

UNIVERSITY OF COLORADO HEALTH

Basic Financial Statements
For the Years Ended
June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)

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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, 2022 and 2021 and the related notes to the 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 financial position of the business-type activities and fiduciary activities of UCHealth as of June 30, 2022 and 2021 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.

Emphasis of Matter

As described in Note 3 to the financial statements, UCHealth adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, on a retrospective basis. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

To the Board of Directors
University of Colorado Health

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.

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 UCHHealth'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 UCHHealth'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 Supplemental 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 supplemental 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 Information

Management is responsible for the other information included with the basic financial statements. The other information comprises the combining statement of net position and combining statement of revenue, expenses, and changes in net position but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
University of Colorado Health

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 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.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

September 28, 2022

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$ in thousands)

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, 2022, 2021 and 2020.

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

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. UCHealth previously applied for and received its 501(c)(3) designation from the IRS on June 29, 2013. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions.
- The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture are members of the obligated group under UCHA’s master trust indenture, and, thereby, pledge their gross revenues to secure each member's obligations.
- UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board of Directors approves the operating and capital budgets of each entity throughout the Health System. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission, and oversight of other day-to-day operating activities.
- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the “City”) was executed with the purpose of leasing Memorial Health System (“MHS”). UCHealth created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS. The original lease is for a 40-year term, with renewals or extensions anticipated.
- Effective October 1, 2012, all employees of MHS became employees of UCHA. Effective January 4, 2013, all employees of PVHS became employees of UCHA. All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA.
- The acquisition cost of MHS to UCHealth was \$400,000, with \$290,000 paid in cash at closing and \$110,000 in lease payments to be paid over 30 years. Effective October 1, 2012, a sublease agreement was executed with Children's Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children's Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City. The net acquisition cost to UCHealth after sublease to Children's Hospital Colorado was \$340,000. On June 4, 2015, MHS became the licensed operator of the pediatric services, certain terms of the sublease were temporarily suspended, and MHS and Children’s Hospital Colorado entered into a pediatric Management Services Agreement and Employee Lease arrangement, which was subsequently amended and extended. Applicable terms of the sublease were reinstated upon execution of the new Ground Sublease for property at Memorial North Hospital on May 1, 2017. Such rental payments began in 2019 when the new Children's Hospital facility opened in Colorado Springs.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

UCHealth Overview (continued)

- In August 2017 UCHealth opened the new Longs Peak Hospital facility constructed in Longmont, Colorado. The facility is a 57 bed licensed facility and also includes an ambulatory surgery center.
- Effective September 1, 2017, an Integration and Affiliation Agreement with Yampa Valley Medical Center (“YVMC”) was executed with the purpose of having YVMC join UCHealth. Terms of the agreement included a \$50,000 strategic capital commitment, routine capital funding of \$35,000 over a 10-year period, and a contribution up to \$20,000 into the YVMC Foundation. YVMC is located in Steamboat Springs, Colorado and is a 39 bed acute care hospital. Effective September 1, 2017, all employees of YVMC became employees of UCHA.
- Effective December 1, 2017, UCHealth purchased the remaining 49.9% of UCHealth Partners, LLC, a Colorado limited liability company that was a Joint Venture with Adeptus Health Colorado Holdings LLC. UCHealth Partners, LLC included operations of Broomfield Hospital, Grandview Hospital, and 17 freestanding emergency departments located in the Denver and Colorado Springs metropolitan areas. Broomfield Hospital is located in Broomfield, Colorado and is licensed for 40 inpatient beds. Grandview Hospital is located in Colorado Springs, Colorado and is licensed for 22 inpatient beds. Effective January 28, 2018, all employees of UCHealth Partners, LLC became employees of UCHA. During 2019 both Broomfield Hospital and Grandview Hospital became individually recognized not-for-profit organizations, and the operations of the freestanding emergency departments have been converted to other uses or other hospitals.
- Effective April 1, 2018, UCHealth completed an asset purchase agreement to acquire assets of Pikes Peak Regional Hospital from Brim Healthcare of Colorado LLC for cash consideration of \$32,150. UCHealth Pikes Peak Regional Hospital (“PPRH”) is located in Woodland Park, Colorado and is a critical access hospital licensed for 15 beds. Effective April 1, 2018, all employees of PPRH became employees of UCHA.
- In June 2019, UCHealth opened the new Highlands Ranch Hospital facility constructed in Highlands Ranch, Colorado. The new facility opened as an 87 bed licensed facility with 6 operating rooms and includes an adjacent medical office building.
- In July 2019, UCHealth opened the new Greeley Hospital facility constructed in Greeley, Colorado. The new facility opened as a 50 bed facility with 3 operating rooms and includes an adjacent medical office building.
- In July 2019, UCHealth opened the new UCHealth Steadman Hawkins Clinic Denver constructed in Inverness, Colorado. The new facility is a medical office building and ambulatory surgery center.
- In September 2020, UCHealth opened the new UCHealth Cherry Creek Medical Center constructed in Denver, Colorado. The new facility is a medical office building and ambulatory surgery center

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

UCHealth Financial Highlights

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

- Inpatient volumes, measured in admissions and patient days, increased over 2021. Volumes include inpatient units at the twelve UCHealth hospital facilities: University of Colorado Hospital, Poudre Valley Hospital, Medical Center of the Rockies, UCHealth Greeley Hospital, Longs Peak Hospital, Yampa Valley Medical Center, UCHealth Broomfield Hospital, UCHealth Highlands Ranch Hospital, Memorial Hospital Central, Memorial Hospital North, UCHealth Grandview Hospital and UCHealth Pikes Peak Regional Hospital. Volumes exclude activity associated with the Center for Dependency, Addiction, and Rehabilitation (“CeDAR”), Mountain Crest residential activity and normal newborns. Admissions totaled 97,734, which was a 2.5% increase over 2021. Patient days totaled 558,800, a 9.8% increase over the prior year.
- Outpatient volumes, measured by clinic, procedural, ancillary and urgent care visits, were 6,739,910 in 2022, which was a 13.2% increase over 2021. This figure includes activity at the twelve hospital locations, various outpatient and urgent care clinics located throughout the primary service areas, and activity performed by the UCHealth Medical Group.
- Net patient service revenue of \$6,191,942 increased from 2021 by \$488,753, or 8.6%. Total operating revenue in 2022 was \$6,273,967. Total operating revenue consists of net patient revenue, grant revenue, and other revenue.
- Operating income was \$326,870 during the fiscal year, which is a 43.0% decrease from 2021 operating income of \$573,765.
- According to Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHealth's basic financial statements. Operating income would be \$285,052 in 2022 compared to \$522,282 in 2021 if interest expense were included as an operating expense.
- Non-operating revenue and expenses in 2022 was a loss of \$639,028, which is a \$1,869,815 decrease from 2021. The change from 2021 was primarily generated from a loss from investments of \$709,313 in 2022 compared with a gain on investments \$1,157,552 in 2021. Included in non-operating revenue is \$43,461 in grant revenue received in 2022 as part of general and targeted distributions of the CARES Act Provider Relief Fund.
- Loss before distributions and contributions was \$312,158 in 2022, which decreased \$2,116,710 from 2021. Restricted contributions totaled \$6,502 for 2022.
- During fiscal year 2022, UCHealth continued investment in a system-wide electronic medical record (“EMR”) platform. \$19,249 was incurred on this project during the year ended June 30, 2022.
- In January 2019, UCHealth approved the project to construct Anschutz Inpatient Pavilion Expansion Tower 3 at UCHA. The project includes 120 hospital beds, nine operating or procedure rooms and additional shelled space. The project has a total budget of \$388,533 and is anticipated to open during fiscal year 2023. \$139,978 was incurred on this project during the year ended June 30, 2022.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

UCHealth Financial Highlights (continued)

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

- In May 2019, UCHealth approved construction of a medical office building on the Longs Peak Hospital campus at an initial budgeted cost of \$51,943. The project was later modified for an expansion and includes a Cancer Center with a budget increase to \$85,590. \$40,790 was incurred on this project during the year ended June 30, 2022.
- In February 2022, UCHealth completed an annual ratings update with Moody's, Standard & Poor's and Fitch Ratings to rate the member organizations. Moody's upgraded its UCHA rating to Aa2 Stable from Aa3 Stable. Standard & Poor's maintained its UCHA rating at AA Stable. Fitch Ratings maintained its UCHA rating at AA Stable.
- In January 2021, UCHealth approved master facility planning efforts at Poudre Valley Hospital to update and renovate the facility at an initial budgeted cost of \$75,122. The project will be completed in phases with final completion anticipated for Spring 2023. \$18,830 was incurred on this project during the year ended June 30, 2022.
- In January 2021, UCHealth approved development of a medical office building and imaging suite located in north Colorado Springs (Interquest) at an initial budgeted cost of \$14,132. \$558 was incurred on this project during the year ended June 30, 2022.
- In August 2019, UCHealth approved the design, construction, and equipment for the UCHealth Eastview Medical Office Building and Ambulatory Surgery Center in Colorado Springs at an initial budgeted cost of \$100,150. \$15,217 was incurred on this project during the year ended June 30, 2022.
- In February 2022, UCHealth purchased the medical office buildings located on the Medical Center of the Rockies campus in Loveland at a cost of \$83,883.
- In September 2021, UCHealth paid off Series 2017C-2 Revenue bonds for \$134,450. Citibank, N.A. was the holder of the put bonds at a fixed rate of 2.08%. In November 2021, UCHealth also paid off Series 2011B Revenue bonds for \$93,990. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a fixed rate of 3.28%. In November 2021, UCHealth also paid off Series 2011C Revenue bonds for \$16,450. PNC Bank was the holder of the direct purchase bonds at a fixed rate of 2.308%. In December 2021, UCHealth also paid off Series 2012B Revenue bonds for \$50,000. Citibank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread. In December 2021, UCHealth also paid off Series 2013A Revenue bonds for \$77,655. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread. In December 2021, UCHealth also paid off Series 2013C Refunding bonds for \$55,295. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread.
- In November 2021, UCHealth terminated a fixed payor swap with Wells Fargo Bank, N.A. and a fixed payor swap with PNC Bank, with termination payments totaling \$26,851.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

UCHealth Financial Highlights (continued)

Year Ended June 30, 2021 Compared with Year Ended June 30, 2020

- Inpatient volumes, measured in admissions and patient days, increased over 2020. Volumes include inpatient units at the twelve UCHealth hospital facilities: University of Colorado Hospital, Poudre Valley Hospital, Medical Center of the Rockies, UCHealth Greeley Hospital, Longs Peak Hospital, Yampa Valley Medical Center, UCHealth Broomfield Hospital, UCHealth Highlands Ranch Hospital, Memorial Hospital Central, Memorial Hospital North, UCHealth Grandview Hospital and UCHealth Pikes Peak Regional Hospital. Volumes exclude activity associated with the Center for Dependency, Addiction, and Rehabilitation (“CeDAR”), Mountain Crest residential activity and normal newborns. Admissions totaled 95,363, which was a 3.0% increase over 2020. Patient days totaled 508,813, a 10.5% increase over the prior year.
- Outpatient volumes, measured by clinic and urgent care visits, were 4,488,949 in 2021, which was a 12.0% increase over 2020. This figure includes activity at the twelve hospital locations, various outpatient and urgent care clinics located throughout the primary service areas, and activity performed by the UCHealth Medical Group.
- Net patient service revenue of \$5,703,189 increased from 2020 by \$724,457, or 14.6%. Total operating revenue in 2021 was \$5,780,966. Total operating revenue consists of net patient revenue, grant revenue, and other revenue.
- Operating income was \$573,765 during the fiscal year, which is a 114.0% increase over 2020 operating income of \$268,070.
- According to Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHealth's basic financial statements. Operating income would be \$522,282 in 2021 compared to \$218,119 in 2020 if interest expense were included as an operating expense.
- Non-operating revenue and expenses in 2021 was a gain of \$1,230,787, which is a \$1,013,852 increase from 2020. The change from 2020 was primarily generated from an increase in investment income of \$932,594 and a \$68,512 unrealized gain on derivative instruments in 2021 compared with an \$86,813 unrealized loss on derivative instruments in 2020. Included in non-operating revenue is \$113,456 in grant revenue received in 2021 as part of general and targeted distributions of the CARES Act Provider Relief Fund.
- Income before distributions and contributions was \$1,804,552 in 2021, which increased \$1,319,547 from 2020. Restricted contributions totaled \$11,939 for 2021.
- During fiscal year 2021, UCHealth continued investment in a system-wide electronic medical record (“EMR”) platform. \$13,265 was incurred on this project during the year ended June 30, 2021.
- In December 2016, UCHealth approved a project to construct a five story, 89,000 square foot medical office building and ambulatory surgery center in the Cherry Creek neighborhood of Denver. Services for the facility include primary and advanced care, including cancer care, women’s care, state-of-the-art imaging and an outpatient surgery center. The budget for the project which opened September 2020 was \$157,680. \$21,219 was incurred on this project during the year ended June 30, 2021.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$ in thousands)

UCHealth Financial Highlights (continued)

Year Ended June 30, 2021 Compared with Year Ended June 30, 2020 (continued)

- In January 2019, UCHealth approved the project to construct Anschutz Inpatient Pavilion Expansion Tower 3 at UCHA. The project includes 120 hospital beds, nine operating or procedure rooms and additional shelled space. The project has a total budget of \$388,533 and is anticipated to open during fiscal year 2023. \$68,979 was incurred on this project during the year ended June 30, 2021.
- In May 2019, UCHealth approved construction of a medical office building on the Longs Peak Hospital campus at an initial budgeted cost of \$51,943. The project was later modified for an expansion and includes a Cancer Center with a budget increase to \$85,590. \$22,702 was incurred on this project during the year ended June 30, 2021.
- In December 2020, UCHealth completed an annual ratings update meetings with Moody's, Standard & Poor's, and Fitch Ratings to rate the member organizations. Moody's maintained UCHA rating at Aa3 and revised the outlook to positive. Standard & Poor's maintained UCHA rating at AA Stable. Fitch Ratings maintained UCHA rating at AA Stable.
- In January 2021, UCHealth approved master facility planning efforts at Poudre Valley Hospital to update and renovate the facility at an initial budgeted cost of \$75,122. The project will be completed in phases with final completion anticipated for Spring 2023. \$1,592 was incurred on this project during the year ended June 30, 2021.
- In January 2021, UCHealth approved development of a medical office building and imaging suite located in north Colorado Springs (Interquest) at an initial budgeted cost of \$14,132. No expense was incurred on the project during fiscal year 2021 as expenditures will be incurred in future years.
- In June 2021, UCHealth purchased the Broomfield Hospital land and facility from the previous lessor for a total cost of \$82,879.
- In March 2021, UCHealth entered into a forward-starting direct purchase agreement with JPMorgan Chase Bank, N.A and Wells Fargo Bank, N.A to refinance Series 2012A Revenue bonds for a total amount of \$230,565. The effective date of the agreement is November 2022, at which time the Series 2012A bonds are callable. The terms of the forward-starting direct purchase agreement are for a predetermined fixed rate and extend over a 10-year period.
- In April 2021, UCHealth paid off Series 2013B Revenue bonds for \$5,570. JPMorgan Chase Bank, N.A. was the holder of the direct purchase bonds at a variable rate plus predetermined spread. Also in April, UCHealth extended the terms of Series 2013A and Series 2013C bonds through November 2022. These bonds are in a direct purchase agreement, based on a variable rate plus predetermined spread, with JPMorgan Chase Bank, N.A

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Overview of the Basic Financial Statements

- This discussion and analysis is intended to serve as an introduction to UCHHealth'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.
- UCHHealth has two types of funds: an enterprise fund that accounts for all transactions related to UCHHealth hospitals, physician groups, and the foundations' business, and fiduciary funds for UCHA's employee pension plan and health benefits trust.
- The statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHHealth's financial health. The statements of net position include all of UCHHealth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.
- Notes to the basic financial statements provide additional information that is essential 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.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Financial Analysis and Results of Operations

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

Table 1
University of Colorado Health
Statements of Net Position

	2022	2021	2020
Current assets	\$ 1,512,865	\$ 1,758,575	\$ 2,057,801
Capital assets, net of accumulated depreciation and amortization	3,468,942	3,261,000	2,870,985
Non-current assets and other assets	5,068,893	6,239,791	4,243,588
Total assets	10,050,700	11,259,366	9,172,374
Deferred outflows of resources	142,820	86,996	100,927
Total assets and deferred outflows of resources	\$ 10,193,520	\$ 11,346,362	\$ 9,273,301
Current liabilities	\$ 1,353,834	\$ 1,939,353	\$ 1,723,267
Long-term liabilities	1,570,514	1,666,032	1,825,833
Total liabilities	2,924,348	3,605,385	3,549,100
Deferred inflows of resources	69,740	227,738	9,182
Net position			
Invested in capital assets, net of related debt	1,825,736	1,181,596	972,008
Restricted			
Expendable			
Held by trustee for debt service	1	99	129
Restricted by donors	42,450	46,355	40,495
Non-expendable			
Permanent endowments	28,391	28,270	28,153
Minority interest in component unit	37,532	40,119	28,741
Unrestricted	5,265,322	6,216,800	4,645,493
Total net position	7,199,432	7,513,239	5,715,019
Total liabilities, deferred inflows of resources, and net position	\$ 10,193,520	\$ 11,346,362	\$ 9,273,301

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

At June 30, 2022, UCHealth's total net position was \$7,199,432, which is a decrease in total net position of \$313,807 or 4.2% from the prior year end. UCHealth classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Net position invested in capital assets, net of related debt, increased during the fiscal year due to additional capital spend. The unrestricted net position decrease was driven primarily by investment losses. At June 30, 2021, UCHealth's total net position was \$7,513,239, which is an increase in total net position of \$1,798,220, or 31.5%, from June 30, 2020. The unrestricted net position increase was driven primarily by operating performance, investment returns and grant revenue received as part of the CARES Act.

