,891,421</u>	<u>\$ 1,047,727</u>	<u>\$ (106,358)</u>	<u>\$ 13,929,289</u>
Liabilities					
Current payables to affiliates	-	4,352	41,074	(45,426)	-
Other current liabilities	731,409	217,214	178,937	451,417	1,578,977
Noncurrent payables to affiliates	-	334,085	192,284	(526,369)	-
Other long-term liabilities	1,141,429	138,447	116,206	177,089	1,573,171
Total liabilities	1,872,838	694,098	528,501	56,711	3,152,148
Deferred Inflows of Resources	25,973	26,553	22,798	48,848	124,172
Net Position					
Invested in capital assets - Net of related debt	715,229	278,433	157,168	1,623,497	2,774,327
Restricted	39,813	15,447	-	23,151	78,411
Unrestricted	5,442,646	3,876,890	339,260	(1,858,565)	7,800,231
Total net position	6,197,688	4,170,770	496,428	(211,917)	10,652,969
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,096,499</u>	<u>\$ 4,891,421</u>	<u>\$ 1,047,727</u>	<u>\$ (106,358)</u>	<u>\$ 13,929,289</u>

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information (Continued)

Table 2
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2025

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating Revenue					
Net patient service revenue	\$ 3,285,847	\$ 1,686,515	\$ 1,575,155	\$ 2,105,200	\$ 8,652,717
Other operating revenue	31,665	36,735	18,110	(3,322)	83,188
Total operating revenue	3,317,512	1,723,250	1,593,265	2,101,878	8,735,905
Operating Expenses					
Wages, contract labor, and benefits	1,075,717	850,002	871,498	1,056,065	3,853,282
Supplies	1,064,851	388,609	343,306	415,166	2,211,932
Purchased services and other expenses	810,959	254,417	247,766	423,801	1,736,943
Depreciation and amortization	154,282	81,485	75,379	171,241	482,387
Total operating expenses	3,105,809	1,574,513	1,537,949	2,066,273	8,284,544
Operating Income	211,703	148,737	55,316	35,605	451,361
Nonoperating Revenue (Expense)					
Investment income	442,139	308,462	17,289	(17,656)	750,234
Gain (loss) on disposal of capital assets	483	267	890	(658)	982
Unrealized loss on derivative instruments	(4,043)	(7,657)	(3,232)	(192)	(15,124)
Interest expense	(26,852)	(11,225)	(6,865)	10,077	(34,865)
Other - Net	(28,915)	(8,253)	(11,467)	(12,338)	(60,973)
Total nonoperating revenue (expense)	382,812	281,594	(3,385)	(20,767)	640,254
Income before Distributions and Contributions	594,515	430,331	51,931	14,838	1,091,615
Contributions Restricted - Other	3,694	1,130	-	891	5,715
Change in Net Position	598,209	431,461	51,931	15,729	1,097,330
Net Position - Beginning of Year	5,599,479	3,739,309	444,497	(227,646)	9,555,639
Net Position - End of Year	\$ 6,197,688	\$ 4,170,770	\$ 496,428	\$ (211,917)	\$ 10,652,969

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information (Continued)

Table 3
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2025

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Cash Flows Provided by Operating Activities	\$ 129,792	\$ 86,553	\$ 68,619	\$ 487,232	\$ 772,196
Cash Flows Provided by (Used in) Capital and Related Financing Activities	40,349	(210,661)	(98,518)	(539,759)	(808,589)
Cash Flows (Used in) Provided by Investing Activities	(321,944)	2,118	22,154	54,052	(243,620)
Net Decrease in Cash and Cash Equivalents	(151,803)	(121,990)	(7,745)	1,525	(280,013)
Cash and Cash Equivalents - Beginning of year	238,423	184,685	10,948	11,634	445,690
Cash and Cash Equivalents - End of year	\$ 86,620	\$ 62,695	\$ 3,203	\$ 13,159	\$ 165,677

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information (Continued)

Condensed combining financial information of each major blended component unit as of and for the year ended June 30, 2024 is summarized below:

Table 4
Condensed Combining Information
Statement of Net Position
June 30, 2024

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 956,495	\$ 707,716	\$ 114,324	\$ (1,778,535)	\$ -
Other current assets	931,074	405,589	212,042	327,297	1,876,002
Capital assets - Net	1,264,028	598,148	525,985	2,003,347	4,391,508
Noncurrent receivables from affiliates	879,222	-	-	(879,222)	-
Noncurrent assets and other assets	3,307,999	2,723,146	175,229	366,099	6,572,473
Total assets	7,338,818	4,434,599	1,027,580	38,986	12,839,983
Deferred Outflows of Resources	30,381	67,942	15,979	43,773	158,075
Total assets and deferred outflows of resources	<u>\$ 7,369,199</u>	<u>\$ 4,502,541</u>	<u>\$ 1,043,559</u>	<u>\$ 82,759</u>	<u>\$ 12,998,058</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 11,848	\$ 31,958	\$ (43,806)	\$ -
Other current liabilities	702,258	234,812	177,831	487,174	1,602,075
Noncurrent payables to affiliates	-	334,021	232,689	(566,710)	-
Other long-term liabilities	1,048,643	165,291	139,666	393,037	1,746,637
Total liabilities	1,750,901	745,972	582,144	269,695	3,348,712
Deferred Inflows of Resources	18,819	17,260	16,918	40,710	93,707
Net Position					
Invested in capital assets - Net of related debt	888,279	138,374	121,602	1,324,955	2,473,210
Restricted	32,686	16,500	-	21,847	71,033
Unrestricted	4,678,514	3,584,435	322,895	(1,574,448)	7,011,396
Total net position	5,599,479	3,739,309	444,497	(227,646)	9,555,639
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,369,199</u>	<u>\$ 4,502,541</u>	<u>\$ 1,043,559</u>	<u>\$ 82,759</u>	<u>\$ 12,998,058</u>

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information (Continued)

Table 5
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2024

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating Revenue					
Net patient service revenue	\$ 3,092,373	\$ 1,564,702	\$ 1,471,226	\$ 1,904,917	\$ 8,033,218
Other operating revenue	33,218	37,494	22,172	4,679	97,563
Total operating revenue	3,125,591	1,602,196	1,493,398	1,909,596	8,130,781
Operating Expenses					
Wages, contract labor, and benefits	1,001,114	800,403	818,155	975,592	3,595,264
Supplies	943,684	333,042	309,255	373,364	1,959,345
Purchased services and other expenses	735,019	239,601	232,860	379,400	1,586,880
Depreciation and amortization	150,823	75,182	71,841	168,402	466,248
Total operating expenses	2,830,640	1,448,228	1,432,111	1,896,758	7,607,737
Operating Income	294,951	153,968	61,287	12,838	523,044
Nonoperating Revenue (Expense)					
Investment income	433,763	321,231	16,719	19,599	791,312
Unrealized gain (loss) on derivative instruments	3,847	5,488	(12)	4,078	13,401
Interest expense	(27,700)	(11,350)	(7,262)	6,780	(39,532)
Other - Net	(26,048)	(11,534)	(15,344)	(21,685)	(74,611)
Total nonoperating revenue (expense)	383,862	303,835	(5,899)	8,772	690,570
Income before Distributions and Contributions	678,813	457,803	55,388	21,610	1,213,614
Acquisition of Interest in Component Units	-	(45,565)	-	(265)	(45,830)
Contributions Restricted - Other	10,074	1,295	1,124	3,074	15,567
Change in Net Position	688,887	413,533	56,512	24,419	1,183,351
Net Position - Beginning of Year	4,910,592	3,325,776	387,985	(252,065)	8,372,288
Net Position - End of Year	\$ 5,599,479	\$ 3,739,309	\$ 444,497	\$ (227,646)	\$ 9,555,639

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 3 - Condensed Combining Information (Continued)

Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2024

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Cash Flows Provided by Operating Activities	\$ 339,787	\$ 253,433	\$ 37,065	\$ 321,997	\$ 952,282
Cash Flows Used in Noncapital Activities	(163,739)	(176,772)	(32,046)	(403,180)	(775,737)
Cash Flows (Used in) Provided by Investing Activities	(36,516)	26,574	1,261	60,001	51,320
Net Increase in Cash and Cash Equivalents	139,532	103,235	6,280	(21,182)	227,865
Cash and Cash Equivalents - Beginning of year	98,891	81,450	4,668	32,816	217,825
Cash and Cash Equivalents - End of year	<u>\$ 238,423</u>	<u>\$ 184,685</u>	<u>\$ 10,948</u>	<u>\$ 11,634</u>	<u>\$ 445,690</u>

Note 4 - Net Patient Service Revenue

The Health System has programs that receive add-on payments to the established rate or that are paid at a reasonable cost by third-party payors. Amounts received for these additional payments from Medicare, Medicaid, and TriCare programs are subject to audit and retroactive adjustment. Generally, provisions for estimated retroactive adjustments under such programs are provided in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue under the Medicare and Medicaid programs was \$2,992,337 and \$2,680,279 in 2025 and 2024, respectively.

Medicare

Inpatient acute-care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a diagnosis-related group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare Administrative Contractor (the "MAC"). The Health System's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicare cost reports have been audited and settled by the MAC through June 30, 2020. BFH's and HRH's Medicare cost reports have been audited and settled by the MAC through June 30, 2021. PVH's, MCR's, GH's, GVH's, LPH's, MHS's, YVMC's, and PMC's Medicare cost reports have been audited and settled by the MAC through June 30, 2022. PPRH's Medicare cost reports have been audited and settled by the MAC through June 30, 2023.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 4 - Net Patient Service Revenue (Continued)

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 the Health System and audits thereof by the Medicaid fiscal intermediary. All Medicaid cost reports of the Health System that were subject to this methodology have been audited and settled. Beginning on October 31, 2016, outpatient services are reimbursed based on the product of a hospital-specific base rate and the Enhanced Ambulatory Patient Groups' adjusted relative weight. The Health System's classification of patients under the Medicaid program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System.

Other Payors

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

Self-pay

The Health System maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which differs by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients.

