

UNIVERSITY OF COLORADO HEALTH

Basic Financial Statements
For the Years Ended
June 30, 2023 and 2022
(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, 2023 and 2022 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 respective financial position of the business-type activities and fiduciary activities of UCHealth as of June 30, 2023 and 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

As discussed in Note 3 to the financial statements, UCHealth adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, on a retroactive basis. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCHealth's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of UCHealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCHealth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 whether 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 26, 2023 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 audits performed in accordance with *Government Auditing Standards* in considering UCHealth's internal control over financial reporting and compliance.

Plante & Moreau, PLLC

September 26, 2023

UNIVERSITY OF COLORADO HEALTH

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

This discussion and analysis of the financial performance of 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, 2023, 2022 and 2021.

The Management's Discussion and Analysis is designed to focus on the current fiscal year while providing comparison information for the previous fiscal years, resulting changes, and currently known facts; therefore, please read it in conjunction with 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. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture are members of the obligated group under UCHA’s master trust indenture, and, thereby, pledge their gross revenues to secure each member's obligations.
- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the “City”) was executed with the purpose of leasing Memorial Health System (“MHS”). Effective October 1, 2012, a sublease agreement was executed with Children's Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children's Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City.
- Through new builds and acquisitions in years past, as of 2023, UCHealth now also includes Longs Peak Hospital, Highlands Ranch Hospital, Greeley Hospital, Yampa Valley Medical Center, Broomfield Hospital, Grandview Hospital, and Pikes Peak Regional Hospital, and additional ambulatory care settings.
- 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.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2023, 2022 and 2021 (\$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.
- UCHHealth adopted Governmental Accounting Standards Board (GASB) Statement Numbers 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and 96, Subscription-Based Information Technology Arrangements (SBITAs), as of July 1, 2021.

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations

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

Table 1
University of Colorado Health
Statements of Net Position

	2023	2022	2021
Current assets	\$ 1,448,491	\$ 1,496,688	\$ 1,758,575
Capital assets, net of accumulated depreciation and amortization	3,921,964	3,657,845	3,261,000
Non-current assets and other assets	<u>5,611,452</u>	<u>5,068,893</u>	<u>6,239,791</u>
Total assets	<u>10,981,907</u>	<u>10,223,426</u>	<u>11,259,366</u>
Deferred outflows of resources	<u>181,026</u>	<u>196,576</u>	<u>86,996</u>
Total assets and deferred outflows of resources	<u>\$ 11,162,933</u>	<u>\$ 10,420,002</u>	<u>\$ 11,346,362</u>
Current liabilities	\$ 1,312,602	\$ 1,391,116	\$ 1,939,353
Long-term liabilities	<u>1,735,865</u>	<u>1,764,986</u>	<u>1,666,032</u>
Total liabilities	<u>3,048,467</u>	<u>3,156,102</u>	<u>3,605,385</u>
Deferred inflows of resources	<u>73,745</u>	<u>69,740</u>	<u>227,738</u>
Net position			
Invested in capital assets, net of related debt	2,125,720	1,836,642	1,181,596
Restricted			
Expendable			
Held by trustee for debt service	-	1	99
Restricted by donors	44,120	42,450	46,355
Non-expendable			
Permanent endowments	28,396	28,391	28,270
Minority interest in component unit	43,563	37,532	40,119
Unrestricted	<u>5,798,922</u>	<u>5,249,144</u>	<u>6,216,800</u>
Total net position	<u>8,040,721</u>	<u>7,194,160</u>	<u>7,513,239</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,162,933</u>	<u>\$ 10,420,002</u>	<u>\$ 11,346,362</u>

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations (continued)

At June 30, 2023, UCHealth's total net position was \$8,040,721, which is an increase in total net position of \$846,561 or 11.8% 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 increase was driven primarily by investment and operating income. At June 30, 2022, UCHealth's total net position was \$7,194,160, which is a decrease in total net position of \$319,079, or 4.2%, from June 30, 2021. The unrestricted net position decrease was driven primarily by investment losses.

At June 30, 2023 UCHealth's cash and investment position, including assets designated for long-term purposes, was \$5,756,524, which is an increase of \$426,798 or 8.0%, from June 30, 2022. 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 35.4 as of June 30, 2023. At June 30, 2022 UCHealth's cash and investment position was \$5,329,726, which is a decrease of \$1,465,087, or 21.6%, over June 30, 2021. Days cash on hand were 308.2 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 38.2 as of June 30, 2023.

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations (continued)

Revenues, Expenses, and Change in Net Position

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

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

	Fiscal Years Ended June 30,		
	2023	2022	2021
Operating revenue			
Net patient service revenue	\$ 6,851,030	\$ 6,191,942	\$ 5,703,189
Other operating revenue	93,535	82,025	77,777
Total operating revenue	<u>6,944,565</u>	<u>6,273,967</u>	<u>5,780,966</u>
Operating expenses			
Wages, contract labor, and benefits	3,148,972	2,824,518	2,384,513
Supplies	1,680,038	1,491,137	1,329,671
Purchased services and other expenses	1,389,489	1,259,197	1,168,133
Depreciation and amortization	394,387	375,280	324,884
Total operating expenses	<u>6,612,886</u>	<u>5,950,132</u>	<u>5,207,201</u>
Operating income	<u>331,679</u>	<u>323,835</u>	<u>573,765</u>
Non-operating revenues and expenses			
Interest expense	(32,751)	(44,055)	(51,483)
Investment income (loss)	543,198	(709,313)	1,157,552
Unrealized gain on derivative instruments	27,070	99,908	68,512
Gain (loss) on disposal of capital assets	6,601	2,012	(566)
Grant revenue	438	43,461	113,456
Other, net	(37,188)	(33,278)	(56,684)
Total non-operating revenue and expenses	<u>507,368</u>	<u>(641,265)</u>	<u>1,230,787</u>
Income (loss) before distributions and contributions	839,047	(317,430)	1,804,552
Net distributions to minority interest in component unit	(1,327)	(8,151)	(11,943)
Contributions restricted for capital assets	-	143	784
Contributions restricted, other	8,841	6,359	11,155
Change in net position	846,561	(319,079)	1,804,548
Net position, beginning of year	7,194,160	7,513,239	5,715,019
Restatement upon adoption of accounting pronouncement	-	-	(6,328)
Net position, beginning of year, as restated	<u>7,194,160</u>	<u>7,513,239</u>	<u>5,708,691</u>
Net position, end of year	<u>\$ 8,040,721</u>	<u>\$ 7,194,160</u>	<u>\$ 7,513,239</u>

