Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

Financial Report
with Supplementary Information
June 30, 2025

Contents

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Independent Auditor's Report

To the Board of Directors
Colorado Health Benefit Exchange
d/b/a Connect for Health Colorado

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Colorado Health Benefit Exchange d/b/a Connect for Health Colorado (the "Exchange") as of and for the years ended June 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Exchange'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 financial position of the Exchange as of June 30, 2025 and 2024 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Exchange and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange'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 opinion. 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
Colorado Health Benefit Exchange
d/b/a Connect for Health Colorado

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 the Exchange's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange'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 management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Exchange's basic financial statements. The combining statement of revenue, expenses, and changes in net position is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Colorado Health Benefit Exchange
d/b/a Connect for Health Colorado

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of the Exchange'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 the Exchange'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 the Exchange's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 10, 2025

Management's Discussion and Analysis

Colorado Health Benefit Exchange Overview

In 2011, the Colorado General Assembly passed Senate Bill 11-200, which created the Colorado Health Benefit Exchange, now doing business as Connect for Health Colorado (C4HCO), as a public non-profit entity governed by a Board of Directors and reviewed by the Colorado Health Insurance Exchange Oversight Committee. The organization's mission is to increase access, affordability and choice for individuals and small employers purchasing health insurance in Colorado. In 2020, C4HCO created Colorado Connect, a public benefit corporation, to provide other health related services.

The continuation of the federal enhanced premium tax credits and Colorado's cost sharing reductions helped lower the cost of monthly premiums and out-of-pocket costs for 80% of our customers. Through these savings programs and continued efforts to inform people of their health insurance options and available financial help, C4HCO saw record enrollments this year. Nearly 296,500 Coloradans signed up for coverage during open enrollment for 2025. This total was a 19% increase from the prior open enrollment period. With the growth in health coverage provided through C4HCO, the state saw an increase of over $300 million in federal financial help for Coloradans in 2025, resulting in total tax credits benefiting our customers of almost $1 billion.

In fiscal year 2025, Connect for Health Colorado continued to focus on its mission to increase access, affordability and choice for individuals, families and small employers purchasing health insurance in Colorado. Areas of significant focus this year included:

Customer Operations.

Our customer service center continued to build on the momentum and success we experienced in streamlining operations last year when we brought systems in-house and created a dedicated internal customer support team. Thanks to these improvements and the implementation of an intuitive knowledge base this year, the average call duration decreased by a full minute between December 2023 and December 2024, leading to a customer satisfaction rate of 87% – nearly 40% higher than five years ago.

Broker and Assister Customer Support.

About 66% of all enrollments for plan year 2025 were completed with the help of a health insurance broker or assister. This year, we expanded our assistance network welcoming new community-based referral partners, including social service agencies and health care providers. Additionally, Connect for Health Colorado added 17 new storefront locations to provide enrollment help at 63 Enrollment Centers across the state. Improvements to the broker portal allowed for seamless integration with customer information and sped up the enrollment process. These improvements contributed to nearly 178,000 customers enrolling with the help of a Broker.

Modernizing systems.

With an increased emphasis on a customer's experience when using the marketplace platform, C4HCO focused on continuing to move towards a combined application and shopping/enrollment process. Accomplishments during the year included enhancements to our renewal process contributing to 83% of our enrollments coming from returning customers. Additionally, improvements were made to our customer payment and testing processes.

The Board of Directors provided continuous guidance throughout the year, reviewing and approving the fiscal year 2026 budget in June 2025. The fiscal year 2026 budget focus areas included:

- Accelerating projects that will provide a better customer experience and less manual intervention
- Investing in tools/data infrastructure that will reduce current high level of manual processes and provide more accurate and timely information

•Incorporation of AI in processes to improve efficiency and productivity
•Expansion of marketing and outreach resources to counter impact of reduced subsidies on enrollments

Funding
The primary source of funding for the 2025 fiscal year continued to be administrative fees levied on health plans. The Board sets the administrative fee on an annual basis considering such factors as annual budget requirements, technology, and operational reserves, average premiums, and enrollment projections. The Board set fee remained at 3.5% of C4HCO generated premiums for plan year 2024 and 2025.

Funding was received from the state to support the implementation of the Health Insurance Affordability Act programs. Additional donations were received from health insurers to support outreach efforts as the result of passage of Senate Bill 81. During the 2025 fiscal year, C4HCO also continued to receive reimbursements of Medicaid related costs and premium tax credit donations.

Subsidiary
The wholly owned Colorado Connect public benefit corporation entered its fifth year of operations. Colorado Connect focused on enrolling customers through its platform during the year providing support to the State's Health Insurance Affordability Enterprise program and also as an additional enrollment channel for Colorado Option plans.

Financial Statements
C4HCO's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Standards Accounting Board (GASB). The Consolidated Statements of Net Position; Revenues, Expenses, and Changes in Net Position; and Cash Flows are prepared on an accrual basis and combined with the notes to the consolidated financial statements, provide the reader with an overview of the financial position and activities of the organization.