Disproportionate Share Health System and Charity Care Policy

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy & 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 health care programs. For the years ended June 30, 2025 and 2024, the Health System was charged \$380,699 and \$343,500, respectively, in Hospital provider fees and received \$465,893 and \$433,607, respectively, in disproportionate share (DSH) and Medicaid supplemental revenue as compensation for indigent and underinsured care services provided.

Based on an analysis of the direct and indirect costs specific to the procedures performed, the cost of charity care services provided, including those provided under the State of Colorado's Hospital Discounted Care program, was \$206,707 and \$202,878 for the years ended June 30, 2025 and 2024, respectively.

Note 5 - Restricted and Unrestricted Pledges

The Health System records pledges as restricted or unrestricted receivables based on the donors' specifications and the Health System's satisfaction of the donors' restriction. All long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge. Total unrestricted contributions receivable, net of allowances for uncollectible receivables, which are reported within other receivables in the accompanying statement of net position, were \$4,197 and \$918 at June 30, 2025 and 2024, respectively. Total restricted contributions receivable, net of allowances for uncollectible receivables, were \$813 and \$1,260 at June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 5 - Restricted and Unrestricted Pledges (Continued)

The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within other receivables in the accompanying statement of net position, were \$426 and \$500 at June 30, 2025 and 2024, respectively. The long-term portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within restricted investments and donor pledges in the accompanying statement of net position, were \$387 and \$760 at June 30, 2025 and 2024, respectively.

Note 6 - Deposits and Investments

At June 30, 2025 and 2024, UCHealth's unrestricted cash deposits had a book balance of \$165,677 and \$445,690, respectively, and a bank balance of \$255,303 and \$529,473, respectively. UCHealth's restricted investments and donor pledges included cash deposits that had a book and bank balance of \$86,610 and \$74,247 at June 30, 2025 and 2024, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are held in UCHealth participating entity names, and all accounts, with the exception of the overnight investments account, are covered by federal depository insurance up to the applicable maximum. Effectively all of UCHealth's bank balances exceed the federal depository insurance.

	2025		
	Deposits	Investments	Total
Enterprise fund:			
Cash and cash equivalents	\$ 165,677	\$ -	\$ 165,677
Restricted by trustee under bond agreement	-	3	3
Restricted investments - Other	-	544	544
Restricted by donor	-	86,997	86,997
Unrestricted investments designated for liquidity support	-	291,245	291,245
Assets designated for long-term purposes	-	3,674,793	3,674,793
Unrestricted long-term investments	-	3,502,601	3,502,601
Total	<u>\$ 165,677</u>	<u>\$ 7,556,183</u>	<u>\$ 7,721,860</u>
	2024		
	Deposits	Investments	Total
Enterprise fund:			
Cash and cash equivalents	\$ 445,690	\$ -	\$ 445,690
Restricted by trustee under bond agreement	-	3,617	3,617
Restricted investments - Other	-	314	314
Restricted by donor	-	70,930	70,930
Unrestricted investments designated for liquidity support	-	203,600	203,600
Assets designated for long-term purposes	-	3,106,691	3,106,691
Unrestricted long-term investments	-	3,191,682	3,191,682
Total	<u>\$ 445,690</u>	<u>\$ 6,576,834</u>	<u>\$ 7,022,524</u>

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 6 - Deposits and Investments (Continued)

The following is a summary of enterprise fund investments at fair value as of June 30:

	2025	2024
Cash equivalents	\$ 129,264	\$ 141,824
U.S. Treasury bills	508,235	502,154
U.S. government agency, pool, and mortgage-backed securities	526,448	474,672
Asset-backed securities	557,431	456,210
Mutual bond funds	862,468	755,246
Treasury inflation-protected securities (TIPS)	322,797	292,616
Corporate bonds	745,486	647,617
Equity securities	3,723,828	3,211,303
Alternative investments	140,033	100,001
Interest and dividends receivable	1,023	563
Interest rate swaps	57,439	62,882
Miscellaneous investment payable	(18,269)	(68,254)
Total investments	\$ 7,556,183	\$ 6,576,834

The following is a summary of pension trust fund investments at fair value as of June 30:

	2025	2024
Cash equivalents	\$ 31,031	\$ 16,274
U.S. Treasury bills	78,459	110,265
U.S. government agency, pool, and mortgage-backed securities	111,295	106,880
Asset-backed securities	99,882	74,322
Mutual bond funds	123,828	95,828
TIPS	57,259	46,363
Corporate bonds	146,017	123,787
Alternative investments	209,809	193,240
Private real estate	156,976	136,734
Other mutual funds	1,100,227	943,416
Interest and dividend payable	(25)	(86)
Miscellaneous investment payable	(1,920)	(2,278)
Total	\$ 2,112,838	\$ 1,844,745

Credit Risk

UCHealth'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."

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 6 - Deposits and Investments (Continued)

The following is a summary of enterprise fund investments at June 30, 2025 and 2024. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2025			2024	
	Fair Value	Average Rating		Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 526,448	AA+	\$	474,672	AA+
Asset-backed securities	557,431	AA+		456,210	AA+
Mutual bond funds	862,468	AA+		755,246	BBB
TIPS	322,797	AA+		292,616	AA-
Corporate bonds	745,486	A-		647,617	A-

The following is a summary of pension trust fund investments at June 30, 2025 and 2024, with average credit ratings based on the lower of Standard & Poor's or Moody's ratings using the S&P scale:

	2025			2024	
	Fair Value	Average Rating		Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 111,295	AA+	\$	106,880	AA+
Asset-backed securities	99,882	AA+		74,322	AA+
Mutual bond funds	123,828	A		95,828	BB-
TIPS	57,259	AA+		46,363	AA
Corporate bonds	146,017	BBB+		123,787	BBB+

Interest Rate Risk

UCHealth'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, 2025 and 2024, the enterprise fund held the following investments. Modified duration is in years.

	2025			2024	
	Fair Value	Modified Duration		Fair Value	Modified Duration
U.S. Treasury bills	\$ 508,235	8.62	\$	502,154	7.93
U.S. government agency, pool, and mortgage-backed securities	526,448	6.02		474,672	5.89
Asset-backed securities	557,431	2.42		456,210	2.29
Mutual bond funds	862,468	4.22		755,246	4.18
TIPS	322,797	5.96		292,616	5.85
Corporate bonds	745,486	3.96		647,617	4.14

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 6 - Deposits and Investments (Continued)

As of June 30, 2025 and 2024, the pension trust fund held the following investments. Modified duration is in years.

	2025		2024	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	\$ 78,459	11.71	\$ 110,265	9.18
U.S. government agency, pool, and mortgage-backed securities	111,295	5.89	106,880	5.49
Asset-backed securities	99,882	3.63	74,322	3.31
Mutual bond funds	123,828	4.96	95,828	5.09
TIPS	57,259	5.00	46,363	5.10
Corporate bonds	146,017	5.35	123,787	5.77

Foreign Currency Risk

UCHealth's enterprise and pension trust fund investment policies manage exposure to foreign currency risk by limiting the allocation percentage of international mutual funds to 5 percent to 15 percent of the total fair value for the enterprise fund and 10 percent to 30 percent of the total fair value for the pension trust fund. All of UCHealth's investments exposed to foreign currency risk are held in international equities and international mutual funds.

UCHealth's enterprise and pension trust fund investments are exposed to foreign currency risk, as illustrated in the following table as of June 30, 2025 and 2024:

	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
	2025	2024	2025	2024
Argentinian peso	\$ 43	\$ -	\$ -	\$ -
Australian dollar	21,512	26,899	8,919	14,244
Bahraini dinar	-	(54)	-	(59)
Brazilian real	30,624	11,507	11,531	5,483
Canadian dollar	49,727	30,971	41,157	16,780
Chilean peso	592	(154)	675	91
China offshore renminbi	(2,202)	14,279	(1,044)	11,934
Chinese renminbi	47,986	26,622	30,585	28,227
Colombian peso	733	208	148	83
Czech koruna	(885)	(4,835)	(338)	(3,280)
Danish krone	16,474	19,323	5,930	5,669
Egyptian pound	1,166	(805)	583	(634)
Euro	218,939	181,896	119,260	86,320
Hong Kong dollar	44,162	10,424	21,571	(1,707)
Hungarian forint	1,384	(1,224)	586	(1,394)
Iceland krona	432	-	-	-
Indian rupee	20,212	34,641	11,750	22,518
Indonesian rupiah	5,280	4,840	2,023	2,626
Israel new shekel	7,444	1,975	3,144	1,306
Japanese yen	135,806	134,875	54,824	66,547
Kazakhstan tenge	-	(377)	-	(234)
Korean won	50,761	25,047	25,827	16,134
Kuwaiti dinar	52	32	-	256
Malaysian ringgit	682	95	883	507
Mexican peso	9,786	3,844	1,978	2,975
Moroccan dirham	-	90	345	29
New Taiwan dollar	33,631	33,536	20,211	22,329
New Turkish lira	3,498	1,941	2,363	944

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 6 - Deposits and Investments (Continued)

	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
	2025	2024	2025	2024
New Zealand dollar	\$ 454	\$ (3,297)	\$ 190	\$ (2,765)
Norwegian krone	18,043	19,647	1,240	2,721
Omani rial	-	(521)	-	(674)
Pakistani rupee	-	2	148	103
Peru new sol	1,382	(245)	687	61
Philippine peso	1,843	1,157	1,075	818
Polish zloty	2,222	(2,346)	1,754	(1,695)
Qatari riyal	43	(218)	333	248
Romanian leu	-	(916)	-	(893)
Russian ruble	-	2,168	16	147
Saudi riyal	646	(2,917)	1,845	(504)
Serbian dinar	-	72	-	-
Singapore dollar	6,658	4,796	4,345	3,190
South African rand	6,971	5,731	3,194	2,541
South Korean won	-	-	-	-
Swedish krona	12,953	11,987	8,934	5,689
Swiss franc	41,076	49,660	19,431	23,337
Thailand baht	1,357	(649)	1,602	468
Turkish lira	-	-	-	-
United Arab Emirates dirham	607	615	994	839
United Kingdom pound sterling	105,410	91,443	42,879	40,286
Vietnam dong	205	-	-	-
Total	\$ 897,709	\$ 731,765	\$ 451,578	\$ 371,611

UCHealth's enterprise and pension trust fund investment policies state that the equity and fixed-income portfolio should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. UCHealth has evaluated all investments at June 30, 2025 and confirmed that no more than 5 percent of total investments are held in any one issuer except for securities issued by the U.S. government and its agencies.