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations (continued)

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

Inpatient volumes, measured in admissions and patient days, increased over 2022. Volumes include inpatient units at the twelve UCHHealth hospital facilities, excluding residential and normal newborn activity. Admissions totaled 104,724, which was a 7.2% increase over 2022. Patient days totaled 559,639, a 0.2% increase over the prior year.

Outpatient volumes, measured by clinic, procedural, ancillary and urgent care visits, were 7,467,788 in 2023, which was a 10.8% increase over 2022. This figure includes activity at the twelve hospital locations, various outpatient clinics, and activity performed by the UCHHealth Medical Group.

Net patient service revenue of \$6,851,030 increased from 2022 by \$659,088, or 10.6%. Total operating revenue in 2023 was \$6,944,565. Total operating revenue consists of net patient revenue and other revenue.

UCHHealth 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 \$130,976 in 2023, an increase of \$21,909, or 20.1% from 2022.

UCHHealth 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 2023 were \$308,500, a decrease of \$20,264, or 6.2% from 2022.

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act") authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. For the year ended June 30, 2023, UCHHealth was charged \$284,274 in hospital provider fees, an increase of \$22,424, or 8.6% over 2022, and received \$355,653 in disproportionate share ("DSH") and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of \$24,685, or 7.5% over 2022.

UCHHealth provides programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHHealth's uninsured and underinsured patients for these programs was \$523,505 in 2023, which is an increase of \$21,830, or 4.4% over 2022, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating expenses were \$6,612,886 in 2023. This was an increase of \$662,754, or 11.1%, compared to 2022.

Wages, contract labor, and benefits expense of \$3,148,972 was a \$324,454, or 11.5%, increase over the 2022 expense. This includes a 10.8% increase in salaries, a 21.6% decrease in contract labor, and a 21.2% increase in benefits.

Medical and non-medical supplies expense of \$1,680,038 increased by \$188,901 or 12.7%, in 2023. Purchased services and other expenses of \$1,389,489 increased over 2022 by \$130,292, or 10.3%.

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations (continued)

Year Ended June 30, 2023 Compared with Year Ended June 30, 2022 (continued)

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 \$298,928 in 2023 compared to \$279,780 in 2022 if interest expense were included as an operating expense.

Operating income was \$331,679 during the fiscal year, which is a 2.4% increase from 2022 operating income of \$323,835.

Non-operating revenue and expenses in 2023 was a gain of \$507,368, which is a \$1,148,633 increase from 2022. The change from 2022 was primarily generated by investment gains.

Non-operating income from UCHealth's equity, fixed income, and cash investments was \$543,198 in 2023, compared to a non-operating loss of \$709,313 in 2022. Unrealized gain on derivative instruments totaled \$27,070 for fiscal year 2023.

UCHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. 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. Cash flows on these agreements are recorded as interest expense.

Other net non-operating expenses were \$37,188 in 2023 related primarily to donations made and fundraising expenses.

Income before distributions and contributions was \$839,047 in 2023, which increased \$1,156,477 from 2022. Restricted contributions totaled \$8,841 for 2023.

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

Inpatient volumes increased over 2021. 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 were 6,739,910 in 2022, which was a 13.2% increase over 2021.

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.

Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of charity care services was \$109,067 in 2022, an increase of \$9,273, or 9.3% from 2021.

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

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 DSH and Medicaid supplemental revenue as compensation for indigent and uninsured care services, an increase of \$37,744, or 12.9% over 2021.

UNIVERSITY OF COLORADO HEALTH

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

Financial Analysis and Results of Operations (continued)

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

The total benefit to UCHHealth's uninsured and underinsured patients was \$501,675 in 2022, which is an increase of \$73,184, or 17.1% over 2021.

Operating expenses were \$5,950,132 in 2022. This was an increase of \$742,931, or 14.3%, 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 \$1,259,197 increased over 2021 by \$91,064, or 7.8%.

Operating income was \$323,835 during the fiscal year, which is a 43.6% decrease from 2021 operating income of \$573,765. Operating income would be \$279,780 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 \$641,265, which is a \$1,872,052 decrease from 2021. The change from 2021 was primarily generated from investment losses.

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

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

Loss before distributions and contributions was \$317,430 in 2022, which decreased \$2,121,982 from 2021. Restricted contributions totaled \$6,502 for 2022.