Total assets increased between 2025 and 2024 by $17.3M (72.8M compared to 55.5M). The increase was driven primarily by the increase in current assets of $13.7M ($48.4M compared to $34.6M) which consisted of an increase in cash and cash equivalents of $5.7M ($13.4m compared to $7.7M) and the increase in investments of $10.8M ($21.1M compared to $10.3M). These increases were driven by increases in revenues due to higher enrollments and premiums and decreases in expenses due to increased efficiencies of bringing positions in-house rather than using contractors. These increases were offset by the increase in our allowance for doubtful accounts of $2.8M ($2,9M compared to $0.1M). This increase relates to the outstanding receivable balance of an issuer that left the exchange over a year ago. The increase in long-term assets of $3.5M ($24.4M compared to $20.9M) was due to the increase in net SBITA assets which increased by $3.5M as we entered into an agreement for cloud hosting.

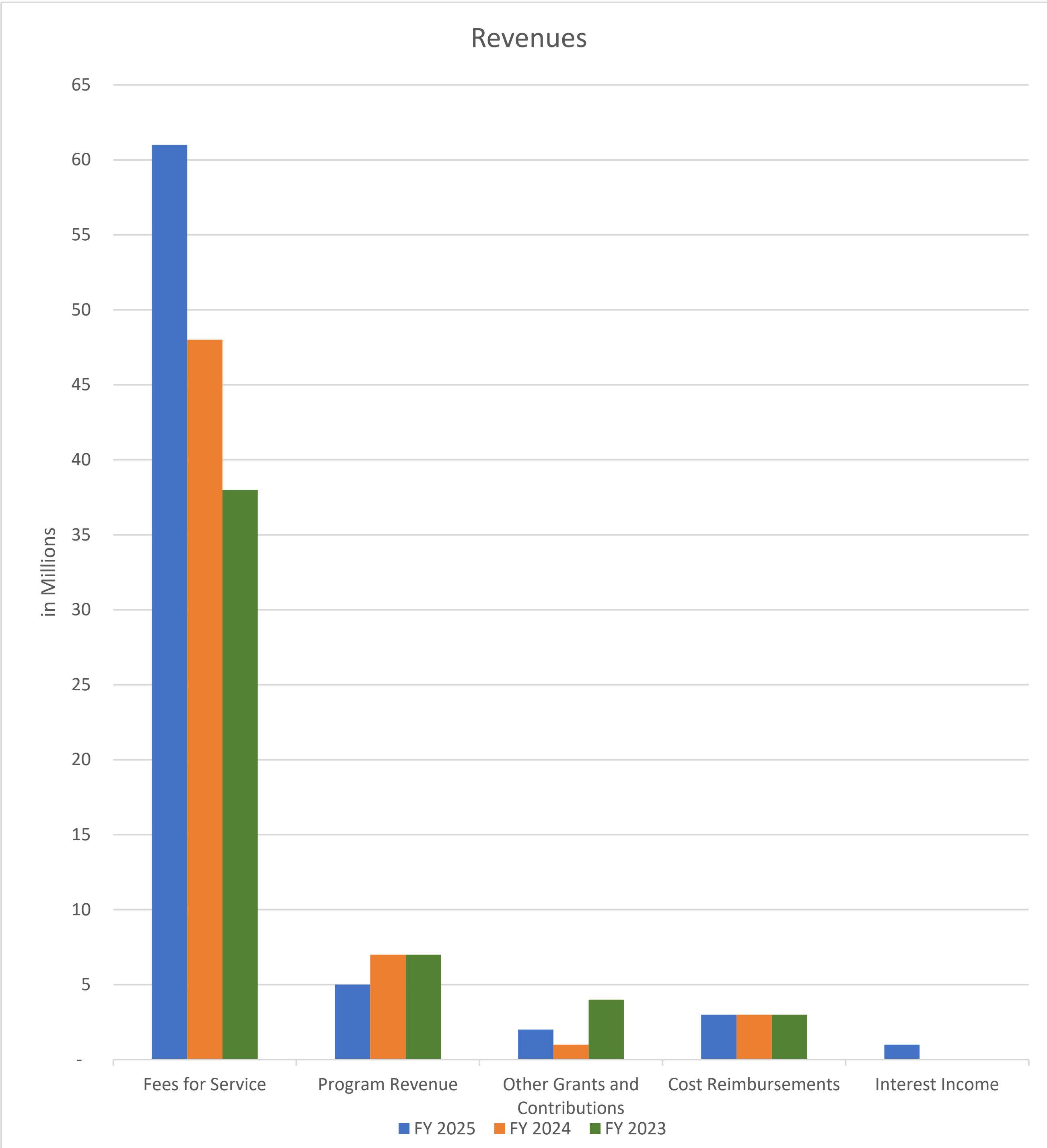
Total assets increased between 2024 and 2023 by $6.7M ($55.5M compared to $48.8M). Contributing to this increase, current assets increased by $8.0M ($34.6M compared to $26.6) consisting of cash and cash equivalents increased by $3.9M ($7.7M compared to $3.8M) due to higher enrollments and premiums, accounts receivable increased by $5.4M ($15.4M compared to $10.0M) due to the first full year of subsidiary operations as well as increased amounts related to our carrier fee billings due to the increased enrollments and higher premiums as well as two new issuers on the exchange. Offsetting current assets was a decrease in long-term assets by $1.3M ($20.9M compared to $22.2M) the majority of which is the continued amortization of our SBITA assets which decreased by $1.3M. Capital assets remained flat as investments of $4.2 were counterbalanced by depreciation of $4.2M. Capital investments primarily focused on technology development and enhancements for the platform modernization. Further changes in cash are included in the discussion of the Consolidated Statements of Cash Flows.