Additionally, UCHealth's enterprise and pension trust fund investment policies state that, within each equity investment manager, portfolio exposure is generally limited to 5 percent to 7.5 percent 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 percent of the fixed-income portfolio, based on market value, shall be invested in securities of any one issuing entity at the time of purchase. At June 30, 2025, the fixed-income and equity investment managers were in compliance with the stated diversification policy.

Note 7 - Investments with Fair Values that are Highly Sensitive to Interest Rate Changes

UCHealth uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swaps necessarily involve counterparty credit risk. UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. Interest rate swaps are used to manage the interest rate exposure of certain variable-rate 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. UCHealth's credit risk on the swaps is limited to any positive fair value of the financial instruments.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 7 - Investments with Fair Values that are Highly Sensitive to Interest Rate Changes (Continued)

During the years ended June 30, 2025 and 2024, UCHealth was party to four swap agreements as follows:

- A floating-to-fixed swap agreement having an original notional value of \$198,805 and a current notional value of \$193,845, reducing on the dates and the amounts set forth in the 2018 bond series offering documents describing principal payments. This agreement was entered into in December 2016. The swap agreement includes a fixed payor rate of 1.81 percent, and UCHealth will receive 67 percent of the one-month SOFR for the entire swap term, which expires in March 2040. Settlements are to be made monthly. At June 30, 2025 and 2024, this swap had an approximate positive fair value of \$10,024 and \$14,786, respectively.
- 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, UCHealth receives an amount equal to the coupon of the bonds (4.625 percent) and makes payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 40 basis points. UCHealth settles with the counterparty semiannually each May and November. The swap agreement carries a 10-year term. At June 30, 2025 and 2024, this swap had an approximate (negative) positive fair value of \$(9,681) and \$172, 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 percent, and UCHealth will receive 70 percent of the one-month SOFR for the entire swap term, which expires in November 2046. Settlements are to be made monthly. At June 30, 2025 and 2024, this swap had an approximate positive fair value of \$20,450 and \$21,490, respectively.
- A floating-to-fixed swap agreement having an original and current notional value of \$100,000, reducing on the dates and the amounts set forth in the 2019A bond series offering documents describing principal payments. The swap agreement includes a fixed payor rate of 1.104 percent, and UCHealth will receive 70 percent of the one-month SOFR for the entire swap term, which expires in November 2049. Settlements are to be made monthly. At June 30, 2025 and 2024, this swap had an approximate positive fair value of \$26,965 and \$26,434, respectively.

In 2025 and 2024, the swaps produced annual net cash inflows of \$29,811 and \$11,099, respectively. The cash flows associated with the swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, none of UCHealth's swap agreements qualify as effective cash flow hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported within either long-term investments or other long-term liabilities on the statement of net position, and changes in fair value are reported as unrealized gain (loss) on derivative instruments on the statement of revenue, expenses, and changes in net position.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 8 - Fair Value Measurements

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

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

Level 1

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

Level 2

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

Level 3

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

As of June 30, 2025 and 2024, the enterprise fund held the following investments, by level, within the fair value hierarchy:

	2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
U.S. Treasury bills	\$ -	\$ 508,235	\$ -	\$ 508,235
U.S. government agency, pool, and mortgage-backed	-	526,448	-	526,448
Asset-backed securities	-	557,431	-	557,431
Mutual bond funds	259,279	603,189	-	862,468
TIPS	171,885	150,912	-	322,797
Corporate bonds	-	745,486	-	745,486
Equity securities	1,956,325	1,767,503	-	3,723,828
Alternative investments	-	34,869	105,164	140,033
Interest rate swaps	-	57,439	-	57,439
Total investments by fair value level	\$ 2,387,489	\$ 4,951,512	\$ 105,164	\$ 7,444,165
Liabilities - Interest rate swaps	\$ -	\$ 9,681	\$ -	\$ 9,681

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 8 - Fair Value Measurements (Continued)

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
U.S. Treasury bills	\$ -	\$ 502,154	\$ -	\$ 502,154
U.S. government agency, pool, and mortgage-backed securities	-	474,672	-	474,672
Asset-backed securities	-	454,979	1,231	456,210
Mutual bond funds	283,212	472,034	-	755,246
TIPS	154,820	137,796	-	292,616
Corporate bonds	-	647,617	-	647,617
Equity securities	1,701,905	1,509,398	-	3,211,303
Alternative investments	-	31,248	68,753	100,001
Interest rate swaps	-	62,882	-	62,882
Total investments by fair value level	<u>\$ 2,139,937</u>	<u>\$ 4,292,780</u>	<u>\$ 69,984</u>	<u>\$ 6,502,701</u>

As of June 30, 2025 and 2024, the pension trust fund held the following investments, by level, within the fair value hierarchy:

	2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Treasury bills	\$ -	\$ 78,459	\$ -	\$ 78,459
U.S. government agency, pool, and mortgage-backed securities	-	111,295	-	111,295
Asset-backed securities	-	99,882	-	99,882
TIPS	-	57,259	-	57,259
Corporate bonds	-	146,017	-	146,017
Alternative investments	-	70	209,739	209,809
Private real estate	-	29,412	127,564	156,976
Mutual bond funds	61,732	62,096	-	123,828
Other mutual funds	580,402	519,825	-	1,100,227
Total investments	<u>\$ 642,134</u>	<u>\$ 1,104,315</u>	<u>\$ 337,303</u>	<u>\$ 2,083,752</u>

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 8 - Fair Value Measurements (Continued)

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Treasury bills	\$ -	\$ 110,265	\$ -	\$ 110,265
U.S. government agency, pool, and mortgage-backed securities	-	106,880	-	106,880
Asset-backed securities	-	73,858	464	74,322
TIPS	-	46,363	-	46,363
Corporate bonds	-	123,787	-	123,787
Alternative investments	-	150	193,090	193,240
Private real estate	-	28,290	108,444	136,734
Mutual bond funds	46,757	49,071	-	95,828
Other mutual funds	483,859	459,557	-	943,416
Total	\$ 530,616	\$ 998,221	\$ 301,998	\$ 1,830,835

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, equity securities, and mutual fund securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. 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 and asset-backed securities 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 tables below reconcile the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments at June 30, as disclosed in Note 6:

	2025	2024
Enterprise fund investments:		
Total investments by fair value level	\$ 7,444,165	\$ 6,502,701
Cash equivalents	129,264	141,824
Interest and dividends receivable	1,023	563
Miscellaneous investment payable	(18,269)	(68,254)
Total enterprise fund investments	\$ 7,556,183	\$ 6,576,834

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 8 - Fair Value Measurements (Continued)

	2025	2024
Pension trust fund investments:		
Total investments by fair value level	\$ 2,083,752	\$ 1,830,835
Cash equivalents	31,031	16,274
Interest and dividends payable	(25)	(86)
Miscellaneous investment payable	(1,920)	(2,278)
Total pension trust fund investments	<u>\$ 2,112,838</u>	<u>\$ 1,844,745</u>

Note 9 - Other Investments

UCHealth recognizes its interest in the net assets and operations of joint ventures in which UCHealth and its component units have an ownership interest and ongoing financial interests or ongoing financial responsibilities. At June 30, 2025 and 2024, equity interests in joint ventures held by UCHealth and its component units ranged from 5 percent to 60 percent and totaled \$75,694 and \$69,435, respectively.

Lakota Lake, LLC (Lakota Lake) has a 50 percent equity interest in Gateway Medical Services, LLC (Gateway) totaling \$4,176 and \$4,260 at June 30, 2025 and 2024, respectively. Lakota Lake's share of Gateway's net income was \$442 and \$319 for the years ended June 30, 2025 and 2024, respectively. Lakota Lake received distributions from Gateway of \$526 and \$487 during the years ended June 30, 2025 and 2024, respectively.

PVHS has a 50 percent equity interest in OCR Loveland ASC & CCC, LLC (OCRL) totaling \$23,883 and \$23,114 at June 30, 2025 and 2024, respectively. PVHS's share of OCRL's net income was \$4,435 and \$3,330 for the years ended June 30, 2025 and 2024, respectively. PVHS received distributions from OCRL of \$3,666 and \$1,877 during the years ended June 30, 2025 and 2024, respectively.

GH has a 50 percent equity interest in OCR Greeley Real Estate, LLC (OCRG) totaling \$14,219 and \$14,683 at June 30, 2025 and 2024, respectively. GH's share of OCRG's net income was \$637 and \$175 for the years ended June 30, 2025 and June 30, 2024, respectively. GH made contributions to OCRG of \$8,082 during the year ended June 30, 2024. PVHS received distributions from OCRG of \$1,101 during the year ended June 30, 2025.

UCHealth has a 50 percent equity interest in AML JV, LLC (AML) totaling \$8,641 and \$4,055 at June 30, 2025 and 2024, respectively. UCHealth's share of AML's net loss was \$9,738 and \$6,002 for the years ended June 30, 2025 and 2024, respectively. UCHealth made contributions to AML of \$14,324 and \$3,000 during the years ended June 30, 2025 and 2024, respectively.

UCHealth has a 26 percent equity interest in Hummingbird Healthcare, Inc. (Hummingbird) totaling \$8,003 and \$8,669 for the years ended June 30, 2025 and 2024, respectively. UCHealth's share of Hummingbird's net loss was \$2,666 for the year ended June 30, 2025. UCHealth made contributions to Hummingbird of \$2,000 and \$8,669 for the years ended June 30, 2025 and 2024, respectively.