UNIVERSITY OF COLORADO HEALTH

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

Capital Assets and Debt Administration

Capital Assets

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

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

	2023	2022	2021
Land	\$ 129,171	\$ 129,242	\$ 128,089
Buildings and Improvements	2,409,379	2,155,741	2,133,410
Equipment	466,852	446,560	479,254
Right to Use Asset	394,649	384,907	408,952
Construction in progress	521,913	541,395	296,121
Total	<u>\$ 3,921,964</u>	<u>\$ 3,657,845</u>	<u>\$ 3,445,826</u>

- In January 2019, UCHHealth 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 \$419,790 and opened in June 2023. \$115,027, \$139,978, and \$68,979 was incurred on this project during the years ended June 30, 2023, 2022, and 2021, respectively.
- In May 2019 and pursuant to subsequent funding requests, UCHHealth approved construction of a medical office building on the Longs Peak Hospital campus with a total budget of \$85,590. \$6,120, \$40,790, and \$22,702 was incurred on this project during the years ended June 30, 2023, 2022, and 2021, respectively.
- In January 2021, UCHHealth approved master facility planning efforts at Poudre Valley Hospital to update and renovate the facility for a budgeted cost of \$77,486. The project will be completed in phases with final completion anticipated for Fall 2023. \$25,914, \$18,830, and \$1,592 was incurred on this project during the years ended June 30, 2023, 2022, and 2021, respectively.
- In January 2021 and pursuant to subsequent funding requests, UCHHealth approved development of a medical office building and imaging suite located in north Colorado Springs (Interquest) with a total budget of \$20,136. \$14,684, \$553, and \$0 was incurred on this project during the years ended June 30, 2023, 2022, and 2021, respectively.
- In August 2019, UCHHealth approved the design, construction, and equipment for the UCHHealth Eastview Medical Office Building and Ambulatory Surgery Center in Colorado Springs for a budgeted cost of \$112,596. \$59,787, \$15,217, and \$2,832 was incurred on this project during the years ended June 30, 2023, 2022, and 2021, respectively.
- In February 2022, UCHHealth purchased the medical office buildings located on the Medical Center of the Rockies campus in Loveland at a cost of \$83,883.

UNIVERSITY OF COLORADO HEALTH

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

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

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 \$122,913, \$117,488, and \$97,912 in 2023, 2022, and 2021, respectively. Cash flows related to capital expenditures totaled \$578,897 in 2023, compared to \$519,085 and \$415,349 in 2022 and 2021, respectively. Total depreciation and amortization expense on capital assets during 2023 was \$394,387 compared to \$375,280 and \$324,884 in 2022 and 2021, respectively. At June 30, 2023 and 2022, the Health System had planned future capital spending of \$1,053,346 and \$996,334, respectively, for ongoing significant strategic IT and facility expansion projects.

UNIVERSITY OF COLORADO HEALTH

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

Capital Assets and Debt Administration (continued)

Long-Term Debt

Long-term debt is summarized and discussed below.

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

		2023	2022	2021
Combined	Lease liabilities	\$ 233,416	\$ 213,248	\$ 241,322
Combined	SBITA liabilities	97,056	116,816	-
Combined	PPP liabilities	59,709	59,832	-
MHS	City of Colorado Springs agreement	81,523	84,585	87,554
UCHA	2011B Revenue Bonds	-	-	93,990
UCHA	2011C Revenue Bonds	-	-	16,450
UCHA	2012A Revenue Bonds	-	245,454	249,094
UCHA	2012B Revenue Bonds	-	-	50,000
UCHA	2012C Revenue Bonds	87,510	87,510	87,510
UCHA	2013A Revenue Bonds	-	-	80,000
UCHA	2013C Revenue Bonds	-	-	57,130
UCHA	2015D Revenue Bonds	196,375	196,915	197,360
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	16,155	23,730	30,995
UCHA	2017C Revenue Bonds	-	-	136,575
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	128,039	132,005	135,970
UCHA	2019D Revenue Bonds	50,000	50,000	50,000
UCHA	2022A Revenue Bonds	115,283	-	-
UCHA	2022B Revenue Bonds	115,282	-	-
	Less current portion	(103,069)	(86,387)	(289,484)
	Less long-term debt subject to short-term remarketing arrangements	(211,855)	(219,755)	(227,330)
		<u>\$ 1,422,534</u>	<u>\$ 1,461,063</u>	<u>\$ 1,554,246</u>

UNIVERSITY OF COLORADO HEALTH

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

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

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

- In January 2023, UCHealth completed an annual ratings update with Moody's, Standard & Poor's and Fitch Ratings to rate the member organizations. Moody's maintained its UCHA rating at Aa2 Stable. Standard & Poor's maintained its UCHA rating at AA Stable. Fitch Ratings maintained its UCHA rating at AA Stable.
- In March 2021, UCHA issued forward starting 2022A ("Series 2022A") and 2022B ("Series 2022B") direct purchase bonds, in the amount of \$230,565, to refinance the 2012A bonds effective November 2022. Series 2022A and Series 2022B are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule beginning in fiscal year 2024. The interest rate for the Series 2022A and 2022B bonds is 1.58%. The Series 2022A and Series 2022B bonds have a maturity date of November 2030.
- In September 2021, UCHealth paid off Series 2017C-2 Revenue bonds for \$134,450. In November 2021, UCHealth paid off Series 2011B Revenue bonds for \$93,990 and Series 2011C Revenue bonds for \$16,450. In December 2021, UCHealth paid off Series 2012B Revenue bonds for \$50,000, Series 2013A Revenue bonds for \$77,655, and 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.

The maximum annual debt service coverage ratio was 8.00 at June 30, 2023, compared to 9.97 and 12.99 at June 30, 2022 and 2021, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 14.5% at June 30, 2023, compared to 16.2% and 19.9% at June 30, 2022 and 2021, respectively, and bond covenants require an indebtedness ratio of less than 65.0%. Financial covenant calculations exclude the impact of GASB Statements No. 87, 94, and 96.

Economic Factors and Next Year's Activities and Rates

Demand for services at UCHealth facilities is anticipated to remain high in the upcoming year, and generally exceed 2023 volumes. Growth at Highlands Ranch Hospital and the Anschutz Medical Campus is expected to produce high occupancy rates in fiscal year 2024.

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 2024. UCHealth expects cost inflation and staffing shortages to continue to impact performance.

The 2024 budget, as approved by UCHealth's Board of Directors, projects operating revenue at \$7,138,843, and operating income of \$262,954 at a margin of 3.7%. The overall increase in net position is budgeted to be \$595,217.