At June 30, 2022 UCHealth's cash and investment position, including assets designated for long-term purposes, was \$5,329,726, which is a decrease of \$1,465,087 or 21.6%, from June 30, 2021. Days cash on hand were 325.1 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 38.2 as of June 30, 2022. At June 30, 2021 UCHealth's cash and investment position was \$6,794,813, which is an increase of \$1,519,957, or 28.8%, over June 30, 2020. Days cash on hand were 468.9 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 38.2 as of June 30, 2021.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$ in thousands)

Financial Analysis and Results of Operations (continued)

Revenues, Expenses, and Change in Net Position

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

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

	Fiscal Years Ended June 30,		
	2022	2021	2020
Operating revenue			
Net patient service revenue	\$ 6,191,942	\$ 5,703,189	\$ 4,978,732
Other operating revenue	82,025	77,777	76,746
Total operating revenue	<u>6,273,967</u>	<u>5,780,966</u>	<u>5,055,478</u>
Operating expenses			
Wages, contract labor, and benefits	2,824,518	2,384,513	2,248,700
Supplies	1,491,137	1,329,671	1,134,870
Purchased services and other expenses	1,293,671	1,168,133	1,125,101
Depreciation and amortization	337,771	324,884	278,737
Total operating expenses	<u>5,947,097</u>	<u>5,207,201</u>	<u>4,787,408</u>
Operating income	<u>326,870</u>	<u>573,765</u>	<u>268,070</u>
Non-operating revenues and expenses			
Interest expense	(41,818)	(51,483)	(49,951)
Investment (loss) income	(709,313)	1,157,552	224,958
Unrealized gain (loss) on derivative investments	99,908	68,512	(86,813)
Gain (loss) on disposal of capital assets	2,012	(566)	(332)
Grant revenue	43,461	113,456	157,059
Other, net	(33,278)	(56,684)	(27,986)
Total non-operating revenue and expenses	<u>(639,028)</u>	<u>1,230,787</u>	<u>216,935</u>
(Loss) income before distributions and contributions	(312,158)	1,804,552	485,005
Net distributions to minority interest in component unit	(8,151)	(11,943)	(10,703)
Contributions restricted for capital assets	143	784	3,937
Contributions restricted, other	6,359	11,155	8,594
Change in net position	(313,807)	1,804,548	486,833
Net position, beginning of year	7,513,239	5,715,019	5,228,186
Restatement upon adoption of accounting pronouncement	-	(6,328)	-
Net position, beginning of year, as restated	<u>7,513,239</u>	<u>5,708,691</u>	<u>5,715,019</u>
Net position, end of year	<u>\$ 7,199,432</u>	<u>\$ 7,513,239</u>	<u>\$ 6,201,852</u>

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

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

Net patient service revenue increased by \$488,753, or 8.6%, in 2022 compared to 2021. The detail of net patient revenue can be found in Note 4 to the basic financial statements.

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 \$109,067 in 2022, an increase of \$9,273, or 9.3% from 2021.

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. The self-pay discounts and packages for 2022 were \$328,765, an increase of \$52,319, or 18.9% over 2021.

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act") authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. For the year ended June 30, 2022, UCHealth was charged \$261,850 in hospital provider fees, an increase of \$34,729, or 15.3% over 2021, and received \$330,968 in disproportionate share ("DSH") and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of \$37,744, or 12.9% over 2021.

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 \$501,675 in 2022, which is an increase of \$73,184, or 17.1% over 2021, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating expenses were \$5,947,097 in 2022. This was an increase of \$739,896, or 14.2%, compared to 2021.

Wages, contract labor, and benefits expense of \$2,824,518 was a \$440,005, or 18.5%, increase over the 2021 expense. This includes a 15.6% increase in salaries, a 382.5% increase in contract labor, and a 13.5% increase in benefits.

Medical and non-medical supplies expense of \$1,491,137 increased by \$161,466 or 12.1%, in 2022. Purchased services and other expenses of \$1,293,671 increased over 2021 by \$125,538, or 10.7%.

In accordance with GASB Statement No. 34, UCHealth records interest expense as a non-operating expense. Interest expense in 2022 was \$41,818, a decrease of \$9,665, or 18.8% compared to 2021.

Non-operating loss from UCHealth's equity, fixed income, and cash investments was \$709,313 in 2022, compared to a non-operating gain of \$1,157,552 in 2021.

The equity portfolio loss was \$435,202 in 2022, a decrease of \$1,492,421 compared to 2021. Interest and dividend income on the portfolio was \$42,507, and realized and unrealized losses on the portfolio were \$477,709. The realized and unrealized losses were due to performance in the investment markets.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

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

The fixed-income portfolio loss was \$233,604 in 2022, a decrease of \$293,767 compared to 2021. Interest and dividend income from the fixed income portfolio was \$55,900, and realized and unrealized losses were \$289,504 in 2022. The realized/unrealized gains were due to rising interest rates.

Restricted investments from UCHealth foundations generated losses of \$10,401 in 2022, a decrease of \$23,514 over 2021. Realized loss on derivative instruments totaled \$26,490 for fiscal year 2022. Other investment income totaled \$5,762 for fiscal year 2022, and investment expense was \$9,378 for the year.

UCHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps involve counterparty credit risk, and UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. UCHA was party to two floating-to-fixed payer swap agreements tied to the Series 2013A and 2013C Revenue Bonds, which were both terminated in November 2021. UCHealth is party to four floating-to-fixed rate 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. Therefore, cash flows on these agreements are recorded as interest expense. These agreements are discussed in greater detail in Note 7 to the basic financial statements.

Enacted on March 27, 2020, the CARES Act authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as foregone revenues from canceled procedures, and to provide support for related healthcare expenses, such as constructing temporary structures or emergency operation centers, retrofitting facilities, purchasing medical supplies and equipment including personal protective equipment and testing supplies, and maintaining or increasing the workforce. UCHealth recognized \$43,461 in grant revenue from the CARES Act funds in 2022, a decrease of \$69,995, or 61.7% compared to 2021.

Management presents portfolio performance reports to the Finance Committee of the UCHealth Board of Directors on a quarterly basis. Management meets regularly with UCHealth's investment advisor to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy. The operating portfolio asset allocation has been modified to increase investment manager diversification and create different allocations to better align investment expectations with future liabilities. Investment expenses consist of fees paid to UCHealth's investment managers and advisor.

Other net non-operating expenses were \$33,278 in 2022 related primarily to donations made and fundraising expenses.

Year Ended June 30, 2021 Compared with Year Ended June 30, 2020

Net patient service revenue increased by \$724,457, or 14.6%, in 2021 compared to 2020. The detail of net patient revenue can be found in Note 4 to the basic financial statements.

Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of charity care services was \$99,795 in 2021, a decrease of \$11,004, or 9.9% from 2020.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2021 Compared with Year Ended June 30, 2020 (continued)

The self-pay discounts and packages for 2021 were \$276,446, an increase of \$38,267, or 16.1% over 2020.

For the year ended June 30, 2021, UCHealth was charged \$227,121 in hospital provider fees, an increase of \$23,680, or 11.6% over 2020, and received \$293,224 in disproportionate share revenue as compensation for indigent and uninsured care services, an increase of \$22,993, or 8.5% over 2020.

The total benefit to UCHealth's uninsured and underinsured patients was \$428,491 in 2021, which is an increase of \$1,526, or 0.4% over 2020.

Operating expenses were \$5,207,201 in 2021. This was an increase of \$419,793, or 8.8%, compared to 2020.

Wages, contract labor, and benefits expense of \$2,384,513 was a \$135,813, or 6.0%, increase over the 2020 expense. This includes an 8.1% increase in salaries, a 13.2% decrease in contract labor, and a 1.2% decrease in benefits.

Medical and non-medical supplies expense of \$1,329,671 increased by \$194,801 or 17.2%, in 2021. Purchased services and other expenses of \$1,168,133 increased over 2020 by \$43,032, or 3.8%.

In accordance with GASB Statement No. 34, UCHealth records interest expense as a non-operating expense. Interest expense in 2021 was \$51,483, an increase of \$1,532, or 3.1% compared to 2020.

Non-operating gain from UCHealth's equity, fixed income, and cash investments was \$1,157,552 in 2021, an increase of \$932,594 from 2020.

The equity portfolio gain was \$1,057,219 in 2021, an increase of \$966,576 compared to 2020. Interest and dividend income on the portfolio was \$30,983, and realized and unrealized gains on the portfolio were \$1,026,236. The realized and unrealized gains were due to performance in the investment markets.

The fixed-income portfolio gain was \$60,163 in 2021, a decrease of \$55,341 compared to 2020. Interest and dividend income from the fixed income portfolio was \$49,056, and realized and unrealized gains were \$11,107 in 2021. The realized/unrealized gains were due to falling interest rates.

Restricted investments from UCHealth foundations generated gains of \$13,113 in 2021, an increase of \$8,885 over 2020. Other investment income totaled \$36,244 for fiscal year 2021, and investment expense was \$9,187 for the year.

UCHealth recognized \$113,456 in grant revenue from the CARES Act funds in 2021, a decrease of \$43,603, or 27.8% compared to 2020.

Other net non-operating expenses were \$56,684 in 2021 related primarily to donations made and fundraising expenses.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation and impairment, at June 30, 2022, 2021 and 2020 are summarized in Table 3 and are discussed below.

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

	2022	2021	2020
Land	\$ 129,242	\$ 128,089	\$ 128,089
Buildings and Improvements	2,155,741	2,133,410	2,043,966
Equipment	446,560	479,254	483,904
Right to Use Asset	196,004	224,126	-
Construction in progress	541,395	296,121	215,026
Total	\$ 3,468,942	\$ 3,261,000	\$ 2,870,985

In 2022, the additions to capital assets in excess of \$10,000 included the following:

• University of Colorado Hospital Anschutz Inpatient Pavilion Tower 3	\$139,978
• Medical Center of the Rockies Medical Office Building Purchase	83,883
• Longmont Medical Office Building and Cancer Center	40,790
• Poudre Valley Hospital Master Facility Plan	18,830
• Electronic Medical Record Platform Growth	19,249
• Eastview Medical Center	15,217

In 2021, the additions to capital assets in excess of \$10,000 included the following:

• University of Colorado Hospital Anschutz Inpatient Pavilion Tower 3	\$68,978
• Cherry Creek Medical Office Building and Ambulatory Surgery Center	21,219
• Longmont Medical Office Building and Cancer Center	22,702
• Broomfield Hospital Purchase	82,879
• Electronic Medical Record Platform Growth	13,265

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. UCHealth's annual capital budget, exclusive of the larger strategic projects, was \$117,488, \$97,912, and \$84,500 in 2022, 2021, and 2020, respectively. Cash flows related to capital expenditures totaled \$519,085 in 2022, compared to \$415,349 and \$383,402 in 2021 and 2020, respectively. Total depreciation and amortization expense on capital assets during 2022 was \$337,771 compared to \$324,884 and \$278,737 in 2021 and 2020, respectively. At June 30, 2022 and 2021, the Health System had planned future capital spending of \$996,334 and \$817,945, respectively, for ongoing significant strategic IT and facility expansion projects.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$ in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt

Long-term debt is summarized and discussed below.

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

		2022	2021	2020
Combined	Lease liabilities	\$ 213,248	\$ 241,322	\$ 12,525
MHS	City of Colorado Springs lease agreement	84,585	87,554	90,434
UCHA	2011B Revenue Bonds	-	93,990	95,220
UCHA	2011C Revenue Bonds	-	16,450	24,065
UCHA	2012A Revenue Bonds	245,454	249,094	252,306
UCHA	2012B Revenue Bonds	-	50,000	50,000
UCHA	2012C Revenue Bonds	87,510	87,510	87,510
UCHA	2013A Revenue Bonds	-	80,000	82,275
UCHA	2013B Revenue Bonds	-	-	6,800
UCHA	2013C Revenue Bonds	-	57,130	58,895
UCHA	2015D Revenue Bonds	196,915	197,360	197,815
UCHA	2017A Revenue Bonds	152,075	152,075	152,075
UCHA	2017B-1 Revenue Bonds	57,685	57,685	57,685
UCHA	2017B-2 Revenue Bonds	23,730	30,995	37,955
UCHA	2017C Revenue Bonds	-	136,575	139,961
UCHA	2018A Revenue Bonds	45,915	45,915	45,915
UCHA	2018B Revenue Bonds	76,170	76,170	76,170
UCHA	2018C Revenue Bonds	75,265	75,265	75,265
UCHA	2019A Revenue Bonds	100,000	100,000	100,000
UCHA	2019B Revenue Bonds	50,000	50,000	50,000
UCHA	2019C Revenue Bonds	132,005	135,970	139,936
UCHA	2019D Revenue Bonds	50,000	50,000	50,000
	Less current portion	(49,105)	(289,484)	(172,503)
	Less long-term debt subject to short-term remarketing arrangements	(219,755)	(227,330)	(234,595)
		<u>\$ 1,321,697</u>	<u>\$ 1,554,246</u>	<u>\$ 1,475,709</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.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2022, 2021 and 2020
(\$s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

The maximum annual debt service coverage ratio was 10.40 at June 30, 2022, compared to 12.99 and 10.14 at June 30, 2021 and 2020, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 18.2% at June 30, 2022, compared to 19.9% and 25.0% at June 30, 2021 and 2020, respectively, and bond covenants require an indebtedness ratio of less than 65.0%.

Economic Factors and Next Year's Activities and Rates

Demand for services at UCHealth facilities is anticipated to remain high in the upcoming year. Growth at the Anschutz Medical Campus, Medical Center of the Rockies and Memorial Health System is expected to produce high occupancy rates in fiscal year 2023. Highlands Ranch Hospital, UCHealth Steadman Hawkins Clinic Denver and Greeley Hospital volumes are all anticipated to grow in the fourth year of operations.

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 2023.

The 2023 budget, as approved by UCHealth's Board of Directors, projects operating revenue at \$6,369,967, and operating income of \$259,207 at a margin of 4.1%. The overall increase in net position is budgeted to be \$526,905.

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 organization'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, Colorado 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.

UNIVERSITY OF COLORADO HEALTH

Statements of Net Position

June 30, 2022 and 2021

(\$ in thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 285,247	\$ 582,956
Patient accounts receivable, less allowances for uncollectible accounts of \$706,050 and \$714,475, respectively	675,816	644,165
Other receivables	80,724	67,974
Inventories	140,033	136,827
Prepaid expenses	111,290	99,323
Investments designated for liquidity support	<u>219,755</u>	<u>227,330</u>
Total current assets	<u>1,512,865</u>	<u>1,758,575</u>
Non-current assets		
Restricted investments, bonds	1	99
Restricted investments, other	736	799
Restricted investments and donor pledges	57,600	63,287
Capital assets, net of accumulated depreciation and amortization	3,468,942	3,261,000
Long-term investments	2,055,883	3,285,139
Assets designated for long-term purposes	2,768,841	2,699,388
Other investments	86,576	66,782
Net pension asset	-	34,464
Other assets	<u>99,256</u>	<u>89,833</u>
Total non-current assets	<u>8,537,835</u>	<u>9,500,791</u>
Total assets	<u>10,050,700</u>	<u>11,259,366</u>
Deferred Outflows of Resources		
Deferred amortization on refundings	13,340	16,425
Deferred amortization related to pension plan	98,298	52,313
Deferred amortization on acquisitions	<u>31,182</u>	<u>18,258</u>
Total deferred outflows of resources	<u>142,820</u>	<u>86,996</u>
Total assets and deferred outflows of resources	<u>\$ 10,193,520</u>	<u>\$ 11,346,362</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Net Position

June 30, 2022 and 2021

(\$s in thousands)

	2022	2021
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 49,105	\$ 289,484
Accounts payable and accrued expenses	718,507	732,440
Accounts payable - construction	53,385	21,077
Accrued compensated absences	121,570	115,620
Accrued interest payable	4,756	6,827
Fair value of derivative instruments	-	12,390
Estimated third-party settlements	186,756	534,185
Long-term debt subject to short-term remarketing arrangements	219,755	227,330
Total current liabilities	1,353,834	1,939,353
Long-term liabilities		
Long-term debt, less current portion	1,321,697	1,554,246
Fair value of derivative instruments, less current portion	-	65,107
Net pension liability	196,685	-
Other long-term liabilities	52,132	46,679
Total liabilities	2,924,348	3,605,385
Deferred Inflows of Resources		
Deferred amortization related to pension plan	3,225	175,583
Deferred inflows on leases	66,515	52,155
Total deferred inflows of resources	69,740	227,738
Total liabilities and deferred inflows of resources	2,994,088	3,833,123
Net Position		
Invested in capital assets, net of related debt	1,825,736	1,181,596
Restricted		
Expendable		
Held by trustee for debt service	1	99
Restricted by donors	42,450	46,355
Non-expendable		
Permanent endowments	28,391	28,270
Minority interest in component unit	37,532	40,119
Unrestricted	5,265,322	6,216,800
Total net position	7,199,432	7,513,239
Total liabilities, deferred inflows of resources, and net position	\$ 10,193,520	\$ 11,346,362

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

(\$s in thousands)

	2022	2021
Operating revenue		
Net patient service revenue, net of provision for bad debts of \$263,205 and \$275,090, respectively	\$ 6,191,942	\$ 5,703,189
Other operating revenue	82,025	77,777
Total operating revenue	6,273,967	5,780,966
Operating expenses		
Wages, contract labor, and benefits	2,824,518	2,384,513
Supplies	1,491,137	1,329,671
Purchased services and other expenses	1,293,671	1,168,133
Depreciation and amortization	337,771	324,884
Total operating expenses	5,947,097	5,207,201
Operating income	326,870	573,765
Non-operating revenue and expenses		
Interest expense	(41,818)	(51,483)
Investment (loss) income	(709,313)	1,157,552
Unrealized gain on derivative instruments	99,908	68,512
Gain (loss) on disposal of capital assets	2,012	(566)
Grant revenue	43,461	113,456
Other, net	(33,278)	(56,684)
Total non-operating revenue and expenses	(639,028)	1,230,787
(Loss) income before distributions and contributions	(312,158)	1,804,552
Net distributions to minority interest in component unit	(8,151)	(11,943)
Contributions restricted for capital assets	143	784
Contributions restricted, other	6,359	11,155
Change in net position	(313,807)	1,804,548
Net position, beginning of year	7,513,239	5,715,019
Restatement upon adoption of accounting pronouncement	-	(6,328)
Net position, beginning of year, as restated	7,513,239	5,708,691
Net position, end of year	\$ 7,199,432	\$ 7,513,239

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

(\$s in thousands)

	2022	2021
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 5,812,862	\$ 5,578,880
Cash payments to suppliers for goods and services	(2,871,140)	(2,460,066)
Cash payments to employees/other on behalf of employees	(2,744,834)	(2,329,466)
Other cash payments	(35,290)	(43,029)
Other cash received	<u>56,312</u>	<u>49,622</u>
Net cash provided by operating activities	<u>217,910</u>	<u>795,941</u>
Cash flows from capital and related financing activities		
Principal payments under lease obligations	(39,305)	(34,792)
Principal repayments of long-term debt	(442,525)	(29,460)
Payments of interest and issuance costs on long-term debt	(47,739)	(58,440)
Capital expenditures	(519,085)	(415,349)
Receipt of contributions	9,101	11,423
Net distributions to minority interests in component units	(8,151)	(11,943)
Proceeds from sale of capital assets	<u>12,765</u>	<u>990</u>
Net cash used in capital and related financing activities	<u>(1,034,939)</u>	<u>(537,571)</u>
Cash flows from noncapital financing activities		
Receipt of grant revenue	<u>44,332</u>	<u>110,318</u>
Net cash provided by noncapital financing activities	<u>44,332</u>	<u>110,318</u>
Cash flows from investing activities		
Investment income	141,737	73,011
Distributions from joint ventures	10,550	12,144
Loans made to third parties	1,282	(2,647)
Proceeds from sale and maturities of investments	4,087,151	5,539,488
Purchases of investments	<u>(3,765,732)</u>	<u>(6,397,809)</u>
Net cash provided by (used in) investing activities	<u>474,988</u>	<u>(775,813)</u>
Net decrease in cash and cash equivalents	(297,709)	(407,125)
Cash and cash equivalents, beginning of year	<u>582,956</u>	<u>990,081</u>
Cash and cash equivalents, end of year	<u>\$ 285,247</u>	<u>\$ 582,956</u>

(Continued on the following page)

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

(\$s in thousands)

(Continued from the previous page)