UCHealth and its component units have equity ownership interests ranging from 5 percent to 60 percent in other joint ventures totaling \$16,772 and \$14,654 for the years ended June 30, 2025 and 2024, respectively. UCHealth and its component units' share of the other joint ventures' net income was \$6,508 and \$7,703 for the years ended June 30, 2025 and 2024, respectively. UCHealth and its component units received \$8,677 and \$7,801 in distributions from these other joint ventures during the years ended June 30, 2025 and 2024, respectively. UCHealth and its component units made contributions of \$4,287 and \$2,276 to these other joint ventures during the years ended June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 9 - Other Investments (Continued)

UCHealth had a minority interest in Catapult Health, LLC of \$7,000 at June 30, 2024, which was accounted for under the cost method and was sold in 2025. UCHealth has a minority interest in LeanTaaS of \$6,372 at June 30, 2025 and 2024, which is accounted for under the cost method. UCHA has a minority interest in TriWest Healthcare Alliance Corp. (TriWest) of \$8,413 at June 30, 2025 and 2024, which is accounted for under the cost method. UCHA contributed \$2,413 to TriWest during the year ended June 30, 2024. UCHealth has investments in other minority interests of \$24,745 and \$22,246 at June 30, 2025 and 2024, respectively, which are accounted for under the cost method. UCHealth made contributions to minority interests in other entities of \$6,499 and \$2,000 during the years ended June 30, 2025 and 2024, respectively. UCHealth impaired a cost method investment for \$4,000 during the year ended June 30, 2025 and sold a cost method investment of \$1,400 during the year ended June 30, 2024.

Note 10 - Capital Assets

Capital assets consist of the following for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Transfers	Disposals	June 30, 2025
Capital assets not being depreciated:					
Land	\$ 140,091	\$ -	\$ 610	\$ -	\$ 140,701
Construction in progress	633,215	380,953	(215,810)	-	798,358
Total capital assets not being depreciated	773,306	380,953	(215,200)	-	939,059
Capital assets being depreciated:					
Buildings and improvements	4,416,195	86,928	206,316	(533)	4,708,906
Fixed and movable equipment	2,327,287	169,380	8,884	(3,588)	2,501,963
Right-to-use assets - Land	27,661	-	-	-	27,661
Right-to-use assets - Buildings	267,662	20,841	-	(72,488)	216,015
Right-to-use assets - Equipment	52,638	11,884	-	(4,522)	60,000
Right-to-use assets - PPP	60,913	-	-	-	60,913
Right-to-use assets - SBITA	231,197	64,194	-	(78,554)	216,837
Total capital assets being depreciated	7,383,553	353,227	215,200	(159,685)	7,792,295
Accumulated depreciation and amortization:					
Buildings and improvements	1,768,907	177,973	-	(266)	1,946,614
Fixed and movable equipment	1,775,635	198,276	-	(3,380)	1,970,531
Right-to-use assets - Land	6,667	1,045	-	-	7,712
Right-to-use assets - Buildings	94,526	27,514	-	(18,387)	103,653
Right-to-use assets - Equipment	18,064	10,121	-	(4,522)	23,663
Right-to-use assets - PPP	4,475	1,492	-	-	5,967
Right-to-use assets - SBITA	97,077	60,185	-	(66,501)	90,761
Total accumulated depreciation and amortization	3,765,351	476,606	-	(93,056)	4,148,901
Net capital assets	\$ 4,391,508	\$ 257,574	\$ -	\$ (66,629)	\$ 4,582,453

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 10 - Capital Assets (Continued)

Capital assets consist of the following for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Transfers	Disposals	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 140,091	\$ -	\$ -	\$ -	\$ 140,091
Construction in progress	531,878	350,545	(249,208)	-	633,215
Total capital assets not being depreciated	671,969	350,545	(249,208)	-	773,306
Capital assets being depreciated:					
Buildings and improvements	4,231,813	5,971	178,626	(215)	4,416,195
Fixed and movable equipment	2,154,178	150,837	70,582	(48,310)	2,327,287
Right-to-use assets - Land	27,669	-	-	(8)	27,661
Right-to-use assets - Buildings	286,636	35,931	-	(54,905)	267,662
Right-to-use assets - Equipment	45,592	19,813	-	(12,767)	52,638
Right-to-use assets - PPP	60,913	-	-	-	60,913
Right-to-use assets - SBITA	174,807	77,617	-	(21,227)	231,197
Total capital assets being depreciated	6,981,608	290,169	249,208	(137,432)	7,383,553
Accumulated depreciation and amortization:					
Buildings and improvements	1,602,769	166,292	58	(212)	1,768,907
Fixed and movable equipment	1,604,586	193,195	(58)	(22,088)	1,775,635
Right-to-use assets - Land	5,620	1,055	-	(8)	6,667
Right-to-use assets - Buildings	102,080	34,694	-	(42,248)	94,526
Right-to-use assets - Equipment	20,529	10,639	-	(13,104)	18,064
Right-to-use assets - PPP	2,983	1,492	-	-	4,475
Right-to-use assets - SBITA	64,340	53,964	-	(21,227)	97,077
Total accumulated depreciation and amortization	3,402,907	461,331	-	(98,887)	3,765,351
Net capital assets	\$ 4,250,670	\$ 179,383	\$ -	\$ (38,545)	\$ 4,391,508

Note 11 - Accounts Receivable

The Health System provides care to patients covered by various third-party payors, such as Medicare, Medicaid, private insurance companies, and health maintenance organizations. The composition of receivables from patients and third-party payors at June 30 is as follows:

	2025	2024
Medicare	29 %	27 %
Medicaid	12	11
Managed care	36	41
Commercial	3	1
Self-pay and medically indigent	15	15
Military and other governmental	1	1
Other	4	4

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities

Long-term debt activity for the years ended June 30, 2025 and 2024 can be summarized as follows:

	2025				Due within One
	Beginning Balance	Additions	Reductions	Ending Balance	Year
Direct borrowings and direct placements:					
City of Colorado Springs, Colorado agreement	\$ 78,366	\$ -	\$ (3,255)	\$ 75,111	\$ 3,355
Series 2012C - UCHA	87,510	-	(87,510)	-	-
Series 2015D - UCHA	195,925	-	(475)	195,450	470
Series 2017A - UCHA	152,075	-	-	152,075	-
Series 2019B - UCHA	50,000	-	-	50,000	-
Series 2019D - UCHA	50,000	-	-	50,000	-
Series 2022A - UCHA	102,400	-	(15,565)	86,835	20,148
Series 2022B - UCHA	102,400	-	(15,565)	86,835	20,148
Note payable - Parkview	1,350	-	-	1,350	-
Total direct borrowings and direct placements	820,026	-	(122,370)	697,656	44,121
Other bonds:					
Series 2017B-1 - UCHA	57,685	-	-	57,685	-
Series 2017B-2 - UCHA	8,255	-	(8,255)	-	-
Series 2018A - UCHA	45,915	-	-	45,915	-
Series 2018B - UCHA	76,170	-	-	76,170	-
Series 2018C - UCHA	75,265	-	-	75,265	-
Series 2019A - UCHA	100,000	-	-	100,000	-
Series 2019C - UCHA	122,785	-	(122,785)	-	-
Series 2019C issuance premium	1,289	-	(1,289)	-	-
Series 2024A - UCHA	-	112,000	-	112,000	-
Series 2024B - UCHA	-	150,300	-	150,300	1,884
Series 2024 issuance premium	-	32,262	(4,230)	28,032	-
Series 2025A - UCHA	-	87,645	-	87,645	-
Series 2016 - Parkview	70,590	-	(70,590)	-	-
Series 2017 - Parkview	10,965	-	(10,965)	-	-
Series 2020 - Parkview	79,860	-	(79,860)	-	-
Other series - Parkview	460	-	(460)	-	-
Parkview issuance premium	7,884	-	(7,884)	-	-
Total other bonds	657,123	382,207	(306,318)	733,012	1,884
Other debt:					
Lease liabilities - Combined	235,675	32,721	(92,244)	176,152	32,359
SBITA liabilities - Combined	103,054	63,319	(59,004)	107,369	36,428
PPP liabilities - Combined	59,545	-	(206)	59,339	250
Total	\$ 1,875,423	\$ 478,247	\$ (580,142)	\$ 1,773,528	\$ 115,042

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

	2024				Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Direct borrowings and direct placements:					
City of Colorado Springs, Colorado agreement	\$ 81,523	\$ -	\$ (3,157)	\$ 78,366	\$ 3,255
Series 2012C - UCHA	87,510	-	-	87,510	-
Series 2015D - UCHA	196,375	-	(450)	195,925	475
Series 2017A - UCHA	152,075	-	-	152,075	-
Series 2019B - UCHA	50,000	-	-	50,000	-
Series 2019D - UCHA	50,000	-	-	50,000	-
Series 2022A - UCHA	115,283	-	(12,883)	102,400	15,565
Series 2022B - UCHA	115,282	-	(12,882)	102,400	15,565
Note payable - Parkview	1,350	-	-	1,350	-
Total direct borrowings and direct placements	849,398	-	(29,372)	820,026	34,860
Other bonds:					
Series 2017B-1 - UCHA	57,685	-	-	57,685	-
Series 2017B-2 - UCHA	16,155	-	(7,900)	8,255	8,255
Series 2018A - UCHA	45,915	-	-	45,915	-
Series 2018B - UCHA	76,170	-	-	76,170	-
Series 2018C - UCHA	75,265	-	-	75,265	-
Series 2019A - UCHA	100,000	-	-	100,000	-
Series 2019C - UCHA	122,785	-	-	122,785	-
Series 2019C issuance premium	5,254	-	(3,965)	1,289	-
Series 2015 - Parkview	38,395	-	(38,395)	-	-
Series 2016 - Parkview	70,590	-	-	70,590	-
Series 2017 - Parkview	12,120	-	(1,155)	10,965	-
Series 2020 - Parkview	80,770	-	(910)	79,860	1,220
Other series - Parkview	23,439	-	(22,979)	460	460
Parkview issuance premium	9,789	-	(1,905)	7,884	-
Total other bonds outstanding	734,332	-	(77,209)	657,123	9,935
Other debt:					
Lease liabilities - Combined	238,422	55,203	(57,950)	235,675	34,587
SBITA liabilities - Combined	97,468	69,544	(63,958)	103,054	26,906
PPP liabilities - Combined	59,709	-	(164)	59,545	206
Total	\$ 1,979,329	\$ 124,747	\$ (228,653)	\$ 1,875,423	\$ 106,494

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

During the year ended June 30, 2025, the Health System disposed of \$55,193 and \$13,453 of lease and SBITA liabilities, respectively. These disposals are included in the reductions amount in the above table. There were no significant disposals during the year ended June 30, 2024.