Liabilities increased between 2025 and 2024 by $4.3M ($14.8M compared to $10.5M) caused by the increase in SBITA short and long term liabilities of $3.5M ($3.9M compared to $0.4M) The liability increased due to the cloud hosting agreement mentioned above.

Liabilities remained relatively flat between 2024 and 2023 with an increase of $0.5M ($10.5M compared to $10.06M) consists primarily of a increase of $1.3M in accounts payable ($3.8M compared to $2.5M) offset by an decrease in SBITA short and long-term payable of $1.4M. The increase in accounts payable was primarily related to the increase in amounts due to issuers related to reconciling and closing out plan years.

The difference between assets and liabilities represents the net position of C4HCO, and the change in net position over time is one indicator of the C4HCO's improving or declining financial position. The net position of the organization increased by $13.0M in fiscal 2025 and $6.3M in fiscal 2024.

Operating Revenues
Total revenues for the fiscal year 2025 increased by $11.7M or 20% ($71.4M compared to $59.7M) from fiscal year 2024. Total revenues for the fiscal year 2024 increased by $7.8M or 15% ($59.7M compared to $51.9M) from the prior year.



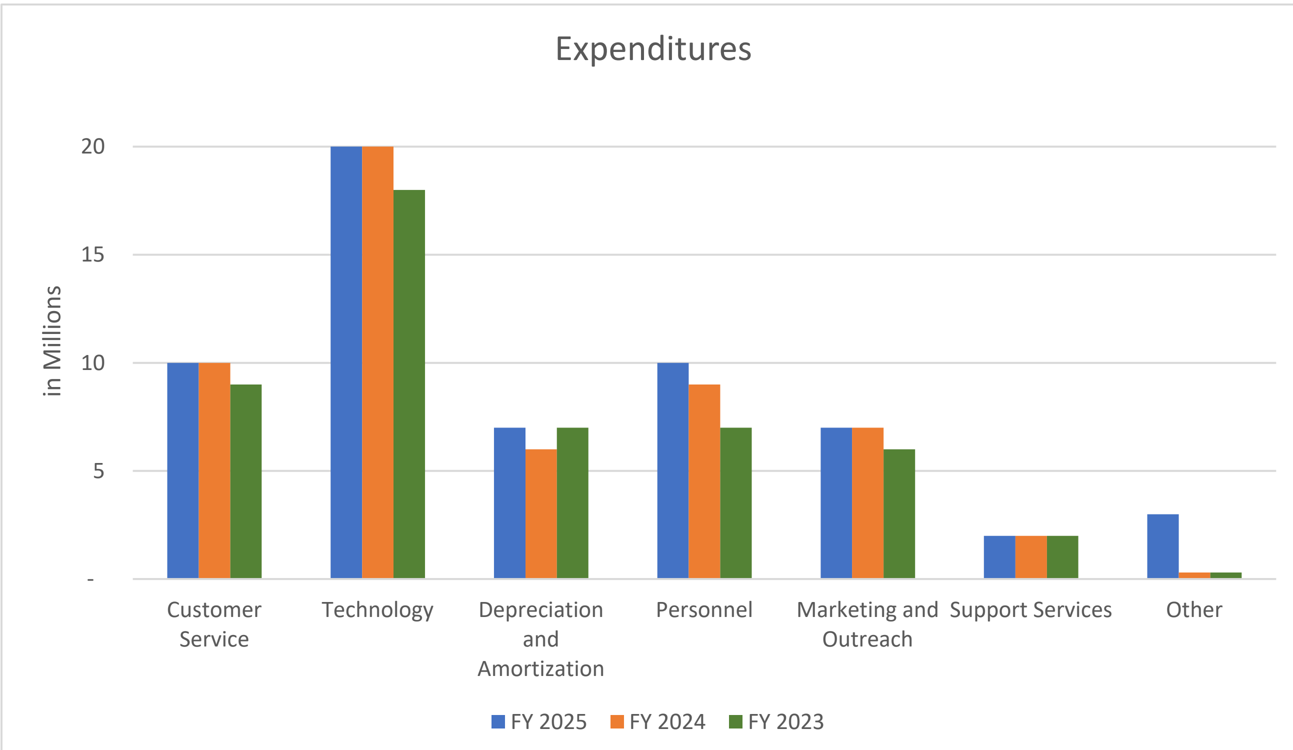
The fees for service revenue increased by $12.7M or 26% ($60.9M compared to $48.1M) and $9.9M or 26% ($48.1M compared to $38.2M) for fiscal years 2025 and 2024 respectively. The fiscal year 2025 increase was due primarily to increased enrollments and premiums on the exchange. The fiscal year 2024 increase was primarily due to a full year of operations in our subsidiary, and increased enrollments and premiums on the exchange.

During Fiscal Year 2025, C4HCO generated $10.6M in program revenue which consisted of $5.3M from carrier tax credits, Medicaid cost reimbursements of $3.6M and other state grants totaling $1.6M. During Fiscal Year 2024, C4HCO generated $11.5M in program revenue which consisted of $6.8M from carrier tax credits, Medicaid cost reimbursements of $3.4M and other state grants of $1.3M. The carrier tax credits include SB81 amounts which allowed for additional contributions. These additional contributions are required to be spent on outreach.