During 2023, UCHealth and its board of directors determined to seek a potential affiliation with another Colorado-based health system. UCHealth and the other health system have signed a nonbinding letter of intent. The affiliation has not closed, but is expected to be finalized in fiscal year 2024.

UNIVERSITY OF COLORADO HEALTH

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

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, 2023 and 2022

(\$s in thousands)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 193,020	\$ 285,247
Patient accounts receivable, less allowances for uncollectible accounts of \$765,801 and \$706,050, respectively	694,834	675,816
Other receivables	96,488	80,724
Inventories	145,415	140,033
Prepaid expenses	106,879	95,113
Investments designated for liquidity support	211,855	219,755
Total current assets	<u>1,448,491</u>	<u>1,496,688</u>
Non-current assets		
Restricted investments, bonds	-	1
Restricted investments, other	1,011	736
Restricted investments and donor pledges	57,492	57,600
Capital assets, net of accumulated depreciation and amortization	3,921,964	3,657,845
Long-term investments	2,209,260	2,055,883
Assets designated for long-term purposes	3,142,389	2,768,841
Other investments	105,017	86,576
Other assets	96,283	99,256
Total non-current assets	<u>9,533,416</u>	<u>8,726,738</u>
Total assets	<u>10,981,907</u>	<u>10,223,426</u>
Deferred Outflows of Resources		
Deferred amortization on refundings	12,366	13,340
Deferred amortization related to pension plan	79,052	98,298
Deferred amortization on public private partnership	52,406	53,756
Deferred amortization on acquisitions	37,202	31,182
Total deferred outflows of resources	<u>181,026</u>	<u>196,576</u>
Total assets and deferred outflows of resources	<u>\$ 11,162,933</u>	<u>\$ 10,420,002</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Net Position

June 30, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 103,069	\$ 86,387
Accounts payable and accrued expenses	650,001	718,507
Accounts payable - construction	46,756	53,385
Accrued compensated absences	129,317	121,570
Accrued interest payable	4,004	4,756
Estimated third-party settlements	167,600	186,756
Long-term debt subject to short-term remarketing arrangements	<u>211,855</u>	<u>219,755</u>
Total current liabilities	<u>1,312,602</u>	<u>1,391,116</u>
Long-term liabilities		
Long-term debt, less current portion	1,422,534	1,461,063
Net pension liability	202,188	196,685
Other long-term liabilities	<u>111,143</u>	<u>107,238</u>
Total liabilities	<u>3,048,467</u>	<u>3,156,102</u>
Deferred Inflows of Resources		
Deferred amortization related to pension plan	1,187	3,225
Deferred amortization on refundings	10,341	-
Deferred inflows on leases	<u>62,217</u>	<u>66,515</u>
Total deferred inflows of resources	<u>73,745</u>	<u>69,740</u>
Total liabilities and deferred inflows of resources	<u>3,122,212</u>	<u>3,225,842</u>
Net Position		
Invested in capital assets, net of related debt	2,125,720	1,836,642
Restricted		
Expendable		
Held by trustee for debt service	-	1
Restricted by donors	44,120	42,450
Non-expendable		
Permanent endowments	28,396	28,391
Minority interest in component unit	43,563	37,532
Unrestricted	<u>5,798,922</u>	<u>5,249,144</u>
Total net position	<u>8,040,721</u>	<u>7,194,160</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,162,933</u>	<u>\$ 10,420,002</u>

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, 2023 and 2022

(\$s in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenue		
Net patient service revenue, net of provision for bad debts of \$324,032 and \$263,205, respectively	\$ 6,851,030	\$ 6,191,942
Other operating revenue	<u>93,535</u>	<u>82,025</u>
Total operating revenue	<u>6,944,565</u>	<u>6,273,967</u>
Operating expenses		
Wages, contract labor, and benefits	3,148,972	2,824,518
Supplies	1,680,038	1,491,137
Purchased services and other expenses	1,389,489	1,259,197
Depreciation and amortization	<u>394,387</u>	<u>375,280</u>
Total operating expenses	<u>6,612,886</u>	<u>5,950,132</u>
Operating income	<u>331,679</u>	<u>323,835</u>
Non-operating revenue and expenses		
Interest expense	(32,751)	(44,055)
Investment income (loss)	543,198	(709,313)
Unrealized gain on derivative instruments	27,070	99,908
Gain on disposal of capital assets	6,601	2,012
Grant revenue	438	43,461
Other, net	<u>(37,188)</u>	<u>(33,278)</u>
Total non-operating revenue and expenses	<u>507,368</u>	<u>(641,265)</u>
Income (loss) before distributions and contributions	839,047	(317,430)
Net distributions to minority interest in component unit	(1,327)	(8,151)
Contributions restricted for capital assets	-	143
Contributions restricted, other	<u>8,841</u>	<u>6,359</u>
Change in net position	846,561	(319,079)
Net position, beginning of year	<u>7,194,160</u>	<u>7,513,239</u>
Net position, end of year	<u>\$ 8,040,721</u>	<u>\$ 7,194,160</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

(\$s in thousands)