Annual debt service requirements to maturity for direct borrowings, direct placement, and other bonds are as follows:

Years Ending June 30	Direct Borrowing and Direct Placement		Other Bonds		Total
	Principal	Interest	Principal	Interest	
2026	\$ 44,121	\$ 11,453	\$ 1,884	\$ 15,123	\$ 72,581
2027	44,961	10,698	3,210	15,044	73,913
2028	32,888	10,055	16,245	14,797	73,985
2029	31,014	9,501	19,050	14,423	73,988
2030	34,204	8,865	128,115	12,030	183,214
2031-2035	56,532	39,903	204,640	35,711	336,786
2036-2040	122,785	32,085	144,190	19,363	318,423
2041-2045	170,362	18,492	67,260	10,537	266,651
2046-2050	160,789	5,353	120,386	5,065	291,593
Total	<u>\$ 697,656</u>	<u>\$ 146,405</u>	<u>\$ 704,980</u>	<u>\$ 142,093</u>	<u>\$ 1,691,134</u>

UCHealth leases certain assets from various third parties. The assets leased include land, buildings, and equipment. Payments are generally fixed monthly. UCHealth also leases certain assets that are subsequently subleased by UCHealth to a third party. The noncancelable terms of these leasing arrangements mature between 2026 and 2116. The discount rates applicable to these leasing arrangements range from 0.51 percent to 6.04 percent. Lease right-to-use asset activity of UCHealth is included in Note 10.

Future principal and interest payment requirements related to UCHealth's lease liabilities at June 30, 2025 are as follows:

Years Ending June 30	Principal	Interest	Total
2026	\$ 32,359	\$ 4,420	\$ 36,779
2027	30,220	3,563	33,783
2028	25,104	2,814	27,918
2029	20,277	2,173	22,450
2030	14,321	1,686	16,007
2031-2035	37,766	4,159	41,925
2036-2040	5,423	1,562	6,985
2041-2045	279	1,408	1,687
2046-2050	318	1,369	1,687
2051-2055	333	1,325	1,658
Thereafter	9,752	9,955	19,707
Total	<u>\$ 176,152</u>	<u>\$ 34,434</u>	<u>\$ 210,586</u>

UCHealth 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 UCHealth is included in Note 10.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

Future principal and interest payment requirements related to UCHealth's SBITA liabilities at June 30, 2025 are as follows:

Years Ending June 30	Principal	Interest	Total
2026	\$ 36,428	\$ 1,837	\$ 38,265
2027	29,926	1,043	30,969
2028	20,311	534	20,845
2029	10,620	245	10,865
2030	8,950	85	9,035
Thereafter	1,134	5	1,139
Total	<u>\$ 107,369</u>	<u>\$ 3,749</u>	<u>\$ 111,118</u>

In 1994, PVHS entered into an agreement with Poudre Valley Hospital District (the "District"), which was subsequently amended and extended in 2012, under which PVHS operates Poudre Valley Hospital and related health care operations through April 30, 2062. UCHealth has recognized a PPP liability for future installment payments using a discount rate of 1.9 percent. UCHealth has recognized an other long-term liability of \$55,106 at June 30, 2025 and 2024, representing the expected carrying value of assets to be transferred back to the District upon termination of the lease, if it is not extended. UCHealth has recognized a deferred outflow for PPP of \$49,707 and \$51,057 at June 30, 2025 and 2024, respectively. PPP asset activity of UCHealth is included in Note 10.

Future principal and interest payment requirements related to UCHealth's PPP liabilities at June 30, 2025 are as follows:

Years Ending June 30	Principal	Interest	Total
2026	\$ 250	\$ 1,135	\$ 1,385
2027	297	1,130	1,427
2028	345	1,124	1,469
2029	396	1,118	1,514
2030	449	1,110	1,559
2031-2035	3,129	5,398	8,527
2036-2040	4,853	5,033	9,886
2041-2045	6,973	4,488	11,461
2046-2050	9,565	3,721	13,286
2051-2055	12,717	2,685	15,402
Thereafter	20,365	1,389	21,754
Total	<u>\$ 59,339</u>	<u>\$ 28,331</u>	<u>\$ 87,670</u>

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs, Colorado (the "City") was executed with the purpose of leasing MHS. The original agreement is for a 40-year term, with renewals or extensions anticipated. The installment payments totaled \$110,000 and will be paid down in monthly payments through 2042. Effective May 1, 2017, MHS entered into a ground sublease with Children's Hospital Colorado (the "Ground Sublease") for 15 percent of the original agreement amount under the Health System Operating Lease Agreement with the City. Future minimum payments under the Ground Sublease are \$13,097 and \$13,565 at June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

In March 2025, UCHA issued Series 2025A Refunding Revenue Bonds in the amount of \$87,645 to refinance the Series 2012C bonds. Series 2025A was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2044 through fiscal year 2046. 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 that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2025, the principal amount of such bonds has been classified as a current liability in the accompanying statement 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 August 2024, UCHA issued Series 2024A and Series 2024B Revenue and Revenue Refunding Bonds in the amount of \$262,300 to refinance the Series 2019C bonds and to finance various capital projects. The Series 2024A and Series 2024B bonds are fixed-rate issuances, with interest paid semiannually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2025 through maturity in fiscal year 2040.

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 fixed-rate issuances, with interest paid semiannually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2024. The interest rate for the Series 2022A and Series 2022B bonds is 1.58 percent. The Series 2022A and Series 2022B bonds have a maturity date of November 2030.

In July 2020, Parkview issued Series 2020A Revenue Bonds (Series 2020A) in the amount of \$67,465 and Series 2020B Revenue Bonds in the amount of \$13,305 (Series 2020B) to fund construction projects. Series 2020A was issued as fixed-rate bonds, with interest paid semiannually at 4 percent and principal paid according to a mandatory sinking fund redemption schedule through 2040. Series 2020B was issued as fixed-rate bonds, with interest paid semiannually at rates ranging from 2.176 percent to 4.274 percent and principal paid according to a mandatory sinking fund redemption schedule through 2039. The Parkview Series 2020A bonds were defeased in full in July 2024.

In October 2019, UCHA issued Series 2019A Revenue Bonds (Series 2019A) in the amount of \$100,000 to finance the construction of Highlands Ranch Hospital. Series 2019A was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2050. 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, 2025 and 2024, the principal amount of such bonds has been classified as a current liability in the accompanying statement 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 Greeley Hospital. Series 2019B was issued as fixed-rate bonds, with interest paid semiannually and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2049. Wells Fargo Bank, N.A. is the holder of the bonds at a fixed interest rate of 1.67 percent. The direct purchase bonds were issued with a 10-year term that will expire in October 2029.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

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 was issued as 5-year put bonds at a premium. Series 2019C was refunded in August 2024 in conjunction with the issuance of the Series 2024A and Series 2024B bonds discussed above. Prior to refunding, interest was paid semiannually and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2048.

In October 2019, UCHA issued Series 2019D Revenue Bonds (Series 2019D) in the amount of \$50,000 to finance the construction of Greeley Hospital. Series 2019D was issued as fixed-rate bonds, with interest paid semiannually and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2049. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 1.67 percent. The direct purchase bonds were issued with a 10-year term that will expire in 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 was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2031. 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, 2025 and 2024, the principal amount of such bonds has been classified as a current liability in the accompanying statement 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 was 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 through fiscal year 2036. UCHealth 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.

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 was 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 through fiscal year 2040. 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 October 2017, Parkview issued Series 2017 Revenue Refunding Bonds (Series 2017) in the amount of \$23,090 to refund the Parkview Series 2007B Bonds. Series 2017 was issued as fixed-rate bonds, with interest paid semiannually at rates ranging from 3 percent to 5 percent and principal paid according to a mandatory sinking fund redemption schedule through 2029. The Parkview Series 2017 bonds were refunded in full in July 2024.

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 was issued as fixed-rate bonds at a rate of 4.625 percent, with interest paid semiannually and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2047. 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 percent) and makes payments based on the Securities Industry and Financial Markets Association Index plus 40 basis points. UCHealth settles with the counterparty semiannually, each May and November. The swap agreement expires in March 2027.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 12 - Long-term Debt, Leases, and SBITA and PPP Liabilities (Continued)

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 was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2040 (Series 2017B-1) and fiscal year 2025 (Series 2017B-2). 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, 2025 and 2024, the principal amount of such bonds has been classified as a current liability in the accompanying statement 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 September 2016, Parkview issued Series 2016 Revenue Bonds (Series 2016) in the amount of \$70,590 to fund construction projects. Series 2016 was issued as fixed-rate bonds, with interest paid semiannually at rates ranging from 3.125 percent to 5 percent and principal paid according to a mandatory sinking fund redemption schedule from 2037 through 2046. The Parkview Series 2016 bonds were refunded in full in July 2024.

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 was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2042. In April 2020, the terms of the bonds were updated to a fixed-rate mode of 1.48 percent, with interest paid semiannually. UCHA also extended the original direct purchase agreement with Wells Fargo Bank, N.A. on Series 2015D, which will expire in April 2027.

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 was issued as variable-rate bonds, with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule through fiscal year 2046. In April 2020, the terms of the bonds were updated to a fixed-rate mode of 1.35 percent, with interest paid semiannually. UCHA also extended the original direct purchase agreement with Wells Fargo Bank, N.A. on Series 2012C, which was scheduled to expire in April 2025; because the purchase agreement was scheduled to expire in fiscal year 2025, the entirety of the Series 2012C bonds was recorded within the current portion of long-term debt on the statement of net position as of June 30, 2024. Series 2012C was refunded in March 2025 in conjunction with the issuance of the Series 2025A bonds discussed above.