Other revenue consists of interest income of $0.8M and $0.6M for fiscal year 2025 and 2024.

Operating Expenditures

Total expenses for fiscal year 2025 increased by $5.0M or 9% ($58.9M compared to $53.9M) from the prior year. Removing the impact of the change in depreciation and amortization, expenses increased by $4.3M or 9%. Total expenses for fiscal year 2024 increased by $4.0M or 8% ($53.9M compared to $49.9M) from fiscal year 2023. Removing the impact of depreciation and amortization, expenses increased $4.7M or 9%.



Some of the more significant changes in expenditures for fiscal year 2025 included:

- Other expenses increased by $2.5M or 337% ($3.2M compared to $0.7M) due to the doubtful collectability of a receivable from an issuer who is no longer on the exchange.
- Personnel expenses increased by $0.8M or 10% ($9.6M compared to $8.8M) as we continued to expand our support teams due to higher enrollment volume.

Some of the more significant changes in expenditures for fiscal year 2024 included:

- Personnel expenses increased by $1.8M or 25% ($8.8M compared to $7.0M) as we continued to increase support staff and make market rate adjustments to remain competitive in the Colorado front range market.
- Technology expenses increased by $2.1M or 12% ($20.0M compared to $17.9M) as we continued to add developers to reduce reliance on contractors.
- Marketing and Outreach expenses increased by $.8M or 11% as we spent SB81 funds which are earmarked for these efforts.

Consolidated Statements of Cash Flows
The Consolidated Statements of Cash Flows represent C4HCO's change in cash and cash equivalents for the year and provides a summary of how cash was utilized. Cash balances increased by $5.7M or 74% ($13.4M compared to $7.7M) in fiscal year 2025. The increase is attributable to the positive operating cash flow due to higher enrollments and premiums for plans on the exchange and improved management of operating expenses during the year. Operating cash flow generated $23.2M of cash compared to providing $8.2M in 2024.

Cash balances increased by $3.9M or 102% ($7.7M compared to $3.8M) in fiscal year 2024. This anticipated increase returned us to more normal cash levels ($6.8M in 2022) after the large purchase of investments in 2023. The increase is attributable to the positive operating cash flow due to a full year of operations for our subsidiary and higher enrollments and premiums for plans on the exchange.

Currently Known Facts and Conditions
C4HCO continues to operate in a dynamic environment influenced by multiple externalities. Moving into open enrollment for 2026, the organization faces significant enrollment uncertainties due to the expiration of the enhanced federal subsidies for plan year 2026. Without the extension of the enhanced premium tax credits, premiums are expected to increase substantially for our current customers. While the possibility of an extension of the enhanced tax credits exists, our budget reflects the expected negative impacts of their expiration.

Working closely with industry, federal and state partners, C4HCO is expecting to play a key role in keeping Coloradan's insured. C4HCO remains focused on providing value to our customers and stakeholders. The continued improvements in the technology and operations of the marketplace provides for a high level of flexibility to adjust to the challenges and new opportunities that lie ahead.

Contacting Connect for Health Colorado's Financial Management
This Management's Discussion and Analysis, the accompanying financial statements, the notes to the financial statements, and the single audit section are designed to provide readers with a general overview of Colorado Health Benefit Exchange's finances and to reflect accountability and financial transparency relating to funds received and expenditures of those funds. If you have questions about this report or need additional financial information, please contact the organization's financial team at the corporate offices. Contact information may be found on the website at www.connectforhealthco.com .