	2022	2021
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 326,870	\$ 573,765
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	337,771	324,884
Provision for bad debts	263,205	275,090
Increase in patient accounts receivable	(294,856)	(337,851)
Decrease in estimated third-party settlements	(347,429)	(61,548)
Increase in other receivables	(12,750)	(11,603)
Increase in inventories	(3,206)	(13,654)
Change in net pension liability and pension-related deferred inflows and outflows of resources	12,806	(25,433)
Increase in prepaid expenses	(11,967)	(27,146)
(Increase) decrease in other assets	(9,423)	29,614
(Decrease) increase in accounts payable and accrued expenses	(13,933)	157,051
Increase in accrued compensated absences and other long-term liabilities	11,403	5,469
Equity income from joint ventures	(9,650)	(9,394)
Other cash payments	(30,931)	(83,303)
Total adjustments	<u>(108,960)</u>	<u>222,176</u>
Net cash provided by operating activities	<u>\$ 217,910</u>	<u>\$ 795,941</u>
Non-cash transactions		
Donated pharmaceuticals	\$ 6,843	\$ 7,015
Construction in progress accrued	\$ 53,385	\$ 21,077
Non-cash capital purchase	\$ -	\$ 41,996
Unrealized (loss) gain on investments	\$ (947,339)	\$ 329,660
Leases executed / cancelled	\$ 8,262	\$ 317,562
Unrealized gain on derivative instruments	\$ 99,908	\$ 68,512

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position – Pension Trust

June 30, 2022 and 2021

(\$s in thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Investments	\$ <u>1,354,890</u>	\$ <u>1,393,593</u>
Net Position		
Restricted for pension benefits	\$ <u>1,354,890</u>	\$ <u>1,393,593</u>

Statements of Changes in Fiduciary Net Position – Pension Trust

Years Ended June 30, 2022 and 2021

(\$s in thousands)

	<u>2022</u>	<u>2021</u>
Additions		
Contributions	\$ <u>122,900</u>	\$ <u>113,027</u>
Investment income		
Increase (decrease) in fair value of investments	(214,906)	115,995
Interest	6,450	2,158
Dividends and other	<u>98,450</u>	<u>192,435</u>
Investment income	<u>(110,006)</u>	<u>310,588</u>
Total additions	<u>12,894</u>	<u>423,615</u>
Deductions		
Benefits	46,954	39,075
Administrative expenses	<u>4,643</u>	<u>3,873</u>
Total deductions	<u>51,597</u>	<u>42,948</u>
Change in net position	(38,703)	380,667
Net position, beginning of year	<u>1,393,593</u>	<u>1,012,926</u>
Net position, end of year	\$ <u>1,354,890</u>	\$ <u>1,393,593</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position – Health Benefits Trust

June 30, 2022 and 2021

(\$s in thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ <u>3,091</u>	\$ <u>8,242</u>
Liabilities		
Unpaid claims	\$ <u>1,481</u>	\$ <u>8,062</u>
Net Position		
Restricted for health benefits	\$ <u>1,610</u>	\$ <u>180</u>

Statements of Changes in Fiduciary Net Position – Health Benefits Trust

Years Ended June 30, 2022 and 2021

(\$s in thousands)

	<u>2022</u>	<u>2021</u>
Additions		
Contributions - Employer	\$ 293,046	\$ 239,583
Contributions - Employee	56,112	52,005
Interest income	<u>2</u>	<u>-</u>
Total additions	<u>349,160</u>	<u>291,588</u>
Deductions		
Benefits	336,826	285,012
Administrative expenses	<u>10,904</u>	<u>6,561</u>
Total deductions	<u>347,730</u>	<u>291,573</u>
Change in net position	1,430	15
Net position, beginning of year	<u>180</u>	<u>165</u>
Net position, end of year	\$ <u>1,610</u>	\$ <u>180</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(1) Organization and Mission

Effective July 1, 2012, University of Colorado Health (“UCHealth” or the “Health System”), a newly formed non-profit 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 revenues to secure each member's obligations. UCHealth is financially accountable for the University of Colorado Hospital Authority, Poudre Valley Health Care Inc., and the Memorial Health System, which are reported as blended component units of the Health System. The Health System's component units are as follows:

- **University of Colorado Hospital Authority (“UCHA”)** was created pursuant to Section 23-21-503 of the Colorado Revised Statutes and is a political subdivision and body corporate of the State of Colorado. UCHA owns and operates a 698-licensed-bed, non-sectarian, general acute care hospital; the Anschutz Centers for Advanced Medicine, which include the Anschutz Outpatient Pavilion, the Anschutz Inpatient Pavilion 1, the Anschutz Inpatient Pavilion 2, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction and Rehabilitation (“CeDAR”), and the Rocky Mountain Lions Eye Institute; outlying outpatient primary care clinics; outlying specialty clinics; and the University of Colorado Hospital Foundation. These combined entities are collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver (“UCD”), which is comprised of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School; and the School of Public Health. UCHA 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.
 - The **University of Colorado Hospital Foundation (the “UCHA Foundation”)** is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (the “Code”). 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 only be used 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. All inter-entity transactions have been eliminated in the basic financial statements.
- **Poudre Valley Health Care Inc. (“PVHS”)** is a tax-exempt organization under Section 501(c)(3) of the Code. PVHS operates two hospital facilities as follows, which are considered blended component units of PVHS, because their activities are significantly intertwined with PVHS:
 - **Poudre Valley Hospital (“PVH”)**, a 255-licensed-bed, non-sectarian, general acute care hospital, which includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(1) Organization and Mission (continued)

- **Medical Center of the Rockies (“MCR”)**, a 174-licensed-bed, non-sectarian, general acute care hospital. MCR is a tax-exempt organization under Section 501(c)(3) of the Code.
- **UCHealth Northern Colorado Foundation (the “UCHNC Foundation”)** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations. The UCHNC Foundation is a tax-exempt organization under Section 501(c)(3) of the Code.
- PVHS is also the sole member of Lakota Lake, LLC; PVHS/Timberline, LLC; Heron Lake, LLC; and Innovation Enterprises, LLC. Each of these entities is considered a blended component unit of PVHS, because their activities are significantly intertwined with PVHS.
- **UCHealth Medical Group (North)** is a physician group and is considered a blended component unit of PVHS, because its activities are significantly intertwined with PVHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
- **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 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's obligations under the lease, and the gross revenues of MHS are pledged to secure the obligations under UCHA’s master trust indenture. Therefore, MHS is considered a blended component unit of the Health System. UCH-MHS is a tax-exempt organization under Section 501(c)(3) of the Code. The operations of MHS are as follows:
 - **Memorial Hospital Central**, a 583-licensed-bed, non-sectarian, general acute care hospital.
 - **Memorial Hospital North**, a 130-licensed-bed, non-sectarian, general acute care hospital.
 - **UCHealth Medical Group (South)** is a physician group and is considered a blended component unit of MHS, because its activities are significantly intertwined with MHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **Memorial Hospital Corporation** is a non-profit corporation that is controlled by MHS and considered a blended component unit of MHS.
- UCHealth is the sole member of **UCHealth Plan Administrators, LLC (“UCHPA”)**, a third-party administrator delivering a comprehensive services suite to partially self-funded benefit plan arrangements to employers. UCHPA is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements

June 30, 2022 and 2021

(\$s in thousands)

(1) Organization and Mission (continued)

- UCHealth is the 90% member of **ICHealth, LLC (“ICHealth”)**, a limited liability company organized to qualify and operate as an accountable care organization, support improvements in high-quality care through population management techniques, and contain the total costs of care. ICHealth is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.
- **Other Entities** – UCHealth is also comprised of the following, which are considered blended component units of UCHealth because their activities are significantly intertwined with UCHealth:
 - **Longs Peak Hospital (“LPH”)** is a 57-bed non-sectarian, general acute care hospital.
 - **Longs Peak Hospital Foundation (“LPH Foundation”)** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of LPH. LPH Foundation is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Highlands Ranch Hospital (“HRH”)** is a 93-bed non-sectarian, general acute care hospital. HRH is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Greeley Hospital (“GH”)** is a 53-bed non-sectarian, general acute care hospital. GH is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Ambulatory Surgery Centers (“UCHASC”)** operates three ambulatory surgery centers. UCHASC is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Medical Group (Longmont)** is a physician group that joined the Health System effective January 1, 2015. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Medical Group (Metro Denver)** is a physician group made up of newly acquired and opened physician practices in the Metro Denver area. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Community Services (“UCHCS”)** was formed in 2017 as a Colorado non-profit corporation to operate outpatient healthcare facilities, such as multi-specialty clinics and physical therapy clinics. UCHCS is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Emergency Physician Services (“UCHEPS”)** was formed in 2017 as a Colorado limited liability company to provide emergency physician services and the services of other healthcare staff to emergency departments.
 - **Yampa Valley Medical Center (“YVMC”)** is a 39-bed acute care hospital located in Steamboat Springs, Colorado. YVMC joined UCHealth through an Integration and Affiliation Agreement effective September 1, 2017. YVMC is a tax-exempt organization under Section 501(c)(3) of the Code.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements

June 30, 2022 and 2021

(\$s in thousands)

(1) Organization and Mission (continued)

- **UCHealth Partners, LLC (“UCHealth Partners”)** is a limited liability company formed in 2015 as the parent entity of UCHealth Broomfield Hospital and UCHealth Grandview Hospital. UCHealth is the sole member of UCHealth Partners.
- **UCHealth Broomfield Hospital (“BFH”)** is a 40-bed acute care and rehabilitation hospital in Broomfield, Colorado. BFH is a tax-exempt organization under Section 501(c)(3) of the Code.
- **UCHealth Grandview Hospital (“GVH”)**, a 22-bed acute care hospital in Colorado Springs, Colorado. GVH is a tax-exempt organization under Section 501(c)(3) of the Code.
- **UCHealth Pikes Peak Regional Hospital (“PPRH”)** is a 15-bed critical access hospital located in Woodland Park, Colorado. PPRH was formed as a Colorado non-profit corporation in 2018. PPRH is a tax-exempt organization under Section 501(c)(3) of the Code.
- **UCHealth Imaging Services, LLC (“UCHIS”)** is a not-for-profit limited liability company formed in 2018 that provides imaging services in an ambulatory setting.
- **UCHealth Laboratory Services, LLC (“UCHLS”)** is a not-for-profit limited liability company formed in 2019 for the purpose of purchasing laboratory testing from UCHealth laboratories, entering into contracts with payers and billing for such testing at freestanding rates.
- **UCHealth Centralized Pharmacy, LLC (“UCHCP”)** is a limited liability company formed in 2020 to operate a pharmacy, including providing central fill services to its member and other affiliates of UCHealth. HRH is the sole member of UCHCP.
- **Brookhaven Medical Properties, LLC (“Brookhaven”)** is a limited liability company formed in 2017, in which UCHealth had a 20% ownership interest. Effective December 2020, UCHealth purchased the remaining 80% of Brookhaven.

Memorial Health System Foundation (the “MHS Foundation”) is a not-for-profit organization formed for the benefit of MHS. Fundraising efforts for the benefit of MHS are undertaken by the MHS Foundation. However, the assets held by the Foundation remained assets of the MHS Foundation and were not transferred to MHS under either the Integration and Affiliation Agreement or the Health System Operating Lease Agreement. Therefore, the MHS Foundation is not reported as a component unit of MHS.

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. 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. Two of the eleven members of the Health System's Board of Directors (the “Board”) are appointed by the President of the University of Colorado, and an additional four members of the Board are appointed by the Regents subject to the final approval of the Board.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(2) Condensed Combining Information

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of each major blended component unit at June 30, 2022 and 2021 are summarized in Tables 1 and 2, respectively.

**Table 1
Condensed Combining Information
Statement of Net Position as of June 30, 2022**

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 839,271	\$ 699,779	\$ 101,736	\$ (1,640,786)	\$ -
Other current assets	763,507	324,011	183,376	241,971	1,512,865
Capital assets, net of accumulated depreciation	1,099,343	423,447	473,462	1,472,690	3,468,942
Non-current receivables from affiliates	963,669	-	-	(963,669)	-
Non-current assets and other assets	2,518,548	2,161,373	210,660	178,312	5,068,893
Total assets	<u>6,184,338</u>	<u>3,608,610</u>	<u>969,234</u>	<u>(711,482)</u>	<u>10,050,700</u>
Deferred outflows of resources	<u>42,242</u>	<u>28,424</u>	<u>24,830</u>	<u>47,324</u>	<u>142,820</u>
Total assets and deferred outflows of resources	<u>\$ 6,226,580</u>	<u>\$ 3,637,034</u>	<u>\$ 994,064</u>	<u>\$ (664,158)</u>	<u>\$ 10,193,520</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 9,164	\$ 5,391	\$ (14,555)	\$ -
Other current liabilities	650,668	203,812	184,020	315,334	1,353,834
Non-current payables to affiliates	-	350,538	301,478	(652,016)	-
Other long-term liabilities	1,212,827	53,945	143,786	159,956	1,570,514
Total liabilities	<u>1,863,495</u>	<u>617,459</u>	<u>634,675</u>	<u>(191,281)</u>	<u>2,924,348</u>
Deferred inflows of resources	<u>2,673</u>	<u>17,351</u>	<u>792</u>	<u>48,924</u>	<u>69,740</u>
Net position					
Invested in capital assets, net of related debt	710,680	34,199	37,181	1,043,676	1,825,736
Restricted					
Expendable	10,607	11,622	-	20,222	42,451
Non-expendable	21,483	43,945	-	495	65,923
Unrestricted	3,617,642	2,912,458	321,416	(1,586,194)	5,265,322
Net position	<u>4,360,412</u>	<u>3,002,224</u>	<u>358,597</u>	<u>(521,801)</u>	<u>7,199,432</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,226,580</u>	<u>\$ 3,637,034</u>	<u>\$ 994,064</u>	<u>\$ (664,158)</u>	<u>\$ 10,193,520</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(2) **Condensed Combining Information (continued)**

Table 2
Condensed Combining Information
Statement of Net Position as of June 30, 2021 (as restated upon adoption of GASB 87)

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 730,030	\$ 514,404	\$ 84,941	\$ (1,329,375)	\$ -
Other current assets	923,684	426,433	194,208	214,250	1,758,575
Capital assets, net of accumulated depreciation	963,271	410,139	462,071	1,425,519	3,261,000
Non-current receivables from affiliates	1,110,950	-	-	(1,110,950)	-
Non-current assets and other assets	<u>3,198,845</u>	<u>2,529,594</u>	<u>344,936</u>	<u>166,416</u>	<u>6,239,791</u>
Total assets	<u>6,926,780</u>	<u>3,880,570</u>	<u>1,086,156</u>	<u>(634,140)</u>	<u>11,259,366</u>
Deferred outflows of resources	<u>33,901</u>	<u>14,093</u>	<u>15,887</u>	<u>23,115</u>	<u>86,996</u>
Total assets and deferred outflows of resources	<u>\$ 6,960,681</u>	<u>\$ 3,894,663</u>	<u>\$ 1,102,043</u>	<u>\$ (611,025)</u>	<u>\$ 11,346,362</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 7,948	\$ 4,719	\$ (12,667)	\$ -
Other current liabilities	1,032,307	311,942	253,809	341,295	1,939,353
Non-current payables to affiliates	-	364,533	315,890	(680,423)	-
Other long-term liabilities	<u>1,404,427</u>	<u>21,656</u>	<u>129,825</u>	<u>110,124</u>	<u>1,666,032</u>
Total liabilities	<u>2,436,734</u>	<u>706,079</u>	<u>704,243</u>	<u>(241,671)</u>	<u>3,605,385</u>
Deferred inflows of resources	<u>55,409</u>	<u>58,993</u>	<u>37,141</u>	<u>76,195</u>	<u>227,738</u>
Net position					
Invested in capital assets, net of related debt	289,668	10,047	8,069	873,812	1,181,596
Restricted					
Expendable	13,625	10,327	-	22,502	46,454
Non-expendable	21,479	46,709	-	201	68,389
Unrestricted	<u>4,143,766</u>	<u>3,062,508</u>	<u>352,590</u>	<u>(1,342,064)</u>	<u>6,216,800</u>
Net position	<u>4,468,538</u>	<u>3,129,591</u>	<u>360,659</u>	<u>(445,549)</u>	<u>7,513,239</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,960,681</u>	<u>\$ 3,894,663</u>	<u>\$ 1,102,043</u>	<u>\$ (611,025)</u>	<u>\$ 11,346,362</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(2) **Condensed Combining Information (continued)**

Revenue, expenses, and changes in net position are summarized in Tables 3 and 4 for fiscal years 2022 and 2021, respectively.