All bonds are secured by a security interest with respect to all gross revenue 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 maintaining 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.

Cash paid for interest was \$38,516 and \$47,997 for the years ended June 30, 2025 and 2024, respectively. UCHHealth paid in debt issuance costs of \$1,858 and \$0 during the years ended June 30, 2025 and 2024, respectively.

The fair value of the Health System's long-term debt is based on the most recent trading price as of June 30, 2025. The fair value of the revenue bonds at June 30, 2025 and 2024 was \$1,350,133 and \$1,388,260, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 13 - Self-insurance Trust

UCD sponsors a self-insurance trust, the University of Colorado Self-Insurance and Risk Management Trust (the "Trust"), in which UCHA participates. The Trust was authorized by a resolution of the Regents 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 the 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 \$424 per claimant and \$1,195 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.

As of June 30, 2025, the Trust had a fund balance of \$2,366, which is net of \$10,618 in reserves for losses and loss adjustment expenses. At June 30, 2025, plan assets exceed the actuarially determined liability. For 2025 and 2024, UCHA recorded premium and administrative expenses of \$272 and \$1,709, respectively. There were no refunds received during 2025 or 2024. Effective October 1, 2024, UCHA no longer participates in the Trust for claims made on or after that date.

Note 14 - Self-insurance Program and Captive Insurance Company

UCHealth has a self-insured program (the "SIP") to cover professional and general liability losses that are not covered by the Trust, as well as coverage for the tail liability for professional and general liability commercial claims-made policies. The SIP provides coverage to its participants up to \$1,000 per occurrence and \$6,000 in the aggregate for claims arising from activities of covered persons and entities for claims made on or before June 30, 2023. The SIP provides coverage to UCHA up to \$500 per claimant and \$1,500 per occurrence for claims made on or after October 1, 2024. The SIP contracts with commercial insurance companies to provide coverage for claims in excess of the per occurrence and aggregate limits covered by the SIP up to a total of \$40,000 in excess coverage. Reserves for claims incurred but not yet paid were \$8,050 and \$8,761 at June 30, 2025 and 2024, 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.

RMS covers professional and general liability claims on a claims-made basis effective July 1, 2023. RMS provides coverage to its participants up to \$2,000 per occurrence and \$8,000 in the aggregate for claims arising from activities of covered persons and entities. UCHealth contracts with commercial insurance companies to provide coverage for claims in excess of the per occurrence and aggregate limits covered by RMS. Reserves for claims incurred but not yet paid were \$10,170 and \$5,257 at June 30, 2025 and 2024, 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.

Note 15 - Health Benefits Trust

From July 1, 2020 through December 31, 2023, UCHealth administered its employee health coverage through the Health Trust of the University of Colorado Hospital Authority (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 \$190,683 during the year ended June 30, 2024. The health benefits trust was closed during fiscal year 2024.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 16 - Retirement Plans

UCHealth offers five retirement plans: the University of Colorado Hospital Authority Retirement Plan (the "Basic Pension Plan"), as amended and restated; the University of Colorado Hospital Authority Fixed Contribution Investment Plan (the "Investment Account"); the University of Colorado Hospital Authority Matching Tax Deferred Annuity Plan (the "Matching Account"); the University of Colorado Hospital Deferred Compensation Savings Plan (the "457b Plan"); and the UCHealth 403(b) Plan (the "403(b) Plan"). The UCHA Board is the fiduciary for the Basic Pension Plan and has the ability to amend this plan. The Investment Account, the Matching Account, the 457b Plan, and the 403(b) Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans. The UCHA Board has the authority to establish and amend the benefit provisions of the Investment Account, Matching Account, and 457b Plan. The UCHealth Board has the authority to establish and amend the benefit provisions of the 403(b) Plan.

Pension Plan

UCHA participates in a pension plan that covers substantially all of its employees, the Basic Pension Plan. The Basic Pension Plan is a single-employer, noncontributory, defined benefit plan. Eligibility to receive benefits under this plan for UCHA employees starts on the date of hire. Those employees who were employed by UCHA prior to October 1, 1989 and those who elected to become UCHA employees are eligible to participate. MHS employees active as of October 1, 2012 and PVHS employees active as of January 4, 2013 or hired thereafter are eligible for participation in the University of Colorado Hospital Authority Retirement Plan on that date. Effective September 1, 2012, participants are vested in their accrued benefit at 20 percent per every 12 months of service until they are 100 percent vested after 5 years. This is a change from the prior vesting schedule for UCHA employees, which required 5 years of service to become 100 percent vested. The Basic Pension Plan was closed to new entrants effective December 24, 2023.

The annual accrued benefits, paid monthly, of the Basic Pension Plan are calculated at 1.5 percent 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. The Basic Pension Plan allows employees who leave with less than 10 years of service to elect a lump-sum distribution upon termination, allows employees with over 10 years of service to elect a partial lump sum to the extent that their balance is above an \$18 per year annuity, allows terminated participants to elect these options as well based on the same criteria for active participants, and allows the purchase by the Basic Pension Plan of annuities for retirees periodically when rates are favorable.

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

The actuarially computed net periodic pension cost for the Basic Pension Plan for 2025 and 2024 was \$131,766 and \$169,374, respectively. Investment gains for 2025 and 2024, including interest, dividends, and realized and unrealized gains, were \$200,592 and \$174,394, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 16 - Retirement Plans (Continued)

Membership in the Basic Pension Plan consisted of the following at July 1, 2024 and 2023 (dates of the latest actuarial valuations):

	2024	2023
Retirees and beneficiaries receiving benefits	3,276	2,912
Terminated plan members entitled to but not yet receiving benefits	8,028	7,143
Active plan members, includes all participants within the system	28,256	30,243
Total members	39,560	40,298

Changes in the net pension liability for the years ended June 30, 2025 and 2024 were as follows:

Changes in Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2024	\$ 2,001,805	\$ 1,844,745	\$ 157,060
Changes for the year:			
Service cost	120,786	-	120,786
Interest	140,771	-	140,771
Contributions - Employer	-	150,854	(150,854)
Net investment income	-	200,592	(200,592)
Changes in experience	1,549	-	1,549
Benefit payments	(76,300)	(76,300)	-
Administrative expenses	-	(7,053)	7,053
Net changes	186,806	268,093	(81,287)
Balance at June 30, 2025	<u>\$ 2,188,611</u>	<u>\$ 2,112,838</u>	<u>\$ 75,773</u>
Changes in Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2023	\$ 1,766,304	\$ 1,564,116	\$ 202,188
Changes for the year:			
Service cost	128,739	-	128,739
Interest	127,815	-	127,815
Contributions - Employer	-	163,333	(163,333)
Net investment income	-	174,394	(174,394)
Changes in experience	30,670	-	30,670
Benefit payments	(51,723)	(51,723)	-
Administrative expenses	-	(5,375)	5,375
Net changes	235,501	280,629	(45,128)
Balance at June 30, 2024	<u>\$ 2,001,805</u>	<u>\$ 1,844,745</u>	<u>\$ 157,060</u>

The pension plan's fiduciary net position as a percentage of the total pension liability was 96.5 percent and 92.2 percent as of June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 16 - Retirement Plans (Continued)

At June 30, 2025 and 2024, the Health System reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,063	\$ -	\$ 41,723	\$ -
Changes in assumptions	5,033	-	15,360	-
Net difference between projected and actual earnings on pension plan investments	-	65,599	-	30,386
Total	<u>\$ 30,096</u>	<u>\$ 65,599</u>	<u>\$ 57,083</u>	<u>\$ 30,386</u>

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

Years Ending June 30	Amount
2026	\$ 29,944
2027	(24,330)
2028	(26,444)
2029	(14,673)
Total	<u>\$ (35,503)</u>

The Health System has made all required contributions to the pension plan for the year ended June 30, 2025.

As a governmental entity, UCHA has flexibility in determining the amount to contribute to the Basic Pension Plan each year. The actuarially determined contribution calculated as part of this report is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the Basic Pension Plan. It is calculated in a manner intended to remain relatively stable, as a percentage of valuation compensation, over time. This stability is intended to facilitate the annual budgeting process and to keep the cost of the Basic Pension Plan manageable. The Health System made contributions to the Basic Pension Plan of \$150,854 and \$163,333 in 2025 and 2024, respectively. The actuarially determined contributions were \$150,854 and \$163,333 in 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, the Health System's average contribution rates were 6.16 percent and 6.34 percent, respectively, of annual payroll.

The Health System's net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2024 and 2023, respectively. The Health System utilized update procedures to roll valuation amounts forward to the respective measurement dates using the calculated service and interest cost, actual contributions, and return on plan assets.

Notes to Basic Financial Statements

June 30, 2025 and 2024
(Dollars in Thousands)

Note 16 - Retirement Plans (Continued)

Additional information as of the latest actuarial valuation date is as follows:

Valuation date	July 1, 2024 and 2023
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%
ii) Projected salary increases*	3.25% to 8.75%
iii) Cost of living adjustments**	2.25%

*Includes inflation at 2.25 percent

**Cost of living adjustments apply only to those participants who fall under 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 percent 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 from July 1, 2018 through July 1, 2022.