Statement of Net Position

June 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 13,447,229	$ 7,729,224
Investments	21,155,609	10,340,807
Receivables - Net	12,488,497	15,353,968
Prepaid expenses and other assets	1,279,122	1,155,084
Security deposits	27,383	27,381
Total current assets	48,397,840	34,606,464
Noncurrent assets:		
Capital assets - Net	18,976,991	18,529,218
SBITA assets - Net	3,870,176	336,859
Lease right-of-use assets - Net	1,545,014	2,012,920
Total noncurrent assets	24,392,181	20,878,997
Total assets	72,790,021	55,485,461
Liabilities		
Current liabilities:		
Accounts payable	4,203,582	3,771,497
Accrued liabilities and other:		
Accrued salaries and wages	1,803,587	1,583,026
Current portion of SBITA liability	1,800,697	300,118
Accrued liabilities	3,006,317	2,555,852
Current portion of lease liability	436,251	362,553
Total current liabilities	11,250,434	8,573,046
Noncurrent liabilities:		
Long-term portion of SBITA liability	2,145,658	71,722
Long-term portion of lease liability	1,372,840	1,809,090
Total noncurrent liabilities	3,518,498	1,880,812
Total liabilities	14,768,932	10,453,858
Net Position		
Net investment in capital assets	18,636,735	18,335,514
Unrestricted	39,384,354	26,696,089
Total net position	**$ 58,021,089**	**$ 45,031,603**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue		
Program revenue	$ 10,591,801	$ 11,457,064
Fees for service	60,868,900	48,133,185
Other revenue	3,217	139,279
Total operating revenue	71,463,918	59,729,528
Operating Expenses		
Personnel	9,674,059	8,791,927
Technology	20,546,657	20,045,091
Depreciation and amortization	6,847,556	6,120,271
Marketing and outreach	6,885,313	7,074,762
Support services	1,467,043	1,437,303
Customer service	10,259,284	9,665,458
Other	3,237,316	740,515
Total operating expenses	58,917,228	53,875,327
Operating Income	12,546,690	5,854,201
Nonoperating Revenue (Expense)		
Investment income - Net	814,801	562,443
Interest expense	(370,542)	(121,541)
Income tax expense	(1,463)	-
Total nonoperating revenue	442,796	440,902
Change in Net Position	12,989,486	6,295,103
Net Position - Beginning of year	45,031,603	38,736,500
Net Position - End of year	**$ 58,021,089**	**$ 45,031,603**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Grants and contributions received	$ 1,600,000	$ 1,300,000
Operating revenue received from issuers	72,729,388	52,977,678
Payments to vendors for materials and services	(41,637,101)	(21,042,963)
Payments to employees for wages, taxes, and benefits	(9,453,497)	(25,006,424)
Net cash and cash equivalents provided by operating activities	23,238,790	8,228,291
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(5,092,050)	(4,236,133)
Principal payments under lease obligations	(362,553)	(362,553)
Payments of interest under lease and SBITA obligations	(370,542)	(121,541)
Principal payments under SBITA obligations	(1,695,639)	(1,599,388)
Net cash and cash equivalents used in capital and related financing activities	(7,520,784)	(6,319,615)
Cash Flows from Investing Activities		
Interest received on investments	814,801	562,443
(Purchases) sales of investment securities	(10,814,802)	1,437,557
Net cash and cash equivalents (used in) provided by investing activities	(10,000,001)	2,000,000
Net Increase in Cash and Cash Equivalents	5,718,005	3,908,676
Cash and Cash Equivalents - Beginning of year	7,729,224	3,820,548
Cash and Cash Equivalents - End of year	**$ 13,447,229**	**$ 7,729,224**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 12,546,690	$ 5,854,201
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	6,847,556	6,120,271
Bad debt expense	2,766,005	332,720
Changes in assets and liabilities:		
Receivables	99,466	(5,784,570)
Prepaid and other assets	(124,038)	(155,556)
Accounts payable	432,085	1,262,965
Accrued and other liabilities	671,026	598,260
Total adjustments	10,692,100	2,374,090
Net cash and cash equivalents provided by operating activities	**$ 23,238,790**	**$ 8,228,291**
Significant Noncash Transactions		
Right-of-use assets	$ -	$ 468,972
SBITA assets	5,268,692	-

See notes to financial statements.

Note 1 - Nature of Business

In 2011, the Colorado General Assembly passed, and the governor signed into law, Senate Bill 11-200, which authorized the creation of Colorado Health Benefit Exchange d/b/a Connect for Health Colorado (the "Exchange") for the purpose of establishing a state health insurance exchange in compliance with the Patient Protection and Affordable Care Act (ACA) of 2010. The Exchange was organized as an instrumentality of the State and further defined as a nonprofit corporation created to facilitate a health benefit exchange to increase access, affordability, and choice for individuals and small employers purchasing health insurance in Colorado.

Federal grant funding was initially provided to finance the Exchange's design, development, and implementation phases. This funding began in 2011 and ended on June 30, 2016. The Exchange began conducting business in October 2013.

During the year ended June 30, 2013, the Exchange began doing business as Connect for Health Colorado.

On November 6, 2020, Connect for Health Colorado Company, PBC (the "Company") was incorporated. The corporation is a public benefit corporation pursuant to the Public Benefit Corporation Act of Colorado. Its purpose is for the transaction of any and all lawful business to produce a public benefit. Connect for Health Colorado Company, PBC is so integrated with the Exchange that it is, in substance, part of the Exchange. The Company is included as a blended component unit in business activities of the Exchange.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for proprietary (enterprise) funds. The financial statements have been presented on the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recognized when incurred. The Exchange has adopted the pronouncements of the Governmental Accounting Standards Board (GASB).

Cash Equivalents

The Exchange considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

The Exchange reports investments at fair value. The Exchange's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

The Exchange's investment policy allows for investments in U.S. Treasury and instrumentality obligations, money market funds, bank certificates of deposit, repurchase agreements, and nongovernmental bonds. As a means of limiting its exposure to investment losses from changing interest rates, the Exchange's investment policy limits investment maturities to less than five years.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Trade accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established on an aggregate basis with specific assessment of collectibility of individual accounts as needed. The allowance is computed using historical loss rate factors applied to unpaid accounts stratified by billed and unbilled receivables. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Exchange's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for doubtful accounts on accounts receivable balances was $2,896,992 and $130,987 as of June 30, 2025 and 2024, respectively.

Capital Assets

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from two to seven years. Costs of maintenance and repairs are charged to expense when incurred.

Net Position

Net position of the Exchange is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Grant Revenue

The Exchange receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Specific Balances and Transactions

<u>Leases</u>

The Exchange is a lessee for noncancelable leases of office space and equipment. The Exchange recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental or business-type activities column in the government-wide financial statements.

Note 2 - Significant Accounting Policies (Continued)

At the commencement of a lease, the Exchange initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Exchange determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The Exchange uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Exchange generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Exchange is reasonably certain to exercise.