Table 3
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2022

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	\$ 2,496,273	\$ 1,390,310	\$ 1,242,029	\$ 1,063,330	\$ 6,191,942
Other operating revenue	23,851	41,674	16,161	339	82,025
Total operating revenue	<u>2,520,124</u>	<u>1,431,984</u>	<u>1,258,190</u>	<u>1,063,669</u>	<u>6,273,967</u>
Operating expenses					
Wages, contract labor, and benefits	852,404	726,536	698,941	546,637	2,824,518
Supplies	717,738	305,416	248,155	219,828	1,491,137
Purchased services and other expenses	625,028	228,587	214,882	225,174	1,293,671
Depreciation and amortization	88,123	58,033	60,477	131,138	337,771
Total operating expenses	<u>2,283,293</u>	<u>1,318,572</u>	<u>1,222,455</u>	<u>1,122,777</u>	<u>5,947,097</u>
Operating income (loss)	<u>236,831</u>	<u>113,412</u>	<u>35,735</u>	<u>(59,108)</u>	<u>326,870</u>
Non-operating revenue and expenses					
Interest expense	(35,065)	(6,872)	(14,446)	14,565	(41,818)
Investment income	(358,138)	(279,057)	(26,060)	(46,058)	(709,313)
Unrealized loss on derivative instruments	47,288	37,589	28	15,003	99,908
Grant revenue	9,269	18,268	11,418	4,506	43,461
Other, net	(10,811)	(6,307)	(8,800)	(5,348)	(31,266)
Total non-operating revenue and expenses	<u>(347,457)</u>	<u>(236,379)</u>	<u>(37,860)</u>	<u>(17,332)</u>	<u>(639,028)</u>
Loss before distributions and contributions	(110,626)	(122,967)	(2,125)	(76,440)	(312,158)
Distributions to minority interest in component unit	-	(8,151)	-	-	(8,151)
Contributions restricted for capital assets	3	133	-	7	143
Contributions restricted, other	2,497	3,618	63	181	6,359
Change in net position	(108,126)	(127,367)	(2,062)	(76,252)	(313,807)
Net position, beginning of year	<u>4,468,538</u>	<u>3,129,591</u>	<u>360,659</u>	<u>(445,549)</u>	<u>7,513,239</u>
Net position, end of year	<u>\$ 4,360,412</u>	<u>\$ 3,002,224</u>	<u>\$ 358,597</u>	<u>\$ (521,801)</u>	<u>\$ 7,199,432</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(2) **Condensed Combining Information (continued)**

Table 4
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2021 (as restated upon adoption of GASB 87)

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	\$ 2,341,625	\$ 1,320,893	\$ 1,137,080	\$ 903,591	\$ 5,703,189
Other operating revenue	25,190	43,363	13,610	(4,386)	77,777
Total operating revenue	<u>2,366,815</u>	<u>1,364,256</u>	<u>1,150,690</u>	<u>899,205</u>	<u>5,780,966</u>
Operating expenses					
Wages, contract labor, and benefits	735,070	623,710	584,995	440,738	2,384,513
Supplies	654,876	270,379	220,817	183,599	1,329,671
Purchased services and other expenses	563,991	212,293	196,517	195,332	1,168,133
Depreciation and amortization	83,361	57,789	56,436	127,298	324,884
Total operating expenses	<u>2,037,298</u>	<u>1,164,171</u>	<u>1,058,765</u>	<u>946,967</u>	<u>5,207,201</u>
Operating income (loss)	<u>329,517</u>	<u>200,085</u>	<u>91,925</u>	<u>(47,762)</u>	<u>573,765</u>
Non-operating revenue and expenses					
Interest expense	(43,248)	(7,604)	(14,930)	14,299	(51,483)
Investment income	659,020	448,866	52,345	(2,679)	1,157,552
Unrealized loss on derivative instruments	25,501	28,164	(98)	14,945	68,512
Grant revenue	33,401	63,301	12,803	3,951	113,456
Other, net	(19,456)	(14,093)	(15,244)	(8,457)	(57,250)
Total non-operating revenue and expenses	<u>655,218</u>	<u>518,634</u>	<u>34,876</u>	<u>22,059</u>	<u>1,230,787</u>
Income (loss) before distributions and contributions	984,735	718,719	126,801	(25,703)	1,804,552
Distributions to minority interest in component unit	-	(11,799)		(144)	(11,943)
Contributions restricted for capital assets	183	-	-	601	784
Contributions restricted, other	5,716	3,403	1,909	127	11,155
Change in net position	990,634	710,323	128,710	(25,119)	1,804,548
Net position, beginning of year	3,482,243	2,415,226	233,659	(416,109)	5,715,019
Restatement upon adoption of accounting pronouncement	(4,339)	4,042	(1,710)	(4,321)	(6,328)
Net position, beginning of year, as restated	<u>3,477,904</u>	<u>2,419,268</u>	<u>231,949</u>	<u>(420,430)</u>	<u>5,708,691</u>
Net position, end of year	<u>\$ 4,468,538</u>	<u>\$ 3,129,591</u>	<u>\$ 360,659</u>	<u>\$ (445,549)</u>	<u>\$ 7,513,239</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(2) Condensed Combining Information (continued)

Cash flows are summarized in Tables 5 and 6 for fiscal years 2022 and 2021, respectively.

**Table 5
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2022**

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 19,996	\$ (127,172)	\$ (16,742)	\$ 341,828	\$ 217,910
Capital and related financing activities	(526,572)	(80,284)	(98,560)	(329,523)	(1,034,939)
Noncapital financing activities	9,269	18,484	11,418	5,161	44,332
Investing activities	<u>326,156</u>	<u>72,854</u>	<u>85,891</u>	<u>(9,913)</u>	<u>474,988</u>
Net (decrease) increase in cash and cash equivalents	(171,151)	(116,118)	(17,993)	7,553	(297,709)
Cash and cash equivalents, beginning of year	<u>309,175</u>	<u>234,055</u>	<u>27,919</u>	<u>11,807</u>	<u>582,956</u>
Cash and cash equivalents, end of year	<u>\$ 138,024</u>	<u>\$ 117,937</u>	<u>\$ 9,926</u>	<u>\$ 19,360</u>	<u>\$ 285,247</u>

**Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2021 (as restated upon adoption of GASB 87)**

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 249,805	\$ 185,199	\$ 106,166	\$ 254,771	\$ 795,941
Capital and related financing activities	(181,016)	(68,611)	(55,593)	(232,351)	(537,571)
Noncapital financing activities	33,401	63,301	12,803	813	110,318
Investing activities	<u>(337,435)</u>	<u>(334,275)</u>	<u>(75,418)</u>	<u>(28,685)</u>	<u>(775,813)</u>
Net decrease in cash and cash equivalents	(235,245)	(154,386)	(12,042)	(5,452)	(407,125)
Cash and cash equivalents, beginning of year	<u>544,420</u>	<u>388,441</u>	<u>39,961</u>	<u>17,259</u>	<u>990,081</u>
Cash and cash equivalents, end of year	<u>\$ 309,175</u>	<u>\$ 234,055</u>	<u>\$ 27,919</u>	<u>\$ 11,807</u>	<u>\$ 582,956</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies

(a) 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.

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 comprised 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 statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows do not include the pension trust fund or the health benefits trust fund.

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

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

(b) Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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 significantly from those estimates.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(c) *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 reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.
- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity as well as the minority interest's ownership percentage in component units of UCHHealth.
- *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.

(d) *Cash and Cash Equivalents*

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

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

Investments include undesignated investments.

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

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

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 sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in non-operating revenue and expenses when earned.

The Health System's Basic Pension Plan holds assets that include alternative investments, which are not readily marketable and are carried at fair value as provided by the investment managers. The UCHA Board of Directors (the "UCHA Board") is the fiduciary of the plan, and 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.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(f) *Inventories*

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

(g) *Capital Assets*

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. All capital assets are depreciated or amortized over the estimated useful life of each class of assets using the straight-line method. Useful lives for buildings and improvements are 20-40 years, equipment is 3-15 years, and leasehold improvements are 3-20 years. UCHealth leases certain assets from various third parties for which a right to use asset is recognized. The leased assets include land, property, and equipment and are amortized over the lesser of the estimated useful life of each class of capital assets or the lease term using the straight-line method.

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*.

(h) *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 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.

(i) *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.

(j) *Compensated Absences*

All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA. UCHA employees 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 long-term liabilities.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(k) Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, restricted investments, long-term investments, assets designated for long-term purposes, interest rate swap agreements, current liabilities, and long-term debt obligations. The carrying amounts reported in the statements of net position for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 6, 7, 8 and 12 to the basic financial statements.

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 statements 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 non-operating revenue and expenses in the period when the change in fair value occurs.

(l) 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 of this, the Health System classifies as non-expendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by 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, 2022 and 2021 was \$4,477 and \$5,642, respectively.

(m) Minority Interests in Component Units

Minority interests in component units represents the 12% interest in MCR that is not owned by PVHS and the 10% interest in ICHHealth that is not owned by UCHealth. For the years ended June 30, 2022 and 2021, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(m) Minority Interest in Component Unit (continued)

June 30, 2022

	Total	Controlling Interest	Minority Interest
(Loss) income before distributions and contributions	\$ (312,158)	\$ (317,722)	\$ 5,564
Net distributions to minority interest in component unit	(8,151)	-	(8,151)
Contributions restricted for capital assets	143	143	-
Contributions restricted, other	<u>6,359</u>	<u>6,359</u>	<u>-</u>
Change in net position	(313,807)	(311,220)	(2,587)
Net position, beginning of year	<u>7,513,239</u>	<u>7,473,120</u>	<u>40,119</u>
Net position, end of year	<u>\$ 7,199,432</u>	<u>\$ 7,161,900</u>	<u>\$ 37,532</u>

June 30, 2021 (as restated upon the adoption of GASB 87)

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	\$ 1,804,552	\$ 1,781,270	\$ 23,282
Net distributions to minority interest in component unit	(11,943)	-	(11,943)
Contributions restricted for capital assets	784	784	-
Contributions restricted, other	<u>11,155</u>	<u>11,155</u>	<u>-</u>
Change in net position	1,804,548	1,793,209	11,339
Net position, beginning of year	5,715,019	5,686,278	28,741
Restatement upon adoption of accounting pronouncement	<u>(6,328)</u>	<u>(6,367)</u>	<u>39</u>
Net position, beginning of year, as restated	<u>5,708,691</u>	<u>5,679,911</u>	<u>28,780</u>
Net position, end of year	<u>\$ 7,513,239</u>	<u>\$ 7,473,120</u>	<u>\$ 40,119</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(n) Revenue and Expenses

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

(o) 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.

(p) 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 arrangements. Differences between established billing rates and amounts reimbursed are recognized as contractual adjustments.

(q) 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. UCHA is insured for medical malpractice claims and judgments through the University of Colorado Self-Insurance and Risk Management Trust. Other hospitals and operations are insured for medical malpractice claims and judgments through the University of Colorado Health Self-Insurance Program. UCHHealth is self-insured for employee health and dental benefits through the Health Benefits Trust. Insurance coverage for all other lines of insurance, including theft, property damage, occupational and non-occupational injuries and accidents, business interruption, automobile, non-owned aircraft, errors and omission, and fiduciary, are covered by commercial insurance companies.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(r) *Income Taxes*

UCHealth 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, UCHASC, UCHCS, Memorial Hospital Corporation, UCHealth 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; PVHS/Timberline, 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, UCHEPS and UCHealth Partners act as tax flow-through entities to UCHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHCP acts as a tax flow-through entity to HRH. ICHHealth acts as a tax flow-through entity to UCHealth and the minority interest holder. Innovation Enterprises 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 Health System has recognized a tax liability of \$1,720 and \$1,904 at June 30, 2022 and 2021, respectively, for unrelated business income taxes.

(s) *Pension Trust*

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

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

(t) *Health Benefits Trust*

The Health System 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.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(u) New Accounting Pronouncements

In 2017, the GASB issued Statement No. 87, Leases, which improves the accounting and financial reporting for leases by governments for the financial statement users. GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. UHealth adopted this statement effective July 1, 2020. The adoption of this statement decreased the July 1, 2020 net position by \$6,328. The following schedule shows the impact of the adoption of the statement to the line items on the previously reported Statement of Net Position as of June 30, 2021.

	Previously Reported	Restated	Change
Capital assets, net of accumulated depreciation and amortization	\$ 3,042,809	\$ 3,261,000	\$ 218,191
Other assets	34,820	89,833	55,013
Total non-current assets	9,227,587	9,500,791	273,204
Total assets	10,986,162	11,259,366	273,204
Total assets and deferred outflows of resources	<u>\$ 11,073,158</u>	<u>\$ 11,346,362</u>	<u>\$ 273,204</u>
Current portion of long-term debt	257,527	289,484	31,957
Total current liabilities	1,907,396	1,939,353	31,957
Long-term debt, less current portion	1,356,078	1,554,246	198,168
Other long-term liabilities	46,763	46,679	(84)
Total liabilities	3,375,344	3,605,385	230,041
Deferred inflows on leases	-	52,155	52,155
Total deferred inflows of resources	175,583	227,738	52,155
Total liabilities and deferred inflows of resources	3,550,927	3,833,123	282,196
Restricted net position	40,113	40,119	6
Unrestricted net position	6,225,798	6,216,800	(8,998)
Total net position	7,522,231	7,513,239	(8,992)
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,073,158</u>	<u>\$ 11,346,362</u>	<u>\$ 273,204</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(3) Summary of Significant Accounting Policies (continued)

(u) New Accounting Pronouncements (continued)

The following schedule shows the impact of the adoption of the statement to the line items on the previously reported Statement of Revenue, Expenses, and Changes in Net Position for the year ended June 30, 2021.

	Previously Reported	Restated	Change
Other operating revenue	\$ 77,892	\$ 77,777	\$ (115)
Total operating revenue	5,781,081	5,780,966	(115)
Purchased services and other expenses	1,202,745	1,168,133	(34,612)
Depreciation and amortization	291,651	324,884	33,233
Total operating expenses	5,208,580	5,207,201	(1,379)
Operating income	572,501	573,765	1,264
Interest expense	(46,685)	(51,483)	(4,798)
Investment income	1,156,682	1,157,552	870
Total non-operating revenue and expenses	1,234,715	1,230,787	(3,928)
Income before distributions and contributions	1,807,216	1,804,552	(2,664)
Change in net position	1,807,212	1,804,548	(2,664)
Net position, beginning of year, as restated	5,715,019	5,708,691	(6,328)
Net position, end of year	\$ 7,522,231	\$ 7,513,239	\$ (8,992)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates through June 30, 2022. This pronouncement did not have a significant impact on UCHealth's financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument was extended in conjunction with GASB No. 99, *Omnibus 2022*. Under the new pronouncement, LIBOR can continue to be used if it is still being published. All other requirements of the statement were effective for UCHealth's financial statements for the year ending June 30, 2021. This pronouncement did not have a significant impact on UCHealth's financial statements.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(u) New Accounting Pronouncements (continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves accounting and financial reporting for arrangements where a governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use nonfinancial assets, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction. It establishes the definitions of public-private and public-public partnerships (PPP's) and availability payment arrangements (APA's) and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. It requires governments to report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. The provisions of this statement are effective for UCHealth's financial statements for the year ending June 30, 2023. UCHealth is currently evaluating the impact this standard will have on the financial statements when adopted.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The provisions of this statement are effective for the Health System's financial statements for the year ending June 30, 2023. UCHealth is in the process of evaluating the impact of this statement to UCHealth's basic financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 plan should be considered a pension plan or another employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The provisions of this statement related to 457 plans are effective for the Health System's financial statements for the year ending June 30, 2022. This pronouncement did not have a significant impact on UCHealth's financial statements.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
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(\$ in thousands)

(4) Net Patient Service Revenue

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

	2022	2021
Gross charges	\$ 25,835,568	\$ 22,571,584
Third-party contractual allowances	(19,095,106)	(16,398,809)
Indigent and charity care	(244,584)	(188,320)
Provision for bad debt	(263,205)	(275,090)
Self-pay packages and other discounts	(328,765)	(276,446)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	288,034	270,270
Net patient service revenue	\$ 6,191,942	\$ 5,703,189

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 \$2,091,078 and \$1,849,647 in 2022 and 2021, respectively.

(a) Medicare

Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a Diagnostic-Related Group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. 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 fiscal intermediary. 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 Medicare Administrative Contractor (the "MAC") through June 30, 2018; however, the Medicare cost report for the year ended June 30, 2015, has not yet been settled by the MAC. PVH's Medicare cost reports have been audited and settled by the MAC through June 30, 2018. MCR's Medicare cost reports have been audited and settled by the MAC through June 30, 2019. MHS's Medicare cost reports have been audited by the MAC through June 30, 2018. YVMC's Medicare cost reports have been audited and settled by the MAC through September 30, 2017. PPRH's Medicare cost reports have been audited and settled by the MAC through June 30, 2019. BFH's Medicare cost reports have been audited and settled by the MAC through June 30, 2018. GVH's Medicare cost reports have been audited and settled by the MAC through June 30, 2018. LPH's Medicare cost reports have been audited and settled by the MAC through June 30, 2018. The Medicare cost reports for HRH and GH have not yet been audited and settled by the MAC as the year ending June 30, 2020 is their first cost reporting year.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
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(\$ in thousands)

(4) Net Patient Service Revenue (continued)

(b) Medicaid

Inpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Prior to October 31, 2016, outpatient services are 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. Beginning October 31, 2016, outpatient services are reimbursed based on the product of a hospital-specific base rate and the Enhanced Ambulatory Patient Group's adjusted relative weight. 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. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2014. PVH's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2017. MCR's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2016. MHS's Medicaid cost reports have been audited through June 30, 2017; however, the Medicaid cost report year 2008 has not yet been settled by the Medicaid fiscal intermediary. YVMC's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through September 30, 2017. PPRH's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through December 31, 2016.

(c) 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.

(d) 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. Discounts for this program were \$328,765 and \$276,446 in 2022 and 2021, respectively.

(e) 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 and Financing to collect a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the years ended June 30, 2022 and 2021, the Health System was charged \$261,850 and \$227,121, respectively, in Hospital provider fees and received \$330,968 and \$293,224, 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 was \$109,067 and \$99,795 for the years ended June 30, 2022 and 2021, respectively.

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(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 were \$1,963 and \$2,021 at June 30, 2022 and 2021, respectively. Total restricted contributions receivable, net of allowances for uncollectible receivables, were \$3,215 and \$3,153 at June 30, 2022 and 2021, respectively.

The total current portions of unrestricted contributions receivable, net of allowances for uncollectible receivables, were \$1,963 and \$2,021 at June 30, 2022 and 2021, respectively. The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, were \$1,410 and \$878 at June 30, 2022 and 2021, respectively. The long-term portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within restricted investments and pledges, donors, in the accompanying statements of net position, were \$1,805 and \$2,275 at June 30, 2022 and 2021, respectively.

(6) Deposits and Investments

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

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

At June 30, 2022 and 2021, UCHealth's unrestricted cash deposits had a book balance of \$285,247 and \$582,956, respectively, and a bank balance of \$354,239 and \$635,422, respectively. UCHealth's restricted investments and donor pledges included cash deposits that had a book and bank balance of \$55,794 and \$61,012 at June 30, 2022 and 2021, 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.

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(6) Deposits and Investments (continued)

June 30, 2022

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Enterprise fund			
Cash and cash equivalents	\$ 285,247	\$ -	\$ 285,247
Restricted investments	-	58,337	58,337
Investments designated for liquidity support	-	219,755	219,755
Long-term investments	-	2,055,883	2,055,883
Assets designed for long-term purposes	-	2,768,841	2,768,841
	<u>\$ 285,247</u>	<u>\$ 5,102,816</u>	<u>\$ 5,388,063</u>

June 30, 2021

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Enterprise fund			
Cash and cash equivalents	\$ 582,956	\$ -	\$ 582,956
Restricted investments	-	64,185	64,185
Investments designated for liquidity support	-	227,330	227,330
Long-term investments	-	3,285,139	3,285,139
Assets designed for long-term purposes	-	2,699,388	2,699,388
	<u>\$ 582,956</u>	<u>\$ 6,276,042</u>	<u>\$ 6,858,998</u>

Enterprise fund investments consist of the following:

	June 30,	
	<u>2022</u>	<u>2021</u>
Restricted by trustee under bond agreement	\$ 1	\$ 99
Restricted by donor	57,600	63,287
Other restricted	736	799
Designated for long-term purposes	2,768,841	2,699,388
Unrestricted	<u>2,275,638</u>	<u>3,512,469</u>
Total investments	<u>\$ 5,102,816</u>	<u>\$ 6,276,042</u>

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(6) Deposits and Investments (continued)

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

	June 30,	
	2022	2021
Cash equivalents	\$ 86,948	\$ 215,645
U.S. Treasury bills	359,294	574,004
U.S. government agency, pool, and mortgage-backed securities	273,172	262,685
Asset-backed securities	264,199	461,449
Mutual bond funds	587,253	606,116
Treasury inflation protected securities ("TIPS")	261,948	269,791
Corporate bonds	567,961	566,094
Equity securities	2,670,820	3,326,092
Alternative investments	21,085	13,987
Interest and dividends receivable	1,035	935
Interest rate swaps	22,411	-
Miscellaneous investment payable	(13,310)	(20,756)
Total investments	\$ 5,102,816	\$ 6,276,042

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

	June 30,	
	2022	2021
Cash equivalents	\$ 18,791	\$ 33,413
U.S. Treasury bills	98,970	94,237
U.S. government agency, pool, and mortgage-backed securities	34,019	17,999
Asset-backed securities	25,872	30,977
TIPS	33,198	34,999
Corporate bonds	118,477	115,958
Alternative investments	156,148	113,678
Private real estate	125,643	92,961
Mutual bond funds	66,713	70,757
Other mutual funds	677,789	786,533
Interest and dividends payable	7	(14)
Miscellaneous investment (payable) receivable	(737)	2,095
Total investments	\$ 1,354,890	\$ 1,393,593

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

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

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 3,091	\$ 8,242
Total investments	\$ 3,091	\$ 8,242

(a) 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.