The long-term expected rate of return on pension plan investments was determined using a variety of industry-accepted practices to determine 10-year estimated ranges of future expected returns for major asset classes. For public equities, a building-block approach incorporating inflation, real earnings growth, dividend yield, and repricing 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, 2024 and 2023. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	2025		2024	
	Target Allocation	Arithmetic Expected Return (10-year Average)	Target Allocation	Arithmetic Expected Return (10-year Average)
Domestic equity	28 %	6.8 %	28 %	7.2 %
International equity	22	8.5	22	10.0
Fixed income	30	4.9	30	5.6
Real estate	10	7.9	10	7.5
Alternative	10	9.9	10	9.7

Notes to Basic Financial Statements

June 30, 2025 and 2024
(Dollars in Thousands)

Note 16 - Retirement Plans (Continued)

The following presents the net pension liability of the Health System, calculated using the discount rate of 6.75 percent, as well as what the Health System's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
June 30, 2025	\$ 405,762	\$ 75,773	\$ (193,833)
June 30, 2024	457,306	157,060	(88,101)

Investment Account

The Investment Account is a qualified, single-employer, defined contribution retirement plan under the provisions of Code Section 401(a). UCHA employees are required to contribute 6.2 percent 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 employee contributions made under the provisions of this plan were \$131,596 and \$141,639 for the years ended June 30, 2025 and 2024, respectively. This represents 4.27 percent and 4.83 percent of payroll for the years ended June 30, 2025 and 2024, respectively. In accordance with code regulations, the Heath System is required to provide an additional make-up contribution for certain part-time employees equal to 1.3 percent of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHealth were \$671 and \$1,468 in 2025 and 2024, respectively.

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, either on a tax-deferred or post-tax basis, up to legal limitations established under the Code. In addition, UCHealth will match employee contributions 100 percent on the first 3 percent of gross compensation contributed. Employees are always vested 100 percent in their contributions; however, the Health System's matching contributions are subject to a five-year graduated vesting schedule. Certain part-time employees are not eligible for UCHealth matching contributions. UCHealth matching contributions for 2025 and 2024 were \$52,589 and \$52,646, respectively. Employee contributions to the Matching Account for 2025 and 2024 were \$151,769 and \$135,886, respectively.

457b Plan

The 457b Plan is a single-employer plan under the provisions of Code Section 457, in which employees are eligible to contribute a percentage of their gross compensation, either on a tax-deferred or post-tax basis, up to legal limitations established under the Code. Employees are always vested 100 percent in their contributions, and the Health System does not contribute to this plan. Employees may elect from a broad array of mutual funds with their respective investment companies. Employee contributions to the 457b Plan for 2025 and 2024 were \$30,735 and \$28,600, respectively.

403(b) Plan

Effective December 24, 2023, UCHealth closed the Basic Pension Plan and the Matching Account to new entrants. Also effective on that date, UCHealth began offering the UCHealth 403(b) Plan for all employees hired on December 24, 2023 and thereafter.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 16 - Retirement Plans (Continued)

The UCHealth 403(b) Plan is a single-employer annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, either on a tax-deferred or post-tax basis, up to legal limitations established under the Code. In addition, UCHealth will match employee contributions 100 percent up to the first 4 percent of gross compensation contributed. Employees are always vested in their contributions; however, the Health System's matching contributions are subject to a five-year graduated vesting schedule. Certain part-time employees are not eligible for UCHealth matching contributions. UCHealth matching contributions for 2025 and 2024 were \$18,627 and \$2,929, respectively. Employee contributions to the UCHealth 403(b) Plan for 2025 and 2024 were \$23,243 and \$6,381, respectively.

Other Postemployment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a postretirement 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 (prorated for less than 20 years of service) and an employer-funded life insurance benefit of \$3. The employer-funded life insurance benefit is provided to all employees who retired from UCHA on or before July 1, 2015. The accumulated postretirement benefit obligation and actuarial accrued liability, which is unfunded, for the medical and life premiums were \$1,198 and \$1,715 at June 30, 2025 and 2024, respectively. Total benefit costs related to this plan were \$(388) and \$(99) for the years ended June 30, 2025 and 2024, respectively. In the calculation of the liability, an assumption that 65 percent 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 5.20 percent and 3.93 percent at June 30, 2025 and 2024, respectively.

Note 17 - Significant Transactions between Component Units

UCHealth entities pool their respective revenue and expenses for a single bottom line. The Board 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.

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

Total current assets of UCHA include a receivable from affiliates that is composed of amounts due for the bond proceeds of \$40,295 and \$31,130 at June 30, 2025 and 2024, respectively; amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of \$0 and \$8,255, respectively; \$6,039 and \$5,249 related to interest due on intercompany bonds from MHS, PVHS, and other entities at June 30, 2025 and 2024, respectively; and \$1,076,860 and \$911,862 at June 30, 2025 and 2024, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include \$772,646 and \$707,716 at June 30, 2025 and 2024, respectively, related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include \$132,193 and \$114,324 at June 30, 2025 and 2024, respectively, related to transactions between PVHS, the Health System, and other component units.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 17 - Significant Transactions between Component Units (Continued)

Total noncurrent assets of UCHA include a receivable from MHS that is composed of amounts due for the bond proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of \$192,284 and \$232,689 at June 30, 2025 and 2024, respectively. Total noncurrent assets of UCHA include a receivable from PVHS related to bond proceeds for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets of \$334,085 and \$334,021 at June 30, 2025 and 2024, respectively. Total noncurrent assets of UCHA include a receivable from other entities related to bonds issued for the acquisition of capital assets of \$303,635 and \$304,945 at June 30, 2025 and 2024, respectively.

Total current liabilities of MHS at June 30, 2025 and 2024 include \$40,295 and \$31,130, respectively, due to UCHA for bond proceeds and \$779 and \$828, respectively, related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2025 and 2024 include \$0 and \$8,255, respectively, due to UCHA for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds. Total current liabilities of PVHS at June 30, 2025 and 2024 include a payable to affiliates of \$4,352 and \$3,593, respectively, related to accrued interest on bond proceeds. Total current liabilities of other entities at June 30, 2025 and 2024 include a payable to affiliates of \$908 and \$828, respectively, related to accrued interest on bond proceeds. Other entities have a payable to affiliates that is composed of amounts due to component units of \$1,950,778 and \$1,770,912 related to transactions between other entities, the Health System, and other component units at June 30, 2025 and 2024, respectively. The Health System has a receivable (payable) to affiliates that is composed of amounts due from (to) component units of \$(30,921) and \$37,010 related to transactions between the Health System and UCHA, PVHS, MHS, and other entities at June 30, 2025 and 2024, respectively.

Total noncurrent liabilities of MHS at June 30, 2025 and 2024 include a payable to affiliates of \$192,284 and \$232,689, respectively, which is composed of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets. Total noncurrent liabilities of PVHS at June 30, 2025 and 2024 include a payable to affiliates of \$334,085 and \$334,021, respectively, which is composed of amounts due to UCHA for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets. Total noncurrent liabilities of other entities at June 30, 2025 and 2024 include a payable to affiliates of \$303,635 and \$304,945, respectively, which is composed of amounts due to UCHA for bonds issued for the acquisition of capital assets.

The Health System and its component units effectively pool their investments within the Health System's pooled investment account structure, with each component unit of the Health System reflecting its respective portion of cash and investments on their respective statement of net position at June 30, 2025 and 2024. PVHS' portion of pooled cash at June 30, 2025 and 2024 was \$61,432 and \$184,254, respectively. PVHS' portion of pooled investments at June 30, 2025 and 2024 was \$2,958,221 and \$2,641,692, respectively. UCHA's portion of pooled cash at June 30, 2025 and 2024 was \$86,556 and \$238,335, respectively. UCHA's portion of pooled investments at June 30, 2025 and 2024 was \$4,168,059 and \$3,417,053, respectively. MHS' portion of pooled cash at June 30, 2025 and 2024 was \$3,190 and \$10,933, respectively. MHS' portion of pooled investments at June 30, 2025 and 2024 was \$153,589 and \$156,754, respectively. Other entities' portion of pooled cash at June 30, 2025 and 2024 was \$1,945 and \$13,913, respectively. Other entities' portion of pooled investments at June 30, 2025 and 2024 was \$93,679 and \$199,472, respectively.

Note 18 - Related Party Transactions

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

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 18 - Related Party Transactions (Continued)

UCD

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

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 the Amended and Restated Infrastructure Development and Maintenance Agreement effective July 1, 2004, which sets forth how the three parties will plan and construct infrastructure, share the cost of such planning and construction, and share in the related maintenance expenses of the infrastructure.

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid \$76,838 and \$75,373 for these services, which is recorded in purchased services and other expenses in 2025 and 2024, 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 for these services of \$1,293 and \$1,419 were recognized in other operating revenue during 2025 and 2024, respectively.

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of \$1,441 and \$1,318 were billed to CRC for the cost of these services during 2025 and 2024, respectively, and were recognized in other operating revenue. Amounts due from CRC were \$821 and \$1,597 at June 30, 2025 and 2024, respectively, and are included in related party receivables on the statement of net position. UCHA recorded amounts due to UCD of \$2,246 and \$2,998 at June 30, 2025 and 2024, 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 academic support donation for the year ended June 30, 2025 is estimated at \$29,210. The amount paid for the academic support donation for the year ended June 30, 2024 was \$41,809. In November 2018, the Regents and UCHealth entered into a second amendment to the multiyear academic support agreement, which provides an additional, nonterminable (absent mutual consent) academic missions support donation to the University of Colorado Foundation for the benefit of the School of Medicine for \$85,000, as expenses are actually incurred in future years, plus additional amounts based on a formula set forth in the second amendment. Total payments to the University of Colorado Foundation for the benefit of the School of Medicine were \$30,611 and \$20,161 for the years ended June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 18 - Related Party Transactions (Continued)

TriWest

TriWest was formed to deliver health care services to eligible beneficiaries of TriCare within certain specified geographic regions. UCHA purchased a minority interest in TriWest for \$3,300. In October 2007, UCHA sold 1,656.55 shares to TriWest for \$18,053. After the sale, CU Medicine had a 60 percent 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. Refer to Note 9 for further information regarding UCHA's investment in TriWest.

CU Medicine

During the years ended June 30, 2025 and 2024, UCHealth recognized \$306,287 and \$279,290, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support, reimbursements for hospital programs for services provided by CU Medicine on behalf of UCHealth (e.g., on-call services, joint networking, administrative and other miscellaneous programs), and reimbursements channeled through UCHA by external entities for services provided by CU Medicine on behalf of those external entities (e.g., Ryan White program).