	2023	2022
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 6,812,856	\$ 5,812,862
Cash payments to suppliers for goods and services	(3,174,774)	(2,835,351)
Cash payments to employees/other on behalf of employees	(3,087,382)	(2,744,834)
Other cash payments	(36,861)	(35,290)
Other cash received	61,807	56,312
Net cash provided by operating activities	<u>575,646</u>	<u>253,699</u>
Cash flows from capital and related financing activities		
Principal payments under lease and right of use obligations	(87,425)	(72,857)
Principal repayments of long-term debt	(11,675)	(442,525)
Payments of interest and issuance costs on long-term debt	(37,483)	(49,976)
Capital expenditures	(578,897)	(519,085)
Receipt of contributions	9,807	9,101
Net distributions to minority interests in component units	(1,327)	(8,151)
Proceeds from sale of capital assets	341	12,765
Net cash used in capital and related financing activities	<u>(706,659)</u>	<u>(1,070,728)</u>
Cash flows from noncapital financing activities		
Receipt of grant revenue	-	44,332
Net cash provided by noncapital financing activities	<u>-</u>	<u>44,332</u>
Cash flows from investing activities		
Investment income	205,395	141,737
Distributions from joint ventures	15,324	10,550
Loans made to third parties	(704)	1,282
Proceeds from sale and maturities of investments	2,754,086	4,087,151
Purchases of investments	(2,935,315)	(3,765,732)
Net cash provided by investing activities	<u>38,786</u>	<u>474,988</u>
Net decrease in cash and cash equivalents	(92,227)	(297,709)
Cash and cash equivalents, beginning of year	<u>285,247</u>	<u>582,956</u>
Cash and cash equivalents, end of year	<u>\$ 193,020</u>	<u>\$ 285,247</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, 2023 and 2022 (\$s in thousands)

(Continued from the previous page)

	2023	2022
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 331,679	\$ 323,835
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	394,387	375,280
Provision for bad debts	324,032	263,205
Increase in patient accounts receivable	(343,050)	(294,856)
Decrease in estimated third-party settlements	(19,156)	(347,429)
Increase in other receivables	(15,764)	(12,750)
Increase in inventories	(5,382)	(3,206)
Change in net pension liability and pension-related deferred inflows and outflows of resources	22,711	12,806
Increase in prepaid expenses	(11,766)	(10,652)
Decrease (increase) in other assets	2,973	(9,423)
Decrease in accounts payable and accrued expenses	(68,506)	(13,933)
Increase in accrued compensated absences and other long-term liabilities	11,652	11,403
Equity income from joint ventures	(5,651)	(9,650)
Other cash payments	(42,513)	(30,931)
Total adjustments	<u>243,967</u>	<u>(70,136)</u>
Net cash provided by operating activities	<u>\$ 575,646</u>	<u>\$ 253,699</u>
Non-cash transactions		
Donated pharmaceuticals	\$ 6,338	\$ 6,843
Construction in progress accrued	\$ 46,756	\$ 53,385
Unrealized gain (loss) on investments	\$ 442,638	\$ (947,339)
Non-cash change in right to use assets	\$ 84,648	\$ 48,498
Non-cash refunding of debt	\$ 241,616	\$ -
Unrealized gain on derivative instruments	\$ 27,070	\$ 99,908

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position – Pension Trust

June 30, 2023 and 2022

(\$s in thousands)

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

Statements of Changes in Fiduciary Net Position – Pension Trust

Years Ended June 30, 2023 and 2022

(\$s in thousands)

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

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position – Health Benefits Trust

June 30, 2023 and 2022

(\$s in thousands)

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

Statements of Changes in Fiduciary Net Position – Health Benefits Trust

Years Ended June 30, 2023 and 2022

(\$s in thousands)

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

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$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’s component units are considered blended component units because UCHealth is financially accountable and their activities are significantly intertwined with UCHealth. UCHealth’s component units are as follows:

- **University of Colorado Hospital Authority (“UCHA”)** 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 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 Inpatient Pavilion 3, 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”)** 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.
- **Poudre Valley Health Care Inc. (“PVHS”)** operates two hospital facilities as follows. PVHS’s component units are considered blended component units of PVHS because their activities are significantly intertwined with PVHS. The component units are as follows:
 - **Poudre Valley Hospital (“PVH”)**, a non-sectarian, general acute care hospital, which includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado
 - **Medical Center of the Rockies (“MCR”)**, a non-sectarian, general acute care hospital

UNIVERSITY OF COLORADO HEALTH

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

(1) Organization and Mission (continued)

- **UCHealth Northern Colorado Foundation (the “UCHNC Foundation”)**, a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations
- PVHS is also the sole member of Lakota Lake, LLC; Heron Lake, LLC; and Innovation Enterprises, LLC.
- **UCHealth Medical Group (North)**, a physician group
- **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. MHS's component units are considered blended component units of MHS because their activities are significantly intertwined with MHS. The component units are as follows:
 - **Memorial Hospital Central**, a non-sectarian, general acute care hospital
 - **Memorial Hospital North**, a non-sectarian, general acute care hospital
 - **UCHealth Medical Group (South)**, a physician group
 - **Memorial Hospital Corporation**, a non-profit corporation that is controlled by MHS
- Other Hospital Entities – **Longs Peak Hospital (“LPH”)**, **UCHealth Highlands Ranch Hospital (“HRH”)**, **UCHealth Greeley Hospital (“GH”)**, **Yampa Valley Medical Center (“YVMC”)**, **UCHealth Broomfield Hospital (“BFH”)**, **UCHealth Grandview Hospital (“GVH”)**, **UCHealth Pikes Peak Regional Hospital (“PPRH”)**. All of these entities are non-sectarian, general acute care hospitals.
- Other Entities - **UCHealth Ambulatory Surgery Centers (“UCHASC”)**, **UCHealth Medical Group (Longmont and Metro Denver)**, **UCHealth Community Services (“UCHCS”)**, **UCHealth Emergency Physician Services (“UCHEPS”)**, **UCHealth Imaging Services, LLC (“UCHIS”)**, **UCHealth Laboratory Services, LLC (“UCHLS”)**, **UCHealth Centralized Pharmacy, LLC (“UCHCP”)**, **UCHealth Plan Administrators, LLC (“UCHPA”)**, **Longs Peak Hospital Foundation (“LPH Foundation”)**. These entities provide a variety of health care services in the ambulatory setting, or other support or fundraising activities for UCHealth entities.
- UCHealth was 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. During the year ended June 30, 2023, ICHealth's net assets were contributed as part of the formation of a new entity in which UCHealth holds a 45% interest. ICHealth was previously treated as a blended component unit. As a result of this contribution, the statement of net position at June 30, 2023 no longer includes ICHealth as a blended component unit.