The following is a summary of enterprise fund investments at June 30, 2022 and 2021. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale.

	2022		2021	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 273,172	AA+	\$ 262,685	AA+
Asset-backed securities	264,199	AA+	461,449	AA+
Mutual bond funds	587,253	BBB+	606,116	BBB
TIPS	261,948	AA+	269,791	AA+
Corporate bonds	567,961	BBB+	566,094	BBB+

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

(a) Credit Risk (continued)

The following is a summary of pension trust fund investments at June 30, 2022 and 2021, with average credit ratings based on the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2022		2021	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 34,019	AA+	\$ 17,999	AA+
Asset-backed securities	25,872	AA+	30,977	AA+
Mutual bond funds	66,713	BB-	70,757	B+
TIPS	33,198	AAA	34,999	AAA
Corporate bonds	118,477	BBB+	115,958	BBB+

(b) 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, 2022 and 2021, the enterprise fund held the following investments. Modified duration is in years.

	2022		2021	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	\$ 359,294	8.64	\$ 574,004	5.91
U.S. government agency, pool, and mortgage-backed securities	273,172	7.40	262,685	4.50
Asset-backed securities	264,199	2.00	461,449	1.22
Mutual bond funds	587,253	4.36	606,116	4.59
TIPS	261,948	5.93	269,791	7.17
Corporate bonds	567,961	5.56	566,094	5.98

UNIVERSITY OF COLORADO HEALTH

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

(b) Interest Rate Risk (continued)

As of June 30, 2022 and 2021, the pension trust fund held the following investments. Modified duration is in years.

	2022		2021	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	\$ 98,970	8.65	\$ 94,237	7.55
U.S. government agency, pool, and mortgage-backed securities	34,019	7.62	17,999	3.38
Asset-backed securities	25,872	3.45	30,977	2.89
Mutual bond funds	66,713	5.54	70,757	5.42
TIPS	33,198	5.90	34,999	6.10
Corporate bonds	118,477	6.22	115,958	6.49

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Notes to Basic Financial Statements June 30, 2022 and 2021 (\$ in thousands)

(6) Deposits and Investments (continued)

(c) 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%-15% of the total fair value for the enterprise fund and 10%-30% of the total fair value for the pension trust fund. All of 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, 2022 and 2021.

Currency	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
	2022	2021	2022	2021
Argentinian Peso	\$ -	\$ 74	\$ -	\$ 89
Australian Dollar	39,420	28,991	15,786	9,550
Bahraini Dinar	(99)	6,356	(79)	(1,413)
Brazilian Real	12,963	10,884	4,643	8,692
Canadian Dollar	33,906	29,925	13,356	10,273
Chilean Peso	590	24,644	559	(368)
Chinese Yuan Reminbi	23,529	21,704	22,964	31,668
Colombian Peso	3,828	(1,498)	2,863	(34)
Croatian Kuna	-	905	-	(48)
Czech Koruna	(2,692)	(4,160)	(2,391)	(600)
Danish Krone	11,098	9,147	3,972	74
Egyptian Pound	795	40,909	653	105
Euro	132,048	171,831	54,407	67,459
Hong Kong Dollar	22,882	36,565	6,362	8,840
Hungarian Forint	4,577	(1,240)	3,681	85
Indian Rupee	28,557	27,693	16,143	18,949
Indonesian Rupiah	1,894	16,511	1,099	2,023
Israel New Shekel	(2,679)	42,129	(1,140)	(245)
Japanese Yen	97,762	101,080	43,819	57,358
Kazakhstan Tenge	-	12,545	-	-
Kenyan Shilling	-	357	-	349
Kuwaiti Dinar	26	29	224	170
Malaysian Ringgit	729	(2,987)	402	461
Mexican Peso	8,312	3,774	5,556	9,823
Moroccan Dirham	-	74	-	-
New Zealand Dollar	2,459	3,265	1,848	(2,275)
Norwegian Krone	18,638	14,369	1,655	653
Pakistani Rupee	2	3	-	7
Peru Newsol	1,080	(161)	443	122
Philippine Peso	8,224	219	5,965	2,114
Polish Zloty	2,394	5,682	1,104	926
Qatari Riyal	(67)	10,068	210	57
Romanian Leu	4,087	(1,552)	3,273	3,064
Russian Ruble	4,207	11,429	2,529	7,677
Saudi Riyal	47	(11,128)	1,511	(38)
Singapore Dollar	(1,314)	3,239	(2,107)	(6,143)
South African Rand	7,366	4,995	2,307	5,388
South Korean Won	18,936	17,978	10,762	10,059
Swedish Krona	11,869	14,445	4,999	6,075
Swiss Franc	44,560	42,182	19,234	19,759
Taiwan New Dollar	5,762	21,059	4,658	(977)
Thailand Baht	(2,621)	(15,456)	(328)	995
Turkish Lira	6,208	27,809	5,201	435
United Arab Emirates Dirham	1,018	1,275	1,127	1,031
United Kingdom Pound Sterling	88,638	75,956	27,090	31,256
	<u>\$ 638,939</u>	<u>\$ 801,918</u>	<u>\$ 284,360</u>	<u>\$ 303,445</u>

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

(d) Concentration of Credit Risk

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, 2022 and confirmed that no more than 5% of total investments are held in any one issuer, except for securities issued by the U.S. government and its agencies.

Additionally, UCHealth's enterprise and pension trust fund investment policies state that, within each equity investment manager, portfolio exposure is generally limited to 5.0% to 7.5% of assets for any single issuer, subject to exceptions for the most heavily weighted securities in the index. Within each fixed income portfolio investment manager, except for securities issued by the U.S. government and its agencies, no more than 5% of the fixed income portfolio, based on market value, shall be invested in securities of any one issuing entity at the time of purchase. At June 30, 2022, the fixed income and equity investment managers were in compliance with the stated diversification policy.

(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.

During the years ended June 30, 2022 and 2021, UCHealth was party to six swap agreements as follows:

- *A floating-to-fixed swap agreement having an original notional value of \$71,235, reducing on the dates and the amounts set forth in the Series 2013C bond offering documents describing principal payments. This agreement was entered into in November 2006 and was scheduled to terminate in November 2031. In this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.5% and receives the sum of 61.8% of USD-LIBOR-BMA plus 0.31%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013C Revenue Bonds to fixed rate obligations. The floating to fixed rate swap was terminated in November 2021 and had an approximate fair value of \$(10,620), at June 30, 2021.*

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Notes to Basic Financial Statements
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(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (continued)

- *A floating-to-fixed swap agreement having an original notional value of \$100,160, reducing on the dates and amounts set forth in the Series 2013A bond offering documents describing principal payments.* This agreement was entered into in October 2004 and was scheduled to terminate in November 2033. Under the terms of this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.631% and receives the sum of 62.2% of USD-LIBOR-BBA plus 0.30%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013A Revenue Bonds to fixed rate obligations. The floating to fixed rate swap was terminated in November 2021 and had an approximate fair value of \$(17,492), at June 30, 2021.
- *A floating-to-fixed swap agreement having an original notional value of \$198,805 and a current notional value of \$196,410, 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% and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly. At June 30, 2022 and 2021, this swap had an approximate fair value of \$2,668 and \$(19,726), 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%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement carries a 10-year term. At June 30, 2022 and 2021, this swap had an approximate fair value of \$749 and \$1,096, respectively.
- *A floating-to-fixed swap agreement having an original and current notional value of \$195,195, reducing on the dates and the amounts set forth in the 2012B, 2012C, and 2017B1 bond series offering documents describing principal payments.* The swap agreement includes a fixed payor rate of 1.971% and UCHealth will receive 70% of one-month LIBOR for the entire swap term, which expires November 2046. Settlements are to be made monthly. At June 30, 2022 and 2021, this swap had an approximate fair value of \$3,019 and \$(31,728), 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%. UCHealth will receive 70% of one-month LIBOR for the entire swap term, which expires November 2049. Settlements are to be made monthly. At June 30, 2022 and 2021, this swap had an approximate fair value of \$15,975 and \$973, respectively.

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Notes to Basic Financial Statements
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(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (continued)

In fiscal year 2022 and 2021, the swaps produced annual net cash outflows of \$29,984 and \$6,158, respectively. Included in the net cash outflows in 2022 is \$26,851 in settlement losses upon termination of swaps, which is treated as a realized investment loss. The other cash flows associated with the swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, none of UCHA's swap agreements qualify as effective cash flow hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported as fair value of derivative instruments on the statements of net position and changes in fair value are reported as unrealized gain (loss) on derivative instruments on the statements of revenue, expenses, and changes in net position.

(8) Fair Value

(a) Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair value measurements, 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.

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(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2022 and 2021, the enterprise fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 359,294	\$ -	\$ 359,294	\$ -
U.S. government agency, pool, and mortgage-backed securities	273,172	-	273,172	-
Asset-backed securities	264,199	-	264,199	-
Mutual bond funds	587,253	195,971	391,282	-
TIPS	261,948	135,844	126,104	-
Corporate bonds	567,961	-	567,961	-
Equity securities	2,670,820	1,377,720	1,293,088	12
Alternative investments	21,085	-	-	21,085
Total investments by fair value level	<u>\$ 5,005,732</u>	<u>\$ 1,709,535</u>	<u>\$ 3,275,100</u>	<u>\$ 21,097</u>
Derivative instruments				
Interest rate swaps	<u>\$ 22,411</u>	<u>\$ -</u>	<u>\$ 22,411</u>	<u>\$ -</u>
	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 574,004	\$ -	\$ 574,004	\$ -
U.S. government agency, pool, and mortgage-backed securities	262,685	-	262,685	-
Asset-backed securities	461,449	-	461,449	-
Mutual bond funds	606,116	171,616	434,500	-
TIPS	269,791	139,841	129,950	-
Corporate bonds	566,094	-	566,094	-
Equity securities	3,326,092	1,644,984	1,680,812	296
Alternative investments	13,987	-	-	13,987
Total investments by fair value level	<u>\$ 6,080,218</u>	<u>\$ 1,956,441</u>	<u>\$ 4,109,494</u>	<u>\$ 14,283</u>
Derivative instruments				
Interest rate swaps	<u>\$ (77,497)</u>	<u>\$ -</u>	<u>\$ (77,497)</u>	<u>\$ -</u>

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Notes to Basic Financial Statements
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(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2022 and 2021, the pension trust fund held the following investments, by level, within the fair value hierarchy.

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

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 94,237	\$ -	\$ 94,237	\$ -
U.S. government agency, pool, and mortgage-backed securities	17,999	-	17,999	-
Asset-backed securities	30,977	-	30,977	-
TIPS	34,999	-	34,999	-
Corporate bonds	115,958	-	115,958	-
Alternative investments	113,678	-	1,380	112,298
Private real estate	92,961	-	29,139	63,822
Mutual bond funds	70,757	35,780	34,977	-
Other mutual funds	786,533	426,472	360,061	-
Total investments	<u>\$ 1,358,099</u>	<u>\$ 462,252</u>	<u>\$ 719,727</u>	<u>\$ 176,120</u>

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Notes to Basic Financial Statements
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(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

Mutual funds, TIPS, corporate bonds, 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, equity securities, and other mutual funds classified in Level 3 of the fair value hierarchy are valued by developing a range of values using multiple methodologies deemed relevant by market participants, including discounted cash flow models, market multiple models, and recent transaction multiples. Swap agreements classified in Level 2 of the fair value hierarchy are valued using interest rate and forward yield curve inputs.

The table below reconciles the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments as disclosed in Note 6.

	June 30,	
	2022	2021
Enterprise fund investments		
Total investments by fair value level	\$ 5,005,732	\$ 6,080,218
Cash equivalents	86,948	215,645
Interest and dividends receivable	1,035	935
Interest rate swaps	22,411	-
Miscellaneous investment payable	(13,310)	(20,756)
Total enterprise fund investments	\$ 5,102,816	\$ 6,276,042
Pension trust fund investments		
Total investments by fair value level	\$ 1,336,829	\$ 1,358,099
Cash equivalents	18,791	33,413
Interest and dividends receivable	7	(14)
Miscellaneous investment (payable) receivable	(737)	2,095
Total pension trust fund investments	\$ 1,354,890	\$ 1,393,593

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Notes to Basic Financial Statements June 30, 2022 and 2021 (\$s in thousands)

(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, 2022 and 2021, equity interests in joint ventures held by UCHealth and its component units ranged from 5% to 50% and totaled \$44,894 and \$29,500, respectively.

Lakota Lake, LLC (“Lakota Lake”) has a 50% equity interest in Gateway Medical Services, LLC (“Gateway”) totaling \$4,279 and \$5,045 at June 30, 2022 and 2021, respectively. Lakota Lake's share of Gateway's net income was \$422 and \$1,239 for the years ended June 30, 2022 and 2021, respectively. Lakota Lake received distributions from Gateway of \$840 and \$2,727 during the years ended June 30, 2022 and 2021, respectively. Gateway's financial statements are separately audited.

UCHealth had a 20% equity interest in Brookhaven Medical Properties, LLC (“Brookhaven”) totaling \$11,646 at June 30, 2020. UCHealth's share of Brookhaven net income was \$185 for the year ended June 30, 2021. UCHealth received cash distributions from Brookhaven of \$160 during the year ended June 30, 2021. UCHealth received a non-cash distribution for a building acquisition of \$11,671 during the year ended June 30, 2021. During the year ended June 30, 2021, UCHealth obtained the remaining 80% equity interest in Brookhaven, and the remaining assets of Brookhaven were transferred to UCHealth.

PVHS has a 20% equity interest in OCR Loveland ASC & CCC, LLC (“OCRL”) totaling \$21,816 and \$6,156 at June 30, 2022 and 2021, respectively. PVHS's share of OCRL's net income was \$2,877 and \$1,054 for the years ended June 30, 2022 and 2021, respectively. PVHS received distributions from OCRL of \$2,662 and \$736 during the years ended June 30, 2022 and 2021, respectively. PVHS made contributions of \$15,445 and \$4,501 to OCRL during the years ended June 30, 2022 and 2021, respectively.

UCHealth and its component units have equity ownership interests ranging from 5% to 50% in other joint ventures totaling \$18,799 and \$18,299 for the years ended June 30, 2022 and 2021, respectively. UCHealth and its component units' share of the other joint ventures' net income was \$6,272 and \$4,165 for the years ended June 30, 2022 and 2021, respectively. UCHealth and its component units received \$6,970 and \$5,770 in distributions from these other joint ventures during the years ended June 30, 2022 and 2021, respectively. UCHealth and its component units made contributions of \$850 and \$2,604 to these other joint ventures during the years ended June 30, 2022 and 2021, respectively.

UCHealth has a minority interest in Catapult Health, LLC of \$7,000 at June 30, 2022 and 2021, which is accounted for under the cost method. UCHealth has a minority interest in Acclara Solutions, LLC (“Acclara”) of \$10,000 at June 30, 2022 and 2021, which is accounted for under the cost method. UCHealth made contributions to Acclara of \$10,000 during the year ended June 30, 2021. UCHealth received distributions from Acclara of \$85 during the year ended June 30, 2021. UCHealth has investments in other minority interests of \$18,682 and \$14,282 at June 30, 2022 and 2021, respectively, which are accounted for under the cost method. UCHealth's share of the minority interests in other entities' net income was \$2,751 for the year ended June 30, 2021. UCHealth received \$2,668 in distributions from minority interests in other entities during the year ended June 30, 2021. UCHealth made contributions to minority interests in other entities of \$4,400 and \$5,000 during the years ended June 30, 2022 and 2021, respectively.

UCHA has a minority interest in TriWest Healthcare Alliance Corp. (“TriWest”) of \$6,000 at June 30, 2022 and 2021, which is accounted for under the cost method.

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Notes to Basic Financial Statements June 30, 2022 and 2021 (\$ in thousands)

(10) Capital Assets

Capital assets consist of the following at June 30, 2022, 2021, and 2020:

	June 30,				June 30,				June 30,
	2020	Additions	Transfers	Disposals	2021	Additions	Transfers	Disposals	2022
Capital assets, not being depreciated									
Land	\$ 128,089	\$ -	\$ -	\$ -	\$ 128,089	\$ 1,135	\$ 518	\$ (500)	\$ 129,242
Construction in progress	215,026	428,295	(347,200)	-	296,121	386,125	(140,752)	(99)	541,395
Total capital assets, not being depreciated	<u>343,115</u>	<u>428,295</u>	<u>(347,200)</u>	<u>-</u>	<u>424,210</u>	<u>387,260</u>	<u>(140,234)</u>	<u>(599)</u>	<u>670,637</u>
Capital assets, being depreciated									
Buildings and improvements	3,115,375	1,363	199,541	(1,715)	3,314,564	84,588	81,275	(27,060)	3,453,367
Fixed and moveable equipment	1,530,937	31,725	121,387	(31,695)	1,652,354	71,709	58,959	(9,248)	1,773,774
Right to use assets - land	-	27,920	-	-	27,920	8	-	-	27,928
Right to use assets - buildings	-	258,913	26,272	(271)	284,914	7,663	-	(18,499)	274,078
Right to use assets - equipment	-	30,729	-	-	30,729	2,774	-	(2,493)	31,010
Total capital assets, being depreciated	<u>4,646,312</u>	<u>350,650</u>	<u>347,200</u>	<u>(33,681)</u>	<u>5,310,481</u>	<u>166,742</u>	<u>140,234</u>	<u>(57,300)</u>	<u>5,560,157</u>
Accumulated depreciation, amortization and impairment									
Buildings and improvements	1,071,409	130,369	(19,790)	(834)	1,181,154	134,226	314	(18,068)	1,297,626
Fixed and moveable equipment	1,047,033	157,087	-	(31,020)	1,173,100	163,465	(314)	(9,037)	1,327,214
Right to use assets - land	-	4,862	-	-	4,862	984	-	-	5,846
Right to use assets - buildings	-	84,097	19,790	(271)	103,616	29,971	-	(17,548)	116,039
Right to use assets - equipment	-	10,959	-	-	10,959	6,661	-	(2,493)	15,127
Total accumulated depreciation, amortization and impairment	<u>2,118,442</u>	<u>387,374</u>	<u>-</u>	<u>(32,125)</u>	<u>2,473,691</u>	<u>335,307</u>	<u>-</u>	<u>(47,146)</u>	<u>2,761,852</u>
Total capital assets, net	<u>\$ 2,870,985</u>	<u>\$ 391,571</u>	<u>\$ -</u>	<u>\$ (1,556)</u>	<u>\$ 3,261,000</u>	<u>\$ 218,695</u>	<u>\$ -</u>	<u>\$ (10,753)</u>	<u>\$ 3,468,942</u>

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Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(11) Contractual Arrangements and Concentrations of Credit Risk