UCHealth recorded net payables to CU Medicine of \$25,959 and \$15,098 at June 30, 2025 and 2024, respectively, for various contract labor and provider support expenses and TriWest pass-through balances. UCHealth has also entered into various long-term lease financing agreements, leased employee agreements, and other services agreements with CU Medicine. UCHealth recorded net receivables from CU Medicine of \$9,463 and \$9,416 at June 30, 2025 and 2024, respectively, related to these agreements.

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

Children's Hospital Colorado

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, 2025 and 2024 of \$34,158 and \$42,044, respectively.

Effective October 1, 2012, a sublease was executed with CHCO to operate the pediatric units located at MHS and was valued at 15 percent of the organization. CHCO paid the corresponding amount of the upfront payment and continues to pay its percentage of the ongoing lease payments to the City. On June 4, 2015, MHS became the licensed operator of the pediatric services, certain provisions of the sublease were temporarily suspended, and MHS and CHCO entered into a pediatric management services agreement and employee lease arrangement, which was subsequently amended and extended. Applicable terms of the sublease were reinstated in fiscal year 2019. Included in other receivables is \$657 and \$573 at June 30, 2025 and 2024, respectively, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other noncurrent assets is \$12,650 and \$13,097 at June 30, 2025 and 2024, respectively, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2025 and 2024 is \$944 and \$1,326, respectively, due to CHCO for contract labor costs for the work of CHCO employees in MHS units. MHS also provides services for CHCO patients, MHS employees periodically perform contract labor work on the pediatric units on behalf of CHCO, and MHS purchases certain supplies for the pediatric units on behalf of CHCO. MHS has a receivable from CHCO of \$1,957 and \$1,335 at June 30, 2025 and 2024, respectively.

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 18 - Related Party Transactions (Continued)

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, CO 80014.

Note 19 - Commitments and Contingencies

A substantial portion of the Health System's revenue is received under contractual arrangements with Medicare, Medicaid, and the military and other governmental programs. Payments from these payors are based on a combination of prospectively determined rates and retrospectively settled cost reimbursement. Final settlement of the amounts due to the Health System or payable to the payors is subject to the laws and regulations governing these programs and postpayment audits that may result in further adjustments by the payors. Additionally, these payments are subject to other routine postpayment 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.

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.

UCHealth has entered into contracts for significant new construction and expansion projects it is currently undertaking. At June 30, 2025, UCHealth has committed contract expenditures for these significant projects of \$182,230.

Note 20 - Minority Interest in Component Units

For the year ended June 30, 2024, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

	Controlling Interest	Minority Interest	Total
Income before distributions and contributions	\$ 1,211,612	\$ 2,002	\$ 1,213,614
Contributions restricted - Other	15,567	-	15,567
Acquisition of interest in component units	(265)	(45,565)	(45,830)
Change in net position	1,226,914	(43,563)	1,183,351
Net position - Beginning of year	8,328,725	43,563	8,372,288
Net position - End of year	<u>\$ 9,555,639</u>	<u>\$ -</u>	<u>\$ 9,555,639</u>

Notes to Basic Financial Statements

June 30, 2025 and 2024

(Dollars in Thousands)

Note 21 - Deferred Outflows and Inflows of Resources

As of June 30, 2025 and 2024, the components of deferred outflows and inflows of resources are as follows:

	2025		2024	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Deferred amortization on refundings	\$ 10,433	\$ 5,169	\$ 11,392	\$ 7,567
Deferred amortization related to pension plan	30,096	65,599	57,083	30,386
Deferred amortization on public-private partnership	49,707	-	51,057	-
Deferred amortization on acquisitions	40,924	-	38,543	-
Deferred inflows on leases	-	53,404	-	55,754
Total	<u>\$ 131,160</u>	<u>\$ 124,172</u>	<u>\$ 158,075</u>	<u>\$ 93,707</u>

Required Supplementary Information

Required Supplementary Information

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

Years Ended June 30
(Dollars in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 120,786	\$ 128,739	\$ 114,551	\$ 100,439	\$ 92,812	\$ 86,205	\$ 82,862	\$ 84,811	\$ 63,156	\$ 57,110
Interest	140,771	127,815	112,454	99,075	86,477	77,822	63,593	56,967	50,527	44,575
Plan changes	-	-	-	-	-	-	(38,743)	-	-	-
Difference in expected and actual experience	1,549	30,670	30,223	9,269	12,337	7,101	42,206	7,291	2,020	4,388
Changes in assumptions	-	-	6,444	30,617	25,260	(8,153)	(1,159)	(8,788)	-	(6,213)
Benefit payments	(76,300)	(51,723)	(48,943)	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)
Other	-	-	-	-	-	-	-	-	-	714
Net Change in Total Pension Liability	186,806	235,501	214,729	192,446	177,811	130,246	105,936	119,367	96,239	86,527
Total Pension Liability - Beginning	2,001,805	1,766,304	1,551,575	1,359,129	1,181,318	1,051,072	945,136	825,769	729,530	643,003
Total Pension Liability - Ending	\$ 2,188,611	\$ 2,001,805	\$ 1,766,304	\$ 1,551,575	\$ 1,359,129	\$ 1,181,318	\$ 1,051,072	\$ 945,136	\$ 825,769	\$ 729,530
Plan Fiduciary Net Position										
Contributions - Employer	\$ 150,854	\$ 163,333	\$ 145,200	\$ 122,900	\$ 113,027	\$ 101,800	\$ 91,812	\$ 79,213	\$ 74,356	\$ 68,000
Net investment income (loss)	200,592	174,394	117,645	(110,006)	310,588	39,464	40,057	56,395	78,610	(476)
Benefit payments	(76,300)	(51,723)	(48,943)	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)
Administrative expenses	(7,053)	(5,375)	(4,676)	(4,643)	(3,873)	(3,025)	(4,175)	(2,251)	(1,746)	(1,464)
Net Change in Plan Fiduciary Net Position	268,093	280,629	209,226	(38,703)	380,667	105,510	84,871	112,443	131,756	52,013
Plan Fiduciary Net Position - Beginning	1,844,745	1,564,116	1,354,890	1,393,593	1,012,926	907,416	822,545	710,102	578,346	526,333
Plan Fiduciary Net Position - Ending	\$ 2,112,838	\$ 1,844,745	\$ 1,564,116	\$ 1,354,890	\$ 1,393,593	\$ 1,012,926	\$ 907,416	\$ 822,545	\$ 710,102	\$ 578,346
UCHealth's Net Pension Liability (Asset) - Ending	\$ 75,773	\$ 157,060	\$ 202,188	\$ 196,685	\$ (34,464)	\$ 168,392	\$ 143,656	\$ 122,591	\$ 115,667	\$ 151,184
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.5 %	92.2 %	88.6 %	87.3 %	102.5 %	85.7 %	86.3 %	87.0 %	86.0 %	79.3 %
Covered Payroll	\$ 2,449,711	\$ 2,577,430	\$ 2,273,099	\$ 1,902,882	\$ 1,770,242	\$ 1,674,977	\$ 1,476,241	\$ 1,193,744	\$ 1,059,420	\$ 940,375
UCHealth's Net Pension Liability (Asset) as a Percentage of Covered Payroll	3.1 %	6.1 %	8.9 %	10.3 %	(1.9)%	10.1 %	9.7 %	10.3 %	10.9 %	16.1 %

Required Supplementary Information
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
(Continued)

Years Ended June 30
(Dollars in Thousands)

Notes 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 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 percent long-term rate of improvement. This change decreased the present value of projected benefits by \$8,153 in 2020.

The discount rate was reduced from 7.0 percent to 6.75 percent in 2021. The projected salary increases were changed to a range of 3.05 percent to 7.25 percent in 2021. The cost of living adjustment rate was reduced to 2.25 percent 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.

Required Supplementary Information Schedule of Contributions

Last Ten Fiscal Years Years Ended June 30 (Dollars in Thousands)										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 150,854	\$ 163,333	\$ 145,195	\$ 119,905	\$ 113,027	\$ 101,598	\$ 91,812	\$ 79,213	\$ 74,356	\$ 67,969
Contributions in relation to the actuarially determined contribution	150,854	163,333	145,200	122,900	113,027	101,800	91,812	79,213	74,356	68,000
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 2,995</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>
Covered Payroll	\$ 2,449,711	\$ 2,577,430	\$ 2,273,099	\$ 1,902,882	\$ 1,770,242	\$ 1,674,977	\$ 1,476,241	\$ 1,193,744	\$ 1,059,420	\$ 940,375
Contributions as a Percentage of Covered Payroll	6.16 %	6.34 %	6.39 %	6.46 %	6.38 %	6.08 %	6.22 %	6.64 %	7.02 %	7.23 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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
Projected salary increases	In the 2022 through 2024 valuations, 3.25 percent to 8.75 percent, with a one-time load for FY 2023 of (2.10) percent. In the 2021 and 2020 valuations, 3.05 percent to 7.25 percent, with one-time loads for FY 2022 and 2023 of 4.44 percent and (2.10) percent, respectively. In the 2019 and prior valuations, 3.3 percent to 7.5 percent
Investment rate of return	In the 2020 and later valuations, 6.75 percent, includes inflation at 2.25 percent. In the 2019 and prior valuations, 7.0 percent, includes inflation at 2.5 percent
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.
Cost of living adjustments	In the 2020 and later valuations, 2.25 percent. In the 2019 and prior valuations, 2.5 percent

Required Supplementary Information Schedule of Pension Plan Investment Returns

	Last Ten Fiscal Years Years Ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return - Net of investment expense	11.10 %	10.50 %	8.70 %	(8.30)%	28.50 %	4.70 %	5.10 %	7.80 %	13.10 %	(0.90)%

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 Health

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 Health (UCHealth) as of and for the year ended June 30, 2025 and the related notes to the basic financial statements, which collectively comprise UCHealth's basic financial statements, and have issued our report thereon dated September 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCHealth'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 UCHealth's internal control. Accordingly, we do not express an opinion on the effectiveness of UCHealth'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 UCHealth'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 UCHealth'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 audit, 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 Health

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 UCHHealth's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCHHealth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

September 24, 2025