UNIVERSITY OF COLORADO HEALTH

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

(1) Organization and Mission (continued)

During 2023, UCHHealth and its board of directors determined to seek a potential affiliation with another Colorado-based health system. UCHHealth and the other health system have signed a nonbinding letter of intent. The affiliation has not closed, but is expected to be finalized in fiscal year 2024.

The accompanying basic financial statements reflect the operations and financial position of the Health System, its component units, and its fiduciary (pension trust and health benefits trust) funds. All inter-entity transactions have been eliminated in the basic financial statements. The Health System is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the “Regents”) or any department, commission, board, or agency of the state. The Health System is not financially accountable to the Regents. 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, 2023 and 2022 (\$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, 2023 and 2022 are summarized in Tables 1 and 2, respectively.

Table 1
Condensed Combining Information
Statement of Net Position as of June 30, 2023

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 982,470	\$ 746,612	\$ 44,528	\$ (1,773,610)	\$ -
Other current assets	734,371	290,340	200,733	223,047	1,448,491
Capital assets, net of accumulated depreciation and amortization	1,245,573	516,673	592,138	1,567,580	3,921,964
Non-current receivables from affiliates	925,199	-	-	(925,199)	-
Non-current assets and other assets	<u>2,823,452</u>	<u>2,419,617</u>	<u>159,749</u>	<u>208,634</u>	<u>5,611,452</u>
Total assets	<u>6,711,065</u>	<u>3,973,242</u>	<u>997,148</u>	<u>(699,548)</u>	<u>10,981,907</u>
Deferred outflows of resources	<u>36,177</u>	<u>76,333</u>	<u>20,631</u>	<u>47,885</u>	<u>181,026</u>
Total assets and deferred outflows of resources	<u>\$ 6,747,242</u>	<u>\$ 4,049,575</u>	<u>\$ 1,017,779</u>	<u>\$ (651,663)</u>	<u>\$ 11,162,933</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 10,652	\$ 26,644	\$ (37,296)	\$ -
Other current liabilities	639,759	187,489	163,905	321,449	1,312,602
Non-current payables to affiliates	-	342,457	264,102	(606,559)	-
Other long-term liabilities	<u>1,185,313</u>	<u>168,401</u>	<u>161,612</u>	<u>220,539</u>	<u>1,735,865</u>
Total liabilities	<u>1,825,072</u>	<u>708,999</u>	<u>616,263</u>	<u>(101,867)</u>	<u>3,048,467</u>
Deferred inflows of resources	<u>12,232</u>	<u>14,131</u>	<u>12,972</u>	<u>34,410</u>	<u>73,745</u>
Net position					
Invested in capital assets, net of related debt	852,146	75,487	149,232	1,048,855	2,125,720
Restricted					
Expendable	8,869	13,570	-	21,681	44,120
Non-expendable	21,484	50,353	-	122	71,959
Unrestricted	<u>4,027,439</u>	<u>3,187,035</u>	<u>239,312</u>	<u>(1,654,864)</u>	<u>5,798,922</u>
Net position	<u>4,909,938</u>	<u>3,326,445</u>	<u>388,544</u>	<u>(584,206)</u>	<u>8,040,721</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,747,242</u>	<u>\$ 4,049,575</u>	<u>\$ 1,017,779</u>	<u>\$ (651,663)</u>	<u>\$ 11,162,933</u>

UNIVERSITY OF COLORADO HEALTH

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

(2) Condensed Combining Information (continued)

Table 2
Condensed Combining Information
Statement of Net Position as of June 30, 2022 (as restated upon adoption of GASB 94 and 96)

	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	763,239	322,985	183,376	227,088	1,496,688
Capital assets, net of accumulated depreciation and amortization	1,100,964	482,868	473,462	1,600,551	3,657,845
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>6,185,691</u>	<u>3,667,005</u>	<u>969,234</u>	<u>(598,504)</u>	<u>10,223,426</u>
Deferred outflows of resources	<u>42,242</u>	<u>82,180</u>	<u>24,830</u>	<u>47,324</u>	<u>196,576</u>
Total assets and deferred outflows of resources	<u>\$ 6,227,933</u>	<u>\$ 3,749,185</u>	<u>\$ 994,064</u>	<u>\$ (551,180)</u>	<u>\$ 10,420,002</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 9,164	\$ 5,391	\$ (14,555)	\$ -
Other current liabilities	651,352	203,935	184,020	351,809	1,391,116
Non-current payables to affiliates	-	350,538	301,478	(652,016)	-
Other long-term liabilities	1,213,538	168,760	143,786	238,902	1,764,986
Total liabilities	<u>1,864,890</u>	<u>732,397</u>	<u>634,675</u>	<u>(75,860)</u>	<u>3,156,102</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	710,906	32,438	37,181	1,056,117	1,836,642
Restricted					
Expendable	10,607	11,622	-	20,222	42,451
Non-expendable	21,483	43,945	-	495	65,923
Unrestricted	<u>3,617,374</u>	<u>2,911,432</u>	<u>321,416</u>	<u>(1,601,078)</u>	<u>5,249,144</u>
Net position	<u>4,360,370</u>	<u>2,999,437</u>	<u>358,597</u>	<u>(524,244)</u>	<u>7,194,160</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,227,933</u>	<u>\$ 3,749,185</u>	<u>\$ 994,064</u>	<u>\$ (551,180)</u>	<u>\$ 10,420,002</u>

UNIVERSITY OF COLORADO HEALTH

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

(2) Condensed Combining Information (continued)

Revenue, expenses, and changes in net position of each major blended component unit are summarized in Tables 3 and 4 for fiscal years 2023 and 2022, respectively.