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

	June 30,	
	2022	2021
Medicare	26%	25%
Medicaid	16%	14%
Managed care	39%	38%
Commercial	3%	3%
Self-pay and medically indigent	9%	9%
Military and other governmental	2%	2%
Other	5%	9%

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

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Notes to Basic Financial Statements June 30, 2022 and 2021 (\$ in thousands)

(12) Long-Term Debt and Leases

Long-term debt consists of the following:

Issuing Entity	Type	Description	2022	2021
Combined	Direct Borrowing	Lease liabilities	\$ 213,248	\$ 241,322
MHS	Direct Borrowing	City of Colorado Springs lease, long term, due in installments through September 30, 2042	84,585	87,554
UCHA	Direct Placement	Revenue Bonds, Series 2011B, due in installments through fiscal year 2030	-	93,990
UCHA	Direct Placement	Revenue Bonds, Series 2011C, due in installments through fiscal year 2023	-	16,450
UCHA	Other Bonds	Revenue Bonds, Series 2012A, due in installments through fiscal year 2043, inclusive of unamortized premium of \$13,023 and \$13,905, and net of unamortized discounts of \$539 and \$576 at June 30, 2022 and 2021, respectively	245,454	249,094
UCHA	Direct Placement	Revenue Bonds, Series 2012B, due in installments through fiscal year 2047	-	50,000
UCHA	Direct Placement	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
UCHA	Direct Placement	Revenue Bonds, Series 2013A, due in installments through fiscal year 2034	-	80,000
UCHA	Direct Placement	Revenue Bonds, Series 2013C, due in installments through fiscal year 2032	-	57,130
UCHA	Direct Placement	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	196,915	197,360
UCHA	Direct Placement	Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	152,075
UCHA	Other Bonds	Revenue Bonds, Series 2017B-1, due in installments through fiscal year 2040	57,685	57,685
UCHA	Other Bonds	Revenue Bonds, Series 2017B-2, due in installments through fiscal year 2025	23,730	30,995
UCHA	Other Bonds	Revenue Bonds, Series 2017C, due in installments through fiscal year 2048, inclusive of unamortized premium of \$0 and \$2,125 at June 30, 2022 and 2021, respectively	-	136,575
UCHA	Other Bonds	Revenue Bonds, Series 2018A, due in installments through fiscal year 2031	45,915	45,915
UCHA	Other Bonds	Revenue Bonds, Series 2018B, due in installments through fiscal year 2036	76,170	76,170
UCHA	Other Bonds	Revenue Bonds, Series 2018C, due in installments through fiscal year 2040	75,265	75,265
UCHA	Other Bonds	Revenue Bonds, Series 2019A, due in installments through fiscal year 2050	100,000	100,000
UCHA	Other Bonds	Revenue Bonds, Series 2019B, due in installments through fiscal year 2049	50,000	50,000
UCHA	Other Bonds	Revenue Bonds, Series 2019C, due in installments through fiscal year 2048, inclusive of unamortized premium of \$9,220 and \$13,185 at June 30, 2022 and 2021, respectively	132,005	135,970
UCHA	Other Bonds	Revenue Bonds, Series 2019D, due in installments through fiscal year 2049	50,000	50,000
		Total long-term debt	1,590,557	2,071,060
		Less current portion	(49,105)	(289,484)
		Less long-term debt subject to short-term remarketing arrangements	(219,755)	(227,330)
			<u>\$ 1,321,697</u>	<u>\$ 1,554,246</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2022 and 2021 (\$ in thousands)

(12) Long-Term Debt and Leases (continued)

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

Entity	2022	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Lease liabilities	Direct Borrowing	Various	\$ 241,322	\$ 8,262	\$ -	\$ (36,336)	\$ 213,248	\$ 34,368
MHS	City of Colorado Springs lease	Direct Borrowing	10/01/12	87,554	-	-	(2,969)	84,585	3,062
UCHA	Series 2011B	Direct Placement	11/09/11	93,990	-	-	(93,990)	-	-
UCHA	Series 2011C	Direct Placement	11/16/11	16,450	(8,435)	-	(8,015)	-	-
UCHA	Series 2012A	Other Bonds	10/01/12	249,094	-	(845)	(2,795)	245,454	3,560
UCHA	Series 2012B	Direct Placement	10/01/12	50,000	(50,000)	-	-	-	-
UCHA	Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	Direct Placement	11/18/13	80,000	(77,655)	-	(2,345)	-	-
UCHA	Series 2013C	Direct Placement	11/18/13	57,130	(55,295)	-	(1,835)	-	-
UCHA	Series 2015D	Direct Placement	09/01/15	197,360	-	-	(445)	196,915	540
UCHA	Series 2017A	Direct Placement	02/16/17	152,075	-	-	-	152,075	-
UCHA	Series 2017B-1	Other Bonds	02/16/17	57,685	-	-	-	57,685	-
UCHA	Series 2017B-2	Other Bonds	02/16/17	30,995	-	-	(7,265)	23,730	7,575
UCHA	Series 2017C	Other Bonds	02/16/17	136,575	-	(2,125)	(134,450)	-	-
UCHA	Series 2018A	Other Bonds	07/25/18	45,915	-	-	-	45,915	-
UCHA	Series 2018B	Other Bonds	07/25/18	76,170	-	-	-	76,170	-
UCHA	Series 2018C	Other Bonds	07/25/18	75,265	-	-	-	75,265	-
UCHA	Series 2019A	Other Bonds	10/30/19	100,000	-	-	-	100,000	-
UCHA	Series 2019B	Other Bonds	10/28/19	50,000	-	-	-	50,000	-
UCHA	Series 2019C	Other Bonds	10/30/19	135,970	-	(3,965)	-	132,005	-
UCHA	Series 2019D	Other Bonds	10/28/19	50,000	-	-	-	50,000	-
Total				<u>\$ 2,071,060</u>	<u>\$ (183,123)</u>	<u>\$ (6,935)</u>	<u>\$ (290,445)</u>	<u>\$ 1,590,557</u>	<u>\$ 49,105</u>

Changes in long-term debt for the year ended June 30, 2021 are as follows:

Entity	2021	Type	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined	Lease liabilities	Direct Borrowing	Various	\$ 12,525	\$ 260,709	\$ -	\$ (31,912)	\$ 241,322	\$ 35,375
MHS	City of Colorado Springs lease	Direct Borrowing	10/01/12	90,434	-	-	(2,880)	87,554	2,969
UCHA	Series 2011B	Direct Placement	11/09/11	95,220	-	-	(1,230)	93,990	93,990
UCHA	Series 2011C	Direct Placement	11/16/11	24,065	-	-	(7,615)	16,450	8,015
UCHA	Series 2012A	Other Bonds	10/01/12	252,306	-	(852)	(2,360)	249,094	2,795
UCHA	Series 2012B	Direct Placement	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	Direct Placement	11/18/13	82,275	-	-	(2,275)	80,000	2,345
UCHA	Series 2013B	Direct Placement	11/18/13	6,800	-	-	(6,800)	-	-
UCHA	Series 2013C	Direct Placement	11/18/13	58,895	-	-	(1,765)	57,130	1,835
UCHA	Series 2015D	Direct Placement	09/01/15	197,815	-	-	(455)	197,360	445
UCHA	Series 2017A	Direct Placement	02/16/17	152,075	-	-	-	152,075	-
UCHA	Series 2017B-1	Other Bonds	02/16/17	57,685	-	-	-	57,685	-
UCHA	Series 2017B-2	Other Bonds	02/16/17	37,955	-	-	(6,960)	30,995	7,265
UCHA	Series 2017C	Other Bonds	02/16/17	139,961	-	(3,386)	-	136,575	134,450
UCHA	Series 2018A	Other Bonds	07/25/18	45,915	-	-	-	45,915	-
UCHA	Series 2018B	Other Bonds	07/25/18	76,170	-	-	-	76,170	-
UCHA	Series 2018C	Other Bonds	07/25/18	75,265	-	-	-	75,265	-
UCHA	Series 2019A	Other Bonds	10/30/19	100,000	-	-	-	100,000	-
UCHA	Series 2019B	Other Bonds	10/28/19	50,000	-	-	-	50,000	-
UCHA	Series 2019C	Other Bonds	10/30/19	139,936	-	(3,966)	-	135,970	-
UCHA	Series 2019D	Other Bonds	10/28/19	50,000	-	-	-	50,000	-
Total				<u>\$ 1,882,807</u>	<u>\$ 260,709</u>	<u>\$ (8,204)</u>	<u>\$ (64,252)</u>	<u>\$ 2,071,060</u>	<u>\$ 289,484</u>

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Notes to Basic Financial Statements

June 30, 2022 and 2021

(\$s in thousands)

(12) Long-Term Debt and Leases (continued)

Annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	14,737	27,892	42,629
2024	15,637	27,541	43,178
2025	16,490	27,154	43,644
2026	17,291	26,593	43,884
2027	17,716	25,900	43,616
2028-2032	111,935	122,139	234,074
2033-2037	217,956	103,801	321,757
2038-2042	335,612	70,611	406,223
2043-2047	350,526	27,941	378,467
2048-2052	<u>257,705</u>	<u>4,642</u>	<u>262,347</u>
Total long-term debt payments	1,355,605	<u>\$ 464,214</u>	<u>\$ 1,819,819</u>
Lease liability	213,248		
Unamortized net premium and discount	<u>21,704</u>		
Total carrying amount of long-term debt	<u>\$ 1,590,557</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 the UCHealth to a third party. The noncancelable terms of these leasing arrangements mature between 2022 and 2116. The discount rates applicable to these leasing arrangements range from 0.16% to 13.23%.

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Notes to Basic Financial Statements
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(12) Long-Term Debt and Leases (continued)

Future principal and interest payment requirements related to UCHHealth's lease liabilities at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	34,368	4,287	38,655
2024	29,904	3,694	33,598
2025	25,238	3,158	28,396
2026	22,335	2,674	25,009
2027	17,117	2,257	19,374
2028-2032	58,096	6,876	64,972
2033-2037	14,799	2,167	16,966
2038-2042	553	1,431	1,984
2043-2047	294	1,393	1,687
2048-2052	335	1,351	1,687
Thereafter	<u>10,208</u>	<u>10,745</u>	<u>20,953</u>
Total lease payments	<u>\$ 213,248</u>	<u>\$ 40,034</u>	<u>\$ 253,282</u>

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing MHS. The original capital lease is for a 40-year term with renewals or extensions anticipated. The lease totaled \$110,000 and will be paid down in monthly payments over the term of the lease. Substantially all capital assets of MHS, with a book value and accumulated depreciation of \$1,103,583 and \$630,120, respectively, at June 30, 2022 and \$969,357 and \$555,049, respectively, at June 30, 2021, are included in the lease arrangement. Effective May 1, 2017, MHS entered into a Ground Sublease with Children's Hospital Colorado (the "Ground Sublease") for 15% of the original lease payment amount under the Health System Operating Lease Agreement with the City. Future minimum sublease payments under the Ground Sublease are \$14,457 and \$14,752 at June 30, 2022 and 2021, respectively.

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

UNIVERSITY OF COLORADO HEALTH

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

(12) Long-Term Debt and Leases (continued)

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

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

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

In July 2018, UCHA issued Series 2018A Revenue Bonds (“Series 2018A”) in the amount of \$45,915 to fully refund PVHS Series 2005A bonds. Series 2018A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2022 and 2021, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In July 2018, UCHA issued Series 2018B Revenue Bonds (“Series 2018B”) in the amount of \$76,170 to fully refund PVHS Series 2005B and Series 2005C bonds. Series 2018B were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week, and principal is paid according to a mandatory sinking fund redemption schedule. UCHHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on July 26, 2023 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 were issued as variable rate bonds that bear interest as determined by the Remarketing Agent each week, and principal is paid according to a mandatory sinking fund redemption schedule. UCHHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on July 26, 2023 unless extended by the bank.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
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(12) Long-Term Debt and Leases (continued)

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

In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds (“Series 2017B”) in the amounts of \$57,685 and \$57,125, respectively, to fully refund UCHA Series 2015B and 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2022 and 2021, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds (“Series 2017C”) in the amounts of \$141,640 and \$134,450, respectively, to finance new projects across UCHealth. Series 2017C-1 were issued as 3 year put bonds at a premium. Series 2017C-1, while subject to a long-term amortization period, were puttable in 2020 and were refinanced with the Series 2019C Revenue Bonds issued in October 2019. Series 2017C-2 were issued as 5 year put bonds at a premium with variable interest rates. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule. The put bonds were fully refunded in September 2021.

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

In November 2013, UCHA issued Series 2013A Revenue Bonds (“Series 2013A”) in the amount of \$94,645 to fully refund UCHA Series 2004A Revenue Bonds. Series 2013A were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds expired April 2021, with terms being extended through November 2022. The direct purchase bonds were fully refunded in December 2021.

In November 2013, UCHA issued Series 2013B Revenue Bonds (“Series 2013B”) in the amount of \$13,140 to fully refund UCHA Series 2008A Revenue Bonds. Series 2013B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds expired and fully refunded in April 2021.

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Notes to Basic Financial Statements

June 30, 2022 and 2021

(\$ in thousands)

(12) Long-Term Debt and Leases (continued)

In November 2013, UCHA issued Series 2013C Revenue Bonds (“Series 2013C”) in the amount of \$68,185 to fully refund UCHA Series 2008B Revenue Bonds. Series 2013C were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds expired April 2021, with terms being extended through November 2022. The direct purchase bonds were fully refunded in December 2021.

In October 2012, UCHA issued Series 2012A Revenue Bonds (“Series 2012A”) to partially finance the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City to lease the Memorial Health System. Series 2012A were issued in the amount of \$272,090 and are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2015. Series 2012A were issued with an original issue premium of \$21,975 and an original issue discount of \$910. The average interest rate for Series 2012A is 4.26%. The Series 2012A bonds have an optional redemption date of November 2022. In March 2021, UCHA issued forward starting 2022A and 2022B direct purchase bonds, in the amount of \$230,565, to refinance the 2012A bonds in November 2022.

In October 2012, UCHA issued Series 2012B Revenue Bonds (“Series 2012B”) in the amount of \$50,000 to fully refund UCHA Series 2004B Revenue Bonds. Series 2012B were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Citibank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds had an original five-year term expiring in October 2017, which was renewed for an additional five-year term. The direct purchase bonds were fully refunded in December 2021.

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

In November 2011, UCHA issued Series 2011B Revenue Bonds (“Series 2011B”) in the amount of \$103,940 to fully refund UCHA Series 1999A Revenue Bonds. Series 2011B were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 3.28%. The direct purchase bonds were issued with a ten-year term through November 2021. The direct purchase bonds expired and were fully refunded in November 2021.

In November 2011, UCHA issued Series 2011C Revenue Bonds (“Series 2011C”) in the amount of \$72,870 to finance equipment for use and certain other improvements at the Anschutz Medical Campus. Series 2011C were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. PNC Bank is the holder of the bonds at a current fixed interest rate of 2.31%. The direct purchase bonds were issued with an eleven-year term through November 2022. The direct purchase bonds were fully refunded in November 2021.

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Notes to Basic Financial Statements June 30, 2022 and 2021 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

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

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

During 2022 and 2021, the Health System met all of the financial ratio requirements as follows:

	<u>Requirement</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Days cash on hand	90	325	469
Debt to capitalization percent	< 65%	18%	20%
Maximum debt service coverage	1.50	10.40	12.99

Cash paid for interest was \$47,739 and \$58,440 in 2022 and 2021, respectively.

The fair value of the Health System's long-term debt is based on the most recent trading price as of June 30, 2022. The fair value of the Revenue Bonds at June 30, 2022 and 2021 was \$1,275,096 and \$1,741,532, respectively.

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

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

As of June 30, 2022, the Trust had a fund balance of \$1,422, which is net of \$12,620 in reserves for losses and loss adjustment expenses. At June 30, 2022, plan assets exceed the actuarially determined liability. For 2022 and 2021, UCHA recorded premium and administrative expenses of \$998 and \$1,061, respectively. There were no refunds received during 2022 or 2021.

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(14) Self-insurance Program

Effective July 1, 2019, UCHealth created a Self-insurance 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 entered into prior to the SIP. 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. 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. Contributions to the SIP were \$4,344 and \$4,314 during the years ending June 30, 2022 and 2021, respectively. Reserves for claims incurred but not yet paid were \$9,073 and \$5,270 at June 30, 2022 and 2021, 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.

(15) Health Benefits Trust

UCHealth administers its employee health and dental benefit coverage through the Health Trust of the University of Colorado Hospital Authority (the “Health Trust”). Effective July 1, 2020, UCHealth began administering its employee health coverage through the Health Trust. The Health Trust is a self-insurance trust set up for the benefit of eligible employees of the Health System and their eligible dependents. Contributions to the Health Trust were \$349,158 and \$291,588 during the years ending June 30, 2022 and 2021, respectively. UCHealth recognized reserves for claims incurred but not yet paid of \$28,150 and \$53,494 at June 30, 2022 and 2021, 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.

(16) Retirement Plans

UCHA offers four 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”), and the University of Colorado Hospital Deferred Compensation Savings Plan (the “457b Plan”). The UCHA Board is the fiduciary for the Basic Pension Plan and has the ability to amend this plan. The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans. The UCHA Board has the authority to establish and amend the benefit provisions of these plans.

(a) Pension Plans

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

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Notes to Basic Financial Statements
June 30, 2022 and 2021
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(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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

The Basic Pension Plan is a single-employer, non-contributory, defined benefit plan. Eligibility to receive benefits under this plan for UCHA employees starts on the date of hire. Those employees who were employed by UCHA prior to October 1, 1989, 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% per every twelve months of service until they are 100% vested after five years. This is a change from the prior vesting schedule for UCHA employees, which required five years of service to become 100% vested.

The annual accrued benefits, paid monthly, of the Basic Pension Plan are calculated at 1.5% times the Average Annual Compensation times years of service (based on hire date). The five most highly compensated calendar years of service after March 26, 1995 are used to calculate the Average Annual Compensation. A small number of UCHA employees are eligible to receive additional benefits based on a combined age and years of credited service equal to or greater than 75 on January 1, 2013 ("Rule of 75"). The Basic Pension Plan offers reduced benefits for early retirement and adjusted benefits for late retirement (after age 65). Most plan participants, except those falling under the Rule of 75, will receive a monthly benefit with no annual cost of living adjustment factor, which is an amendment to the plan, effective for accruals on or after January 1, 2013. The Basic Pension Plan allows employees who leave with less than ten years of service to elect a lump sum distribution upon termination, allows employees with over ten years of service to elect a partial lump sum to the extent that their balance is above an \$18 per year annuity, 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, which support both this and the Frozen Plan described above, consist of equity securities, fixed income securities, real estate, alternative investments, money market funds, cash, and receivables. Although the Basic Pension Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 ("ERISA") and is, therefore, exempt from the requirements of Title I of ERISA, the Health System's practice is to contribute amounts at least equal to the minimum funding requirements of ERISA.