The Exchange monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscriptions

The Exchange obtains the right to use vendors' information technology software through various long-term contracts. The Exchange recognizes a subscription liability and an intangible right-of-use subscription asset (the "subscription asset") in the applicable governmental or business-type activities column in the government-wide financial statements. The Exchange recognizes subscription assets and liabilities with an initial value of $5,000 or more.

At the commencement of a subscription, the Exchange initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the Exchange determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

- The Exchange uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Exchange generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancelable period of the subscription.

The Exchange monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Exchange to concentrations of credit risk consist of cash and cash equivalents, investments, and accounts receivable. The Exchange's bank accounts at year end were entirely covered by federal depository insurance or by collateral held by the Exchange's custodial banks under provisions of the Colorado Public Deposit Protection Act (PDPA). PDPA requires financial institutions to pledge collateral having a market value of at least 102 percent of the aggregate public deposits not incurred by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust. The Exchange's investments are fully covered by federal depository insurance.

Accounts receivable mainly consist of amounts due from carriers for fees assessed. Also included in accounts receivable are amounts due under the Medicaid cost reimbursement agreement. Credit risk associated with accounts receivable is limited due to the number and creditworthiness of the carriers. However, the Exchange is subject to the risk of loss from the amounts due under Medicaid cost reimbursement agreements if it is determined that certain amounts are unallowable reimbursements.

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 and liabilities and 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.

Risk Management

The Exchange is subject to the risk of loss from various events, including, but not limited to, natural disasters and destruction of assets. The Exchange is currently covered by a commercial insurance program that contains multiple individual policies to mitigate risk exposure. Settled claims from these risks have not exceeded the insurance coverage in any of the past fiscal years.

Income Taxes

The Exchange is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Exchange is subject to income tax on unrelated business income. During the year ended June 30, 2025, income tax in the amount of $1,463 was paid related to the activities of the Connect for Health Colorado Company, PBC.

Adoption of New Accounting Pronouncements

During the current year, the Exchange adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statement of net position has been calculated to comply with this new pronouncement. The effects of the adoption of this new standard were insignificant and no amounts were required to be restated for 2024.

During the current year, the Exchange adopted GASB Statement No. 102, *Certain Risk Disclosures*. As a result, no additional disclosures were required to comply with this new pronouncement.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Exchange's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-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 the Exchange's financial statements for the year ending June 30, 2026.

Reclassification

Certain 2024 amounts have been reclassified to conform to the 2025 presentation. There was no change to total net position as a result of these classifications.

Note 3 - Deposits and Investments

As of June 30, 2025 and 2024, investments represent pooled investments held in the Colorado Statewide Investment Pool (CSIP) Liquid Portfolio, a statutory trust organized and existing under the laws of the State of Colorado intended solely for the use of Colorado local governments. Investments of the trust are limited to those allowed by state statutes. CSIP's sole purpose is to serve government entities in Colorado to meet their daily cash management needs with an emphasis on (1) safety, (2) liquidity, (3) transparency, and (4) competitive yields. The CSIP Liquid Portfolio is a fully liquid, variable-rate investment option, rated AAA by Standard and Poor's. These investments are stated at amortized cost, which approximates fair value, and have a value of $21,155,609 and $10,340,807 at June 30, 2025 and 2024, respectively. There are no unfunded commitments, the redemption frequency is daily, and there is a one-day redemption notice.

Note 4 - Capital Assets, Lease Right-of-use Assets, and SBITAs

Capital asset activity of the Exchange was as follows:

	Balance July 1, 2024	Additions	Disposals and Adjustments	Balance June 30, 2025
Capital assets being depreciated:				
Web portal development	$ 18,938,949	$ -	$ -	$ 18,938,949
Software	41,887,864	5,050,781	-	46,938,645
Buildings and improvements	205,520	-	-	205,520
Machinery and equipment	1,325,303	41,269	-	1,366,572
Furniture and fixtures	501,663	-	-	501,663
Buildings - Right-of-use assets	1,699,867	-	-	1,699,867
Equipment - Right-of-use assets	514,713	-	-	514,713
Computer equipment - Right-of-use assets	513,058	-	-	513,058
Computer equipment - SBITA	3,912,294	5,268,692	(3,743,908)	5,437,078
Subscription - SBITA	370,883	-	(370,883)	-
Subtotal	69,870,114	10,360,742	(4,114,791)	76,116,065
Accumulated depreciation	48,991,117	6,847,558	(4,114,791)	51,723,884
Net capital assets being depreciated	$ 20,878,997	$ 3,513,184	$ -	$ 24,392,181

Note 4 - Capital Assets, Lease Right-of-use Assets, and SBITAs (Continued)

	Balance July 1, 2023	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets being depreciated:				
Web portal development	$ 39,503,532	$ -	$ (20,564,583)	$ 18,938,949
Software	51,140,440	4,880,117	(14,132,693)	41,887,864
Buildings and improvements	2,013,306	10,550	(1,818,336)	205,520
Machinery and equipment	1,178,703	146,600	-	1,325,303
Furniture and fixtures	1,241,043	-	(739,380)	501,663
Buildings - Right-of-use assets	1,817,314	-	(117,447)	1,699,867
Equipment - Right-of-use assets	45,741	468,972	-	514,713
Computer equipment - Right-of-use assets	513,058	-	-	513,058
Computer equipment - SBITA	4,070,175	168,257	(326,138)	3,912,294
Subscription - SBITA	370,883	-	-	370,883
Subtotal	101,894,195	5,674,496	(37,698,577)	69,870,114
Accumulated depreciation	79,675,729	1,837,537	(32,522,149)	48,991,117
Net capital assets being depreciated	$ 22,218,466	$ 3,836,959	$ (5,176,428)	$ 20,878,997