Table 3
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2023

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	\$ 2,825,726	\$ 1,470,890	\$ 1,378,099	\$ 1,176,315	\$ 6,851,030
Other operating revenue	30,430	35,030	19,980	8,095	93,535
Total operating revenue	<u>2,856,156</u>	<u>1,505,920</u>	<u>1,398,079</u>	<u>1,184,410</u>	<u>6,944,565</u>
Operating expenses					
Wages, contract labor, and benefits	942,984	787,502	783,042	635,444	3,148,972
Supplies	834,382	308,604	283,721	253,331	1,680,038
Purchased services and other expenses	691,035	236,532	233,071	228,851	1,389,489
Depreciation and amortization	116,664	71,981	70,502	135,240	394,387
Total operating expenses	<u>2,585,065</u>	<u>1,404,619</u>	<u>1,370,336</u>	<u>1,252,866</u>	<u>6,612,886</u>
Operating income (loss)	<u>271,091</u>	<u>101,301</u>	<u>27,743</u>	<u>(68,456)</u>	<u>331,679</u>
Non-operating revenue and expenses					
Interest expense	(28,907)	(10,077)	(9,907)	16,140	(32,751)
Investment income (loss)	309,119	226,154	19,413	(11,488)	543,198
Unrealized gain (loss) on derivative instruments	5,813	14,352	(198)	7,103	27,070
Grant revenue	-	216	-	222	438
Other, net	<u>(10,622)</u>	<u>(7,184)</u>	<u>(9,203)</u>	<u>(3,578)</u>	<u>(30,587)</u>
Total non-operating revenue and expenses	<u>275,403</u>	<u>223,461</u>	<u>105</u>	<u>8,399</u>	<u>507,368</u>
Income (loss) before distributions and contributions	546,494	324,762	27,848	(60,057)	839,047
Distributions to minority interest in component unit	-	(1,012)	-	(315)	(1,327)
Contributions restricted	<u>3,074</u>	<u>3,258</u>	<u>2,099</u>	<u>410</u>	<u>8,841</u>
Change in net position	549,568	327,008	29,947	(59,962)	846,561
Net position, beginning of year	<u>4,360,370</u>	<u>2,999,437</u>	<u>358,597</u>	<u>(524,244)</u>	<u>7,194,160</u>
Net position, end of year	<u>\$ 4,909,938</u>	<u>\$ 3,326,445</u>	<u>\$ 388,544</u>	<u>\$ (584,206)</u>	<u>\$ 8,040,721</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$s 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, 2022 (as restated upon adoption of GASB 94 and 96)

	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	624,391	227,387	214,882	192,537	1,259,197
Depreciation and amortization	88,794	60,874	60,477	165,135	375,280
Total operating expenses	<u>2,283,327</u>	<u>1,320,213</u>	<u>1,222,455</u>	<u>1,124,137</u>	<u>5,950,132</u>
Operating income (loss)	<u>236,797</u>	<u>111,771</u>	<u>35,735</u>	<u>(60,468)</u>	<u>323,835</u>
Non-operating revenue and expenses					
Interest expense	(35,073)	(8,018)	(14,446)	13,482	(44,055)
Investment loss	(358,138)	(279,057)	(26,060)	(46,058)	(709,313)
Unrealized gain 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	<u>(10,811)</u>	<u>(6,307)</u>	<u>(8,800)</u>	<u>(5,348)</u>	<u>(31,266)</u>
Total non-operating revenue and expenses	<u>(347,465)</u>	<u>(237,525)</u>	<u>(37,860)</u>	<u>(18,415)</u>	<u>(641,265)</u>
Loss before distributions and contributions	(110,668)	(125,754)	(2,125)	(78,883)	(317,430)
Distributions to minority interest in component unit	-	(8,151)	-	-	(8,151)
Contributions restricted for capital assets	3	133	-	7	143
Contributions restricted, other	<u>2,497</u>	<u>3,618</u>	<u>63</u>	<u>181</u>	<u>6,359</u>
Change in net position	<u>(108,168)</u>	<u>(130,154)</u>	<u>(2,062)</u>	<u>(78,695)</u>	<u>(319,079)</u>
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>\$ 4,360,370</u>	<u>\$ 2,999,437</u>	<u>\$ 358,597</u>	<u>\$ (524,244)</u>	<u>\$ 7,194,160</u>

UNIVERSITY OF COLORADO HEALTH

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

(2) Condensed Combining Information (continued)

Cash flows are summarized in Tables 5 and 6 for fiscal years 2023 and 2022, respectively.

Table 5
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2023

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 191,475	\$ 95,766	\$ 94,372	\$ 194,033	\$ 575,646
Capital and related financing activities	(243,232)	(109,699)	(173,718)	(180,010)	(706,659)
Investing activities	12,624	(30,397)	74,086	(17,527)	38,786
Net (decrease) increase in cash and cash equivalents	(39,133)	(44,330)	(5,260)	(3,504)	(92,227)
Cash and cash equivalents, beginning of year	138,024	117,937	9,926	19,360	285,247
Cash and cash equivalents, end of year	<u>\$ 98,891</u>	<u>\$ 73,607</u>	<u>\$ 4,666</u>	<u>\$ 15,856</u>	<u>\$ 193,020</u>

Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2022 (as restated upon adoption of GASB 94 and 96)

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 20,900	\$ (125,941)	\$ (16,742)	\$ 375,482	\$ 253,699
Capital and related financing activities	(527,476)	(81,515)	(98,560)	(363,177)	(1,070,728)
Noncapital financing activities	9,269	18,484	11,418	5,161	44,332
Investing activities	326,156	72,854	85,891	(9,913)	474,988
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	309,175	234,055	27,919	11,807	582,956
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>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$s 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, 2023 and 2022
(\$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 and amortization reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.
- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity 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, 2023 and 2022 (\$s 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. Capital assets are defined by UCHealth as assets with an initial cost of \$5 or more and an estimated useful life in excess of one year.