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

(a) Pension Plans (continued)

The actuarially computed net periodic pension cost for the Basic Pension Plan for 2022 and 2021 was \$135,706 and \$87,593, respectively. Investment (losses) gains for 2022 and 2021, including interest, dividends, and realized and unrealized (losses) gains, were (\$110,006) and \$310,588, respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2021 and 2020 (dates of the latest actuarial valuations):

	2021	2020
Retirees and beneficiaries receiving benefits	2,242	1,988
Terminated plan members entitled to but not yet receiving benefits	5,381	4,542
Active plan members, includes all participants within the system	25,933	24,558
Total members	33,556	31,088

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 \$122,900 and \$113,027 in 2022 and 2021, respectively. The actuarially determined contributions were \$119,905 and \$113,027 in 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, the Health System's average contribution rates were 6.46% and 6.38%, respectively, of annual payroll.

The Health System's net pension liability (asset) was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations as of July 1, 2021 and 2020, 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.

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Notes to Basic Financial Statements
June 30, 2022 and 2021
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(16) Retirement Plans (continued)

(a) Pension Plans (continued)

Additional information as of the latest actuarial valuation date follows:

Valuation date	July 1, 2021 and 2020
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*	3.05% to 7.25% with one-time loads for fiscal year ends 2022 and 2023 of 4.44% and (2.10%), respectively
iii) Cost of living adjustments**	2.25%

* Includes inflation at 2.25%.

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

Mortality rates for the 2021 and 2020 valuations were based on the Sex-distinct Pri-2012 mortality tables with base year 2012, without collar or amount adjustments, using the base mortality improvement scale MP-2019 with generational projections using a 0.75% long-term rate of improvement.

The actuary is required to use assumptions that represent his or her best estimate of future experience under the Basic Pension Plan and are reasonably related to the experience of the Plan. The actuary will monitor the actuarial experience under the Plan in future years in order to judge the continuing appropriateness of these assumptions. The actuarial assumptions used in the valuations were based on the results of an actuarial experience study for the period July 1, 2013 through July 1, 2018.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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 re-pricing was used. For fixed income, current yields and credit spreads were used. For the various alternative asset classes, a combination of historical risk premiums, illiquidity premiums, and style-specific premiums were used. The arithmetic average forecast returns for each asset class are combined at target asset allocation weights to provide a forecasted geometric (50th percentile) expected return for the plan and are shown below at July 1, 2021 and 2020. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	2021		2020	
	Target Allocation	Arithmetic Expected Return (10-Year Average)	Target Allocation	Arithmetic Expected Return (10-Year Average)
Domestic equity	28%	6.6%	28%	6.5%
International equity	22%	8.0%	22%	7.1%
Fixed income	30%	2.8%	30%	2.2%
Real estate	10%	7.2%	10%	6.5%
Alternative	10%	12.4%	10%	12.1%
	100%		100%	

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
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(16) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the net pension liability (asset) for the years ended June 30, 2022 and 2021 were as follows.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 1,181,318	\$ 1,012,926	\$ 168,392
Changes for the year			
Service cost	92,812	-	92,812
Interest	86,477	-	86,477
Contributions - employer	-	113,027	(113,027)
Net investment income	-	310,588	(310,588)
Changes in experience	12,337	-	12,337
Changes in assumptions	25,260	-	25,260
Benefit payments	(39,075)	(39,075)	-
Administrative expense	-	(3,873)	3,873
Net changes	<u>177,811</u>	<u>380,667</u>	<u>(202,856)</u>
Balances at June 30, 2021	<u>1,359,129</u>	<u>1,393,593</u>	<u>(34,464)</u>
Changes for the year			
Service cost	100,439	-	100,439
Interest	99,075	-	99,075
Contributions - employer	-	122,900	(122,900)
Net investment income	-	(110,006)	110,006
Changes in experience	9,269	-	9,269
Changes in assumptions	30,617	-	30,617
Benefit payments	(46,954)	(46,954)	-
Administrative expense	-	(4,643)	4,643
Net changes	<u>192,446</u>	<u>(38,703)</u>	<u>231,149</u>
Balances at June 30, 2022	<u>\$ 1,551,575</u>	<u>\$ 1,354,890</u>	<u>\$ 196,685</u>

The pension plan's fiduciary net position as a percentage of the total pension liability was 87.3% and 102.5% as of June 30, 2022 and 2021, respectively.

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Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	\$ 428,670	\$ 196,685	\$ 6,877

For the years ended June 30, 2022 and 2021, the Health System recognized pension expense of \$135,706 and \$87,593, respectively. At June 30, 2022 and 2021, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2022		
Differences between expected and actual experience	\$ 28,387	\$ -
Changes in assumptions	32,207	3,225
Net difference between projected and actual earnings on pension plan investments	37,704	-
Total	\$ 98,298	\$ 3,225
June 30, 2021		
Differences between expected and actual experience	\$ 35,694	\$ -
Changes in assumptions	16,619	6,203
Net difference between projected and actual earnings on pension plan investments	-	169,380
Total	\$ 52,313	\$ 175,583

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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

<u>Year Ending June 30,</u>	
2023	\$ 22,480
2024	15,177
2025	7,772
2026	48,614
2027	1,030
	<u>\$ 95,073</u>

The Health System has made all required contributions to the pension plan for the year ended June 30, 2022.

UCHA's state employees are participants in a defined benefit pension plan of PERA, a cost-sharing multi-employer pension trust. Benefits are based upon length of service and compensation earned by the employee during the highest three years of service. UCHA has made contributions to PERA in accordance with actuarially determined funding amounts. Pension expense related to state employees was \$39 and \$47 for 2022 and 2021, respectively. Required contributions during fiscal years 2022 and 2021 were \$39 and \$47, respectively. UCHA contributed 100% of each year's required contribution. As the Health System's proportionate share of PERA's net pension liability is insignificant, detailed disclosures regarding this plan are not included in this report. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(b) Investment Account

The Investment Account is a qualified, single-employer, defined contribution retirement plan under the provisions of Code Section 401(a). Employees are required to contribute 6.2% of their gross compensation (limited to the OASDI wage base), which is equivalent to what their OASDI contributions would be under FICA participation. Employees are always fully vested in this component of the plan. Total compensation subject to the plans for the years ended June 30, 2022 and 2021, was \$2,220,723 and \$1,921,191, respectively. Total employee contributions made under the provisions of this plan were \$123,106 and \$103,141 for the years ended June 30, 2022 and 2021, respectively. This represents 5.54% and 5.37% of payroll for the years ended June 30, 2022 and 2021, respectively. In accordance with Code regulations, the Health System is required to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHealth were \$1,210 and \$864 in 2022 and 2021, respectively.

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

(c) Matching Account

The Matching Account is a single-employer, tax-deferred annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the Code. In addition, UCHHealth will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% 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 UCHHealth matching contributions. UCHHealth matching contributions for 2022 and 2021 were \$45,404 and \$38,959, respectively.

As of October 1, 2012 Fidelity Investments became the exclusive investment option for employees of UCHA. Fidelity Investments provides a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Prior to October 1, 2012 UCHA employees had the option to invest with TIAA-CREF and can continue to do so, although this investment company is no longer an option for employees of the Health System. Employee contributions to the Matching Account for 2022 and 2021 were \$116,032 and \$97,385, respectively.

(d) 457b Plan

The 457b Plan is a single-employer tax-deferred plan under the provisions of Code Section 457. The TIAA-CREF 457b Plan became effective in February 2005, and the Fidelity 457b Plan became effective in January 2011, whereby employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. Only UCHA employees are able to contribute to the TIAA-CREF 457b Plan, which is closed to new entrants. Employees are always vested 100% 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 TIAA-CREF 457b Plan for 2022 and 2021 were \$150 and \$171, respectively. Employee contributions to the Fidelity 457b Plan in 2022 and 2021 were \$20,354 and \$17,634, respectively.

(e) Other Post-Employment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a post-retirement medical premium subsidy to employees retiring from UCHA who are covered under the PERA benefit guarantee provision of the state of Colorado legislation creating UCHA. This plan provides a medical premium subsidy of up to \$0.112 per month for medical plan coverage (pro-rated for less than 20 years of service) and an employer-funded life insurance benefit of \$3. The employer-funded life insurance benefit is provided to all employees who retired from UCHA on or before July 1, 2015. The accumulated post-retirement benefit obligation and actuarial accrued liability, which is unfunded, for the medical and life premiums were \$2,245 and \$2,888 at June 30, 2022 and 2021, respectively. Total benefit costs related to this plan were \$417 and \$218 for the years ended June 30, 2022 and 2021, respectively. In the calculation of the liability an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan was used. The discount rate used to measure the liability was 3.54% and 2.16% at June 30, 2022 and 2021, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
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(\$ in thousands)

(17) Significant Transactions Between Component Units

UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth 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 statements of net position; statements of revenue, expenses, and changes in net position; and statements 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 comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS of \$3,560 and \$2,795 at June 30, 2022 and 2021, respectively; amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of \$7,575 and \$7,265, respectively; \$4,078 and \$4,144 related to interest due on intercompany bonds from MHS, PVHS, and Other Entities at June 30, 2022 and 2021, respectively; and \$824,059 and \$715,826 at June 30, 2022 and 2021, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include \$699,778 and \$514,404 at June 30, 2022 and 2021, respectively, related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include \$101,736 and \$84,941 at June 30, 2022 and 2021, respectively, related to transactions between PVHS, the Health System, and other component units.

Total non-current assets of UCHA include a receivable from MHS that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of \$301,478 and \$315,890 at June 30, 2022 and 2021, respectively. Total non-current 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 \$350,538 and \$364,533 at June 30, 2022 and 2021, respectively. Total non-current assets of UCHA include a receivable from Other Entities related to bonds issued for the acquisition of capital assets of \$311,653 and \$430,527 at June 30, 2022 and 2021, respectively.

Total current liabilities of MHS at June 30, 2022 and 2021 include \$3,560 and \$2,795, respectively, due to UCHA for the Series 2012A proceeds related to the acquisition of MHS, and \$1,831 and \$1,924, respectively, related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2022 and 2021 include \$7,575 and \$7,265, 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, 2022 and 2021 include a payable to affiliates of \$1,591 and \$683, respectively, related to accrued interest on bond proceeds. Total current liabilities of Other Entities at June 30, 2022 and 2021 include a payable to affiliates of \$657 and \$1,537, respectively, related to accrued interest on bond proceeds. Other Entities have a payable to affiliates that is comprised of amounts due to component units of \$1,600,533 and \$1,347,408 related to transactions between Other Entities, the Health System and other component units at June 30, 2022 and 2021, respectively. The Health System has a payable to affiliates that is comprised of amounts due (to) from component units of (\$25,040) and \$32,238 related to transactions between the Health System and UCHA, PVHS, MHS and Other Entities at June 30, 2022 and 2021, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(17) Significant Transactions Between Component Units (continued)

Total non-current liabilities of MHS at June 30, 2022 and 2021 include a payable to affiliates of \$301,478 and \$315,890, respectively, which is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets. Total non-current liabilities of PVHS at June 30, 2022 and 2021 include a payable to affiliates of \$350,538 and \$364,533, respectively, which is comprised of amounts due to UCHA for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets. Total non-current liabilities of Other Entities at June 30, 2022 and 2021 include a payable to affiliates of \$311,653 and \$430,527, respectively, which is comprised 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 their respective portion of cash and investments on their statements of net position at June 30, 2022 and 2021. PVHS's portion of pooled cash at June 30, 2022 and 2021 was \$107,404 and \$225,135, respectively. PVHS's portion of pooled investments at June 30, 2022 and 2021 was \$2,087,089 and \$2,446,094, respectively. UCHA's portion of pooled cash at June 30, 2022 and 2021 was \$137,736 and \$309,010, respectively. UCHA's portion of pooled investments at June 30, 2022 and 2021 was \$2,676,609 and \$3,357,397, respectively. MHS's portion of pooled cash at June 30, 2022 and 2021 was \$9,918 and \$27,883, respectively. MHS's portion of pooled investments at June 30, 2022 and 2021 was \$192,700 and \$302,948, respectively. Other Entities' portion of pooled cash at June 30, 2022 and 2021 was \$2,481 and \$4,942, respectively. Other Entities portion of pooled investments at June 30, 2022 and 2021 was \$48,211 and \$53,690, respectively.

(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").

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

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(18) Related-Party Transactions (continued)

(a) UCD (continued)

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid \$71,687 and \$65,227 for these services, which are recorded in purchased services and other expenses in 2022 and 2021, respectively.

UCHA has also entered into contracts with the Regents for the provision of services to UCD, including clinic services, research projects, infrastructure expense, and other items. Reimbursements of \$1,790 and \$1,470 were recognized in other operating revenue for these services during 2022 and 2021, respectively.

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to the University. Charges of \$842 and \$381 were billed to the University for the cost of these services during 2022 and 2021, respectively, and were recognized in other operating revenue. Amounts due from the University were \$715 and \$338 at June 30, 2022 and 2021, respectively, and are included in related-party receivables on the statements of net position. UCHA recorded amounts due to UCD of \$1,916 and \$1,743 at June 30, 2022 and 2021, 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, 2022 is estimated at \$18,392. The amount paid for the academic support donation for the year ended June 30, 2021 was \$36,157. In November 2018, the Regents and UCHealth entered into a Second Amendment to the Multi-Year Academic Support Agreement which provides an additional, non-terminable (absent mutual consent) academic missions support donation to the University of Colorado Foundation for the benefit of the School of Medicine for \$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 \$15,997 and \$13,346 for the years ended June 30, 2022 and 2021, respectively.

(b) TriWest

TriWest was formed to deliver healthcare 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 for \$18,053 to TriWest. After the sale, CU Medicine had a 60% share of UCHA's minority interest in TriWest. In March 2014, TriWest restructured its ownership resulting in UCHA and CU Medicine selling their stock back to TriWest and receiving new stock valued at \$9,250.

UCHA's investment is accounted for under the cost method and is valued at \$6,000 at June 30, 2022 and 2021.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(18) Related-Party Transactions (continued)

(c) *CU Medicine*

During the years ended June 30, 2022 and 2021, UCHealth recognized \$276,498 and \$271,107, 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 \$20,799 and \$14,967 at June 30, 2022 and 2021, 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 \$19,675 and \$22,830 at June 30, 2022 and 2021, 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.

(d) *The Children's Hospital*

In July 2010, UCHA began a joint maternal fetal program in conjunction with Children's Hospital Colorado ("CHCO") to establish a center for advanced maternal fetal medicine offering state-of-the-art care for high-risk pregnant women and their babies. The program is defined in an operating agreement that details the cost and revenue sharing between the two hospitals. UCHA has recorded a related-party payable to CHCO at June 30, 2022 and 2021, of \$42,577 and \$35,691, respectively.

Effective October 1, 2012, a sublease was executed with CHCO to operate the pediatric units located at MHS and was valued at 15% 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 \$507 and \$460 at June 30, 2022 and 2021, respectively, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other non-current assets is \$13,950 and \$14,357 at June 30, 2022 and 2021, respectively, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2022 and 2021 is \$602 and \$511, 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 \$1,473 and \$866 at June 30, 2022 and 2021, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$ in thousands)

(18) Related-Party Transactions (continued)

(e) *VEBA Trust*

On July 1, 2010, UCHA entered into an agreement with CU Medicine and the Regents to begin a self-insurance trust known as the Colorado Health and Welfare Trust (the “VEBA Trust”) for the benefit of eligible employees of the University, CU Medicine, and UCHA and their eligible dependents. The VEBA Trust is managed by a third-party administrator and provides healthcare coverage for eligible employees of the three organizations. The VEBA Trust functions as a retrospectively rated contract in which the initial premium is adjusted based on actual experience. At June 30, 2021, UCHealth recorded liabilities of \$2,721 for premiums due to the Trust and UCHealth’s share of costs in excess of initial premiums expensed. The amount of costs in excess of initial premiums expensed is estimated by management based on an analysis of historical claims development combined with available information on current year experience. Actual results could differ from those estimates. Effective June 30, 2020, UCHealth no longer participates in the VEBA Trust.

(f) *Other Related Parties*

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

UCHealth has a receivable from Colorado Access for a loan outstanding of \$651 and \$1,142 at June 30, 2022 and 2021, respectively. Colorado Access is unable to specify a timeline for repayment of this loan as a result of current negotiations with the Colorado Division of Insurance regarding steps to be taken to achieve required levels of risk-based capital.

(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 post-payment audits that may result in further adjustments by the payors. Additionally, these payments are subject to other routine post-payment reviews, audits, and investigations that may result in refunds, repayments, or other financial settlements. Specific accruals related to such contractual arrangements are included in the basic financial statements.

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, 2022, UCHealth has committed contract expenditures for these significant projects of \$198,759.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(20) COVID Relief Funding

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. During the last quarter of fiscal year 2020, UCHHealth’s operations were significantly impacted as shelter-in-place orders and a government mandate to suspend elective procedures reduced volumes during the period. UCHHealth has moved to mitigate the impact by managing workforce productivity, delaying capital expenditures, actively managing cash disbursements, and implementing other cost reduction measures.

Enacted on March 27, 2020, the CARES Act was established, which authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenues from canceled procedures, and to provide support for related healthcare expenses, such as constructing temporary structures or emergency operation centers, retrofitting facilities, purchasing medical supplies and equipment including personal protective equipment and testing supplies, and maintaining or increasing the workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19.

On April 10, 2020, the U.S. Department of Health & Human Services (HHS) began making payments to healthcare providers from the \$100 billion appropriation. These are payments to healthcare providers that will not need to be repaid as long as UCHHealth complies with certain terms and conditions outlined by HHS. UCHHealth received \$44,332 and \$110,318 during the years ended June 30, 2022 and 2021, respectively, of payments as part of general and targeted distributions of the CARES Act Provider Relief Fund.

UCHHealth relied upon guidance issued by HHS through the date the financial statements are available to be issued. The terms and conditions first require the healthcare provider to identify healthcare-related expenses attributed to COVID-19 that no other source has reimbursed or is obligated to reimburse. If those expenses do not exceed the funding received, the healthcare provider then applies the funds to patient care lost revenue. HHS’ June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided healthcare providers three options to calculate patient care lost revenue. To determine the total distributions to be recognized as revenue as of June 30, 2022 and 2021, UCHHealth totaled unreimbursed related expenses attributed to COVID-19 and calculated patient care lost revenue based on the difference between actual and budgeted patient care revenue between January 1, 2020 and June 30, 2020.

UCHHealth has recognized \$43,461 and \$113,456 as grant revenue on the statement of revenue, expenses and changes in net position for the years ended June 30, 2022 and 2021, respectively. The initial estimate of the recognition of revenue related to the Provider Relief Fund was based upon guidance issued by HHS as of the date the consolidated financial statements were available to be issued for the year ended June 30, 2020. Subsequent to that period, HHS issued additional guidance to calculate lost revenue. These changes to the estimate are recorded prospectively as adjustments to grant revenue. For the year ended June 30, 2021, changes in the estimate of the recognition of revenue related to the Provider Relief Fund were not significant. UCHHealth has \$871 recorded as a liability on the statement of net position as of June 30, 2022 as UCHHealth has asserted it had not yet met the conditions and restrictions of the CARES Act for that portion of the funding as of June 30, 2022, in accordance with the guidance issued by HHS as of that date.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2022 and 2021
(\$s in thousands)

(20) COVID Relief Funding (continued)

HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided healthcare providers with additional guidance on the deadline for the use of funds received. For any payments received between April 10, 2020 and June 30, 2020, providers had until June 30, 2021 to use funds received. For payments received from July 1, 2020 to December 31, 2020, providers have until December 31, 2021 to use the funds; for payments received from January 1, 2021 to June 30, 2021, providers have until June 30, 2022 to use the funds; and for payments received from July 1, 2021 to December 31, 2021, providers have until December 31, 2022 to use the funds.

HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as grant revenue during the years ended June 30, 2022 and 2021. Any changes in amounts recognized as result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

UCHealth also received accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. Beginning in April 2021, claims for services provided to Medicare beneficiaries were applied against the advance payment balance. Any unapplied advance payment amounts must be paid in full within 41 months from receipt of the advance payments. As of June 30, 2022, UCHealth had received \$458,047 from these accelerated Medicare payment requests. UCHealth has \$407,954 recognized in estimated third-party settlements at June 30, 2021 for the unpaid portion of these accelerated Medicare payments. UCHealth repaid all of the advance payments during the fiscal year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

June 30, 2022 and 2021

(\$ in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 100,439	\$ 92,812	\$ 86,205	\$ 82,862	\$ 84,811	\$ 63,156	\$ 57,110	\$ 49,411	\$ 50,305	\$ 38,706
Interest	99,075	86,477	77,822	63,593	56,967	50,527	44,575	37,092	29,718	25,456
Plan changes	-	-	-	(38,743)	-	-	-	10,490	-	-
Difference in expected and actual experience	9,269	12,337	7,101	42,206	7,291	2,020	4,388	15,584	-	(9,722)
Changes in assumptions	30,617	25,260	(8,153)	(1,159)	(8,788)	-	(6,213)	37,858	-	20,164
Benefits payments	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Other	-	-	-	-	-	-	714	(713)	-	-
Net change in total pension liability	192,446	177,811	130,246	105,936	119,367	96,239	86,527	137,534	70,202	66,241
Total pension liability - beginning	<u>1,359,129</u>	<u>1,181,318</u>	<u>1,051,072</u>	<u>945,136</u>	<u>825,769</u>	<u>729,530</u>	<u>643,003</u>	<u>505,469</u>	<u>435,267</u>	<u>369,026</u>
Total pension liability - ending (a)	<u>\$ 1,551,575</u>	<u>\$ 1,359,129</u>	<u>\$ 1,181,318</u>	<u>\$ 1,051,072</u>	<u>\$ 945,136</u>	<u>\$ 825,769</u>	<u>\$ 729,530</u>	<u>\$ 643,003</u>	<u>\$ 505,469</u>	<u>\$ 435,267</u>
Plan fiduciary net position										
Contributions - employer	\$ 122,900	\$ 113,027	\$ 101,800	\$ 91,812	\$ 79,213	\$ 74,356	\$ 68,000	\$ 66,184	\$ 56,311	\$ 45,310
Net investment income (loss)	(110,006)	310,588	39,464	40,057	56,395	78,610	(476)	12,212	56,354	31,947
Benefits payments	(46,954)	(39,075)	(32,729)	(42,823)	(20,914)	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Administrative expense	(4,643)	(3,873)	(3,025)	(4,175)	(2,251)	(1,746)	(1,464)	(1,453)	(794)	(543)
Net change in plan fiduciary net position	(38,703)	380,667	105,510	84,871	112,443	131,756	52,013	64,755	102,050	68,351
Plan fiduciary net position - beginning	<u>1,393,593</u>	<u>1,012,926</u>	<u>907,416</u>	<u>822,545</u>	<u>710,102</u>	<u>578,346</u>	<u>526,333</u>	<u>461,578</u>	<u>359,528</u>	<u>291,177</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,354,890</u>	<u>\$ 1,393,593</u>	<u>\$ 1,012,926</u>	<u>\$ 907,416</u>	<u>\$ 822,545</u>	<u>\$ 710,102</u>	<u>\$ 578,346</u>	<u>\$ 526,333</u>	<u>\$ 461,578</u>	<u>\$ 359,528</u>
UC Health's net pension liability (asset) - ending (a) - (b)	<u>\$ 196,685</u>	<u>\$ (34,464)</u>	<u>\$ 168,392</u>	<u>\$ 143,656</u>	<u>\$ 122,591</u>	<u>\$ 115,667</u>	<u>\$ 151,184</u>	<u>\$ 116,670</u>	<u>\$ 43,891</u>	<u>\$ 75,739</u>
Plan fiduciary net position as a percentage of total pension liability	87.3%	102.5%	85.7%	86.3%	87.0%	86.0%	79.3%	81.9%	91.3%	82.6%
Covered payroll	\$ 1,902,882	\$ 1,770,242	\$ 1,674,977	\$ 1,476,241	\$ 1,193,744	\$ 1,059,420	\$ 940,375	\$ 862,612	\$ 807,135	\$ 584,097
Net pension liability (asset) as a percentage of covered payroll	10.3%	-1.9%	10.1%	9.7%	10.3%	10.9%	16.1%	13.5%	5.4%	13.0%

Note to Schedule:

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

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

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

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

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

UNIVERSITY OF COLORADO HEALTH

June 30, 2022 and 2021
(\$s in thousands)

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

	Actuarially Determined Contribution	Actual Contributions	Contribution Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 119,905	\$ 122,900	\$ 2,995	\$ 1,902,882	6.46%
2021	\$ 113,027	\$ 113,027	\$ -	\$ 1,770,242	6.38%
2020	\$ 101,598	\$ 101,800	\$ 202	\$ 1,674,977	6.08%
2019	\$ 91,812	\$ 91,812	\$ -	\$ 1,476,241	6.22%
2018	\$ 79,213	\$ 79,213	\$ -	\$ 1,193,744	6.64%
2017	\$ 74,356	\$ 74,356	\$ -	\$ 1,059,420	7.02%
2016	\$ 67,969	\$ 68,000	\$ 31	\$ 940,375	7.23%
2015	\$ 66,184	\$ 66,184	\$ -	\$ 862,612	7.67%
2014	\$ 56,311	\$ 56,311	\$ -	\$ 807,135	6.98%
2013	\$ 45,310	\$ 45,310	\$ -	\$ 584,097	7.76%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal, Level Percent of Pay

Amortization method Straight Line

Asset valuation method Fair Value

Investment rate of return In the 2021 2020 valuations, 6.75%, includes inflation at 2.25%. In the 2019 and prior valuations, 7.0%, includes inflation at 2.5%

Projected salary increases In the 2021 and 2020 valuations, 3.05% to 7.25%, with one time loads for FYE 2022 and 2023 of 4.44% and (2.10%), respectively. In the 2019 and prior valuations, 3.3% to 7.5%

Cost of living adjustments In the 2021 and 2020 valuations, 2.25%. In the 2019 and prior valuations, 2.5%

Mortality In the 2021, 2020 and 2019 actuarial valuations, mortality rates are based on the Pri-2012 mortality table adjusted for the MP-2019 mortality improvement scale. In the 2018 actuarial valuation, mortality rates are based on the RP-2014 mortality table adjusted for the MP-2018 mortality improvement scale. In the 2017 actuarial valuation, mortality rates were based on the RP-2014 mortality table adjusted for the MP-2017 mortality improvement scale. In the 2016 and 2015 actuarial valuation, mortality rates were based on the RP-2014 mortality table. In prior years, those assumptions were based on the RP-2000 mortality table.

UNIVERSITY OF COLORADO HEALTH

June 30, 2022 and 2021
(\$s in thousands)

Schedule of Pension Plan Investment Returns

<u>Year Ending June 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2022	-8.30%
2021	28.50%
2020	4.70%
2019	5.10%
2018	7.80%
2017	13.10%
2016	-0.90%
2015	2.40%
2014	15.00%
2013	10.60%

SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Net Position

June 30, 2022

(In thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Other Obligated Group	Obligated Group Eliminations	Obligated Group Consolidated	UCHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Assets										
Current assets:										
Cash and cash equivalents	\$ 137,896	\$ 107,501	\$ 9,928	\$ 2,273	\$ -	\$ 257,598	\$ 4,320	\$ 23,329	\$ -	\$ 285,247
Patient accounts receivable, net of allowances for uncollectible accounts	280,087	150,727	131,076	108,124	-	670,014	-	5,802	-	675,816
Other receivables	28,251	13,457	6,323	27,648	-	75,679	804	4,241	-	80,724
Receivables from affiliates	837,164	658,000	101,736	-	(1,525,497)	71,403	-	(71,403)	-	-
Inventories	52,654	24,563	24,329	27,533	-	129,079	-	10,954	-	140,033
Prepaid expenses	42,773	16,525	11,720	39,500	-	110,518	15	757	-	111,290
Investments designated for liquidity support	219,755	-	-	-	-	219,755	-	-	-	219,755
Total current assets	1,598,580	970,773	285,112	205,078	(1,525,497)	1,534,046	5,139	45,083	(71,403)	1,512,865
Non-current assets:										
Restricted investments, bonds	1	-	-	-	-	1	-	-	-	1
Restricted investments, other	1	-	-	735	-	736	-	-	-	736
Restricted investments and donor pledges	3,523	-	-	13,312	-	16,835	-	47,137	(6,372)	57,600
Capital assets, net of accumulated depreciation	1,099,343	423,334	473,462	1,445,788	-	3,441,927	346	26,555	114	3,468,942
Long-term investments	1,081,021	941,087	-	-	-	2,022,108	-	33,775	-	2,055,883
Assets designated for long-term purposes	1,379,601	1,148,330	192,700	48,210	-	2,768,841	-	-	-	2,768,841
Long-term receivables from affiliates	963,669	-	-	-	(963,669)	-	-	-	-	-
Other investments	6,000	82,442	2,918	44,689	(1,519)	134,530	-	7,679	(55,633)	86,576
Other assets	2,753	20,532	15,042	60,789	-	99,116	-	140	-	99,256
Total non-current assets	4,535,912	2,615,725	684,122	1,613,523	(965,188)	8,484,094	346	115,286	(61,891)	8,537,835
Total assets	6,134,492	3,586,498	969,234	1,818,601	(2,490,685)	10,018,140	5,485	160,369	(133,294)	10,050,700
Deferred Outflows of Resources										
Deferred amortization on refundings	13,283	57	-	-	-	13,340	-	-	-	13,340
Deferred amortization related to pension plan	28,959	28,367	20,597	20,375	-	98,298	-	-	-	98,298
Deferred amortization on acquisitions	-	-	4,233	26,047	-	30,280	-	902	-	31,182
Total deferred outflows of resources	42,242	28,424	24,830	46,422	-	141,918	-	902	-	142,820
Total assets and deferred outflows of resources	\$ 6,176,734	\$ 3,614,922	\$ 994,064	\$ 1,865,023	\$ (2,490,685)	\$ 10,160,058	\$ 5,485	\$ 161,271	\$ (133,294)	\$ 10,193,520
Liabilities and Net Position										
Current liabilities:										
Current portion of long-term debt	\$ 17,104	\$ 5,852	\$ 11,320	\$ 14,140	\$ -	\$ 48,416	\$ 175	\$ 514	\$ -	\$ 49,105
Accounts payable and accrued expenses	259,676	122,953	108,639	209,001	-	700,269	1,088	17,150	-	718,507
Accounts payable - construction	30,005	10,973	5,155	7,252	-	53,385	-	-	-	53,385
Accrued compensated absences	30,916	28,010	22,009	39,285	-	120,220	222	1,128	-	121,570
Payables to affiliates	-	9,164	5,391	1,517,598	(1,525,497)	6,656	3,619	67,782	(78,057)	-
Accrued interest payable	4,641	115	-	-	-	4,756	-	-	-	4,756
Estimated third-party settlements, net	88,572	34,869	36,897	26,418	-	186,756	-	-	-	186,756
Long-term debt subject to short-term remarketing	219,755	-	-	-	-	219,755	-	-	-	219,755
Total current liabilities	650,669	211,936	189,411	1,813,694	(1,525,497)	1,340,213	5,104	86,574	(78,057)	1,353,834
Long-term liabilities:										
Long-term debt, less current portion	1,096,605	14,310	114,768	92,137	-	1,317,820	-	3,877	-	1,321,697
Long-term payables to affiliates	-	350,538	301,478	311,653	(963,669)	-	-	-	-	-
Net pension liability	113,385	35,339	24,894	23,067	-	196,685	-	-	-	196,685
Other long-term liabilities	2,837	4,296	4,124	40,196	-	51,453	21	658	-	52,132
Total liabilities	1,863,496	616,419	634,675	2,280,747	(2,489,166)	2,906,171	5,125	91,109	(78,057)	2,924,348
Deferred Inflows of Resources										
Deferred amortization related to pension plan	1,178	1,046	607	394	-	3,225	-	-	-	3,225
Deferred inflows on leases	1,495	16,305	185	48,530	-	66,515	-	-	-	66,515
Total deferred inflows of resources	2,673	17,351	792	48,924	-	69,740	-	-	-	69,740
Total liabilities and deferred inflows of resources	1,866,169	633,770	635,467	2,329,671	(2,489,166)	2,975,911	5,125	91,109	(78,057)	2,994,088
Net position:										
Invested in capital assets, net of related debt	710,680	34,085	37,181	1,021,341	-	1,803,287	171	22,164	114	1,825,736
Restricted										
Expendable										
Held by trustee for debt service	1	-	-	-	-	1	-	-	-	1
Restricted by donors	-	-	-	-	-	-	-	42,450	-	42,450
Non-expendable										
Permanent endowments	-	-	-	-	-	-	-	28,391	-	28,391
Minority interest in component unit	-	37,170	-	-	-	37,170	-	362	-	37,532
Unrestricted	3,599,884	2,909,897	321,416	(1,485,989)	(1,519)	5,343,689	189	(23,205)	(55,351)	5,265,322
Net position	4,310,565	2,981,152	358,597	(464,648)	(1,519)	7,184,147	360	70,162	(55,237)	7,199,432
Total liabilities, deferred inflows of resources, and net position	\$ 6,176,734	\$ 3,614,922	\$ 994,064	\$ 1,865,023	\$ (2,490,685)	\$ 10,160,058	\$ 5,485	\$ 161,271	\$ (133,294)	\$ 10,193,520

Additional schedules are not GAAP basis for GASB, but are for comparative purposes to hospital industry practices for not-for-profit healthcare providers.

UNIVERSITY OF COLORADO HEALTH
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2022
(\$s in thousands)

	<u>University of Colorado Hospital Authority</u>	<u>Poudre Valley Health System Obligated Group</u>	<u>Memorial Health System</u>	<u>Other Obligated Group</u>	<u>Obligated Group Eliminations</u>	<u>Obligated Group Consolidated</u>	<u>UCHealth Plan Administrators</u>	<u>Other</u>	<u>Other Eliminations</u>	<u>University of Colorado Health Consolidated</u>
Operating revenue:										
Net patient service revenue, net of provision for bad debts	\$ 2,496,273	\$ 1,390,310	\$ 1,242,029	\$ 978,844	\$ -	\$ 6,107,456	\$ -	\$ 84,486	\$ -	\$ 6,191,942
Other operating revenue	23,851	39,854	16,161	22,359	(3,884)	98,341	-	38,383	(54,699)	82,025
Total operating revenue	<u>2,520,124</u>	<u>1,430,164</u>	<u>1,258,190</u>	<u>1,001,203</u>	<u>(3,884)</u>	<u>6,205,797</u>	<u>-</u>	<u>122,869</u>	<u>(54,699)</u>	<u>6,273,967</u>
Operating expenses:										
Wages, contract labor, and benefits	852,404	725,417	698,941	518,301	(13)	2,795,050	-	30,773	(1,305)	2,824,518
Supplies	717,738	305,406	248,155	196,999	-	1,468,298	-	22,839	-	1,491,137
Purchased services and other expenses	625,025	226,682	214,882	189,476	(4,023)	1,252,042	-	92,759	(51,130)	1,293,671
Depreciation and amortization	88,123	58,016	60,477	121,619	-	328,235	-	9,536	-	337,771
Total operating expenses	<u>2,283,290</u>	<u>1,315,521</u>	<u>1,222,455</u>	<u>1,026,395</u>	<u>(4,036)</u>	<u>5,843,625</u>	<u>-</u>	<u>155,907</u>	<u>(52,435)</u>	<u>5,947,097</u>
Operating income	<u>236,834</u>	<u>114,643</u>	<u>35,735</u>	<u>(25,192)</u>	<u>152</u>	<u>362,172</u>	<u>-</u>	<u>(33,038)</u>	<u>(2,264)</u>	<u>326,870</u>
Non-operating revenue and expenses:										
Interest expense	(35,065)	(6,872)	(14,446)	(23,471)	39,545	(40,309)	-	(1,627)	118	(41,818)
Investment loss	(352,070)	(276,923)	(26,060)	(4,136)	(39,545)	(698,734)	-	(10,461)	(118)	(709,313)
Unrealized gain on derivative investments	47,288	37,589	28	15,003	-	99,908	-	-	-	99,908
Gain on disposal of capital assets	139	1,454	16	403	-	2,012	-	-	-	2,012
Grant revenue	9,269	18,268	11,418	3,330	-	42,285	-	1,176	-	43,461
Other, net	(6,421)	(8,246)	(8,816)	(5,169)	-	(28,652)	-	(5,214)	588	(33,278)
Total non-operating revenue and expenses	<u>(336,860)</u>	<u>(234,730)</u>	<u>(37,860)</u>	<u>(14,040)</u>	<u>-</u>	<u>(623,490)</u>	<u>-</u>	<u>(16,126)</u>	<u>588</u>	<u>(639,028)</u>
(Loss) income before distributions and contributions	(100,026)	(120,087)	(2,125)	(39,232)	152	(261,318)	-	(49,164)	(1,676)	(312,158)
Net distributions to minority interest in component unit	-	(8,151)	-	-	-	(8,151)	-	-	-	(8,151)
Contributions restricted for capital assets	3	385	-	628	-	1,016	-	5	(878)	143
Contributions restricted, other	(135)	-	63	-	(152)	(224)	-	6,885	(302)	6,359
Change in net position	<u>(100,158)</u>	<u>(127,853)</u>	<u>(2,062)</u>	<u>(38,604)</u>	<u>-</u>	<u>(268,677)</u>	<u>-</u>	<u>(42,274)</u>	<u>(2,856)</u>	<u>(313,807)</u>
Net position, beginning of year	4,410,723	3,109,005	360,659	(426,044)	(1,519)	7,452,824	360	112,436	(52,381)	7,513,239
Net position, end of year	<u>\$ 4,310,565</u>	<u>\$ 2,981,152</u>	<u>\$ 358,597</u>	<u>\$ (464,648)</u>	<u>\$ (1,519)</u>	<u>\$ 7,184,147</u>	<u>\$ 360</u>	<u>\$ 70,162</u>	<u>\$ (55,237)</u>	<u>\$ 7,199,432</u>

Additional schedules are not GAAP basis for GASB, but are for comparative purposes to hospital industry practices for not-for-profit healthcare providers.

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, 2022 and the related notes to the financial statements, which collectively comprise UCHealth's basic financial statements, and have issued our report thereon dated September 28, 2022.

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

Plante & Moran, PLLC

September 28, 2022