The following is reconciliation of net capital assets being depreciated to the accompanying statement of net position:

	2025	2024
Capital assets - Net	$ 18,976,991	$ 18,529,218
Lease right-of-use assets	1,545,014	2,012,920
SBITA assets	3,870,176	336,859
Total	$ 24,392,181	$ 20,878,997

Note 5 - Program Revenue

House Bill 13-1245

On May 6, 2013, the State of Colorado General Assembly passed House Bill 13-1245 (the "House Bill"), which outlined funding mechanisms to support the Exchange in the short and long term. The House Bill allowed for a portion of reserves collected from the closing of CoverColorado to be transferred to the Exchange to fund operations, and insurance carrier donations made in exchange for tax credits that previously benefited CoverColorado are now pledged to the Exchange. Revenue recognized under House Bill 13-1245 totaled $5,000,000 for the years ended June 30, 2025 and 2024 and is included in program revenue in the statement of revenue, expenses, and changes in net position.

Senate Bill 22-081

On June 8, 2022, the State of Colorado General Assembly passed Senate Bill 22-081 (the "Senate Bill"), which outlined requirements for the Exchange to create a consumer outreach campaign to provide consumers with comprehensive information regarding covered health care services. The campaign is funded by increasing the annual limit of tax credits provided to health insurance companies by donating to the Exchange. Donations to the Exchange by health insurance companies under the Senate Bill totaled $281,579 and $1,785,366 for the years ended June 30, 2025 and 2024, respectively, and are included in program revenue in the statement of revenue, expenses, and changes in net position. The Exchange had an unspent balance of $1,474,846 and $1,604,352 at June 30, 2025 and 2024, respectively.

Note 5 - Program Revenue (Continued)

Medicaid Cost Reimbursement

Beginning during the year ended June 30, 2020, the Exchange became eligible to receive cost reimbursements from the Colorado Department of Health Care Policy & Financing for Medicaid-related costs. Revenue under the agreement is being recognized as qualifying expenses are incurred and is included in program revenue in the statement of revenue, expenses, and changes in net position. For the years ended June 30, 2025 and 2024, reimbursable expenses totaled $3,640,222 and $3,371,698, respectively, and have been recognized as program revenue.

Carrier Fee Revenue

Through the Exchange's website, individuals can choose to purchase health insurance policies from various carriers. The Exchange charges carriers that sell plans on the website a 3.5 percent fee on every policy sold. Fees are calculated monthly based on information submitted by the carriers to the Centers for Medicare & Medicaid Services (CMS). Individual premiums are paid directly to the carriers by the individuals. Carrier fee revenue was $60,868,900 and $48,133,185 for the years ended June 30, 2025 and 2024, respectively.

HIAE Revenue

On July 23, 2021, the Exchange entered into a contract with the State of Colorado for the use and benefit of the Health Insurance Affordability Enterprise (HIAE). The objective of this program is to increase enrollment in health benefit plans offered by carriers across the state and to improve the stability of the market by creating a healthier risk pool for all carriers. Revenue under the agreement is recognized as certain milestones related to those technology enhancements that support program initiatives are implemented. This revenue is included as part of program revenue in the statement of revenue, expenses, and changes in net position. HIAE revenue totaled $1,600,000 and $1,300,000 for the years ended June 30, 2025 and 2024, respectively.

Outreach Services Revenue

During the year ended June 30, 2025, the Exchange entered into an agreement to supply certain service center support by providing additional outreach services related to the Medicaid unwind. The exchange received $70,000 related to these services.

Note 6 - Leases

The Exchange leases certain assets from various third parties. The assets leased include office space and equipment. Payments are generally fixed monthly. The noncancelable terms of the leasing arrangements mature between 2025 and 2030. The discount rates applicable to these leasing arrangements range from 5.10 percent to 6.58 percent.

Lease asset activity of the Exchange is included in Note 4.

Future principal and interest payment requirements related to the Exchange’s lease liability at June 30, 2025 are as follows:

Years Ending	Principal	Interest	Total
2026	$ 436,251	$ 141,312	$ 577,563
2027	425,372	101,300	526,672
2028	325,928	74,526	400,454
2029	343,772	50,312	394,084
2030	277,768	29,524	307,292
Total	$ 1,809,091	$ 396,974	$ 2,206,065

Note 6 - Leases (Continued)

Lease liability activity for the Exchange is as follows for the years ended June 30:

	2025				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease liability	$ 2,171,643	$ -	$ 362,552	$ 1,809,091	$ 436,251

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease liability	$ 2,164,736	$ 468,972	$ 462,065	$ 2,171,643	$ 362,553

Note 7 - Subscriptions

The Exchange obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly. The noncancelable terms of the leasing arrangements mature between 2026 and 2028. The discount rates applicable to these leasing arrangements range from 5.76 percent to 6.58 percent.

Subscription asset activity of the Exchange is included in Note 4.

Future principal and interest payment requirements related to the Exchange's subscription liability at June 30, 2025 are as follows:

Years	Principal	Interest	Total
2026	$ 1,800,697	$ 180,820	$ 1,981,517
2027	1,831,257	75,956	1,907,213
2028	314,401	2,266	316,667
Total	$ 3,946,355	$ 259,042	$ 4,205,397

Subscription liability activity for the Exchange is as follows for the years ended June 30:

	2025				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Subscription liability	$ 371,840	$ 5,268,692	$ (1,694,177)	$ 3,946,355	$ 1,800,697

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Subscription liability	$ 1,812,421	$ -	$ (1,440,581)	$ 371,840	$ 300,118

Note 8 - Retirement Plan

The Exchange established a retirement plan under Section 403(b) of the Internal Revenue Code that is available to its employees and may be amended by the board of directors. The Exchange contributes 5 percent of employee salaries for eligible employees. In addition, the Exchange matches 100 percent of the employee's elective deferral amount that does not exceed 5 percent of the employee's total compensation. Employees are 100 percent vested in their account balances after one year of service. Total employer contributions under this plan for the Exchange were $1,916,655 for the year ended June 30, 2025 and $1,724,069 for the year ended June 30, 2024. Forfeitures were not material to the plan.

Note 9 - Contingency

The Exchange is a recipient of federal and state awards, which are subject to audits to determine compliance with applicable regulations. In July 2018, the Exchange received an audit report from the OIG recommending the repayment of $2,567,604 in questioned federal expenditures from 2012 to 2016. The Exchange has responded to the findings with federal officials and believes there is sufficient evidence to support the allowance of $2,104,550 of the questioned costs that were identified. Management believes it is only reasonably possible that a loss has occurred for this portion of the questioned costs, and, therefore, a liability has not been recognized for this portion of the questioned costs as of June 30, 2025. However, the Exchange believes it is probable that $463,054 of the costs will have to be refunded, and, as a result, a liability has been recognized within accrued liabilities as of June 30, 2025 and 2024.

Supplementary Information

Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2025

	Connect for Health Colorado	Connect for Colorado Company, PBC	Eliminations	Total
Operating Revenue				
Program revenue	$ 10,591,801	$ -	$ -	$ 10,591,801
Fees for service	57,989,601	2,879,299	-	60,868,900
Other revenue	2,877,594	-	(2,874,377)	3,217
Total operating revenue	71,458,996	2,879,299	(2,874,377)	71,463,918
Operating Expenses				
Personnel	9,674,059	-	-	9,674,059
Technology	20,545,349	1,357,281	(1,355,973)	20,546,657
Depreciation and amortization	6,847,556	-	-	6,847,556
Marketing and outreach	6,885,312	384,012	(384,011)	6,885,313
Support services	1,464,893	605,983	(603,833)	1,467,043
Customer service	10,259,284	241,692	(241,692)	10,259,284
Other	3,237,316	-	-	3,237,316
Total operating expenses	58,913,769	2,588,968	(2,585,509)	58,917,228
Operating Income	12,545,227	290,331	(288,868)	12,546,690
Nonoperating Revenue (Expense)				
Investment income - Net	814,801	-	-	814,801
Interest expense	(370,542)	(17,371)	17,371	(370,542)
Income tax expense	-	(1,463)	-	(1,463)
Total nonoperating revenue	444,259	(18,834)	17,371	442,796
Change in Net Position	12,989,486	271,497	(271,497)	12,989,486
Net Position - Beginning of year	45,232,022	(172,761)	(27,658)	45,031,603
Net Position - End of year	$ 58,221,507	$ 98,736	$ (299,155)	$ 58,021,089

Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2024

	Connect for Health Colorado	Connect for Colorado Company, PBC	Eliminations	Total
Operating Revenue				
Program revenue	$ 11,457,064	$ -	$ -	$ 11,457,064
Fees for service	45,791,507	2,341,678	-	48,133,185
Other revenue	2,475,128	-	(2,335,849)	139,279
Total operating revenue	59,723,699	2,341,678	(2,335,849)	59,729,528
Operating Expenses				
Personnel	8,791,927	-	-	8,791,927
Technology	20,042,881	1,102,950	(1,100,740)	20,045,091
Depreciation and amortization	6,120,271	-	-	6,120,271
Marketing and outreach	7,074,762	406,163	(406,163)	7,074,762
Support services	1,433,702	618,734	(615,133)	1,437,303
Customer service	9,665,458	148,242	(148,242)	9,665,458
Other	740,498	17	-	740,515
Total operating expenses	53,869,499	2,276,106	(2,270,278)	53,875,327
Operating Income	5,854,200	65,572	(65,571)	5,854,205
Nonoperating Revenue (Expense)				
Investment income - Net	562,443	-	-	562,443
Interest expense	(121,541)	(37,913)	37,913	(121,541)
Total nonoperating revenue	440,902	(37,913)	37,913	440,902
Change in Net Position	6,295,102	27,659	(27,658)	6,295,107
Net Position - Beginning of year	38,936,920	(200,420)	-	38,736,500
Net Position - End of year	$ 45,232,022	$ (172,761)	$ (27,658)	$ 45,031,603