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) *Leases, SBITAs and PPPs*

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

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

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

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

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

The agreement term includes the noncancelable period of the agreement.

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

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(h) Leases, SBITAs and PPPs (continued)

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

(i) Deferred Amortization on Refundings

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

(j) 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.

(k) 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.

(l) 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.

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(m) 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, 2023 and 2022 was \$4,125 and \$4,477, respectively.

(n) 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 was not owned by UCHealth when ICHHealth was classified as a blended component unit (see Note 1). For the years ended June 30, 2023 and 2022, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

June 30, 2023

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	\$ 839,047	\$ 831,689	\$ 7,358
Net distributions to minority interest in component unit	(1,327)	-	(1,327)
Contributions restricted for capital assets	-	-	-
Contributions restricted, other	<u>8,841</u>	<u>8,841</u>	<u>-</u>
Change in net position	846,561	840,530	6,031
Net position, beginning of year	<u>7,194,160</u>	<u>7,156,628</u>	<u>37,532</u>
Net position, end of year	<u><u>\$ 8,040,721</u></u>	<u><u>\$ 7,997,158</u></u>	<u><u>\$ 43,563</u></u>

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(n) *Minority Interest in Component Unit (continued)*

June 30, 2022 (as restated upon the adoption of GASB 94 and 96)

	Total	Controlling Interest	Minority Interest
(Loss) income before distributions and contributions	\$ (317,430)	\$ (322,994)	\$ 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	(319,079)	(316,492)	(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>\$ 7,194,160</u>	<u>\$ 7,156,628</u>	<u>\$ 37,532</u>

In September 2023, PVHS acquired the 12% interest in MCR that was previously not owned by PVHS.

(o) *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.

(p) *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.

(q) *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.

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(q) *Net patient service revenue (continued)*

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.

(r) *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. UCHealth 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.

(s) *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; and Heron Lake, LLC act as tax flow-through entities to PVHS, which, as noted, is tax-exempt under Section 501(c)(3) of the Code. UCHPA and UCHEPS act as tax flow-through entities to UCHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHCP acts as a tax flow-through entity to HRH. ICHealth 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 \$1,595 and \$1,720 at June 30, 2023 and 2022, respectively, for unrelated business income taxes.

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(t) *Pension Trust*

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

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

(u) *Health Benefits Trust*

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

(v) *New Accounting Pronouncements*

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 (PPPs) 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. UCHealth adopted this statement effective July 1, 2021.

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. UCHealth adopted this statement effective July 1, 2021.

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(v) New Accounting Pronouncements (continued)

The following schedule shows the impact of the adoption of GASB Statements No. 94 and 96 to the line items on the previously reported Statement of Net Position as of June 30, 2022.

	Previously Reported	Restated	Change
Prepaid expenses	\$ 111,290	\$ 95,113	\$ (16,177)
Total current assets	<u>1,512,865</u>	<u>1,496,688</u>	<u>(16,177)</u>
Capital assets, net of accumulated depreciation and amortization	<u>3,468,942</u>	<u>3,657,845</u>	<u>188,903</u>
Total non-current assets	<u>8,537,835</u>	<u>8,726,738</u>	<u>188,903</u>
Total assets	<u>10,050,700</u>	<u>10,223,426</u>	<u>172,726</u>
Deferred amortization on public private partnership	<u>-</u>	<u>53,756</u>	<u>53,756</u>
Total deferred outflows of resources	<u>142,820</u>	<u>196,576</u>	<u>53,756</u>
Total assets and deferred outflows of resources	<u>\$ 10,193,520</u>	<u>\$ 10,420,002</u>	<u>\$ 226,482</u>
Current portion of long-term debt	<u>49,105</u>	<u>86,387</u>	<u>37,282</u>
Total current liabilities	<u>1,353,834</u>	<u>1,391,116</u>	<u>37,282</u>
Long-term debt, less current portion	<u>1,321,697</u>	<u>1,461,063</u>	<u>139,366</u>
Other long-term liabilities	<u>52,132</u>	<u>107,238</u>	<u>55,106</u>
Total liabilities	<u>2,924,348</u>	<u>3,156,102</u>	<u>231,754</u>
Total liabilities and deferred inflows of resources	<u>2,994,088</u>	<u>3,225,842</u>	<u>231,754</u>
Invested in capital assets, net of related debt	<u>1,825,736</u>	<u>1,836,642</u>	<u>10,906</u>
Unrestricted net position	<u>5,265,322</u>	<u>5,249,144</u>	<u>(16,178)</u>
Total net position	<u>7,199,432</u>	<u>7,194,160</u>	<u>(5,272)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,193,520</u>	<u>\$ 10,420,002</u>	<u>\$ 226,482</u>

UNIVERSITY OF COLORADO HEALTH

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

(3) Summary of Significant Accounting Policies (continued)

(v) New Accounting Pronouncements (continued)

The following schedule shows the impact of the adoption of GASB Statements No. 94 and 96 on the previously reported Statement of Revenue, Expenses, and Changes in Net Position for the year ended June 30, 2022.

	Previously Reported	Restated	Change
Purchased services and other expenses	\$ 1,293,671	\$ 1,259,197	\$ (34,474)
Depreciation and amortization	337,771	375,280	37,509
Total operating expenses	5,947,097	5,950,132	3,035
Operating income	326,870	323,835	(3,035)
Interest expense	(41,818)	(44,055)	(2,237)
Total non-operating revenue and expenses	(639,028)	(641,265)	(2,237)
Loss before distributions and contributions	(312,158)	(317,430)	(5,272)
Change in net position	(313,807)	(319,079)	(5,272)
Net position, beginning of year	7,513,239	7,513,239	-
Net position, end of year	\$ 7,199,432	\$ 7,194,160	\$ (5,272)

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

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

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

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2023 and 2022 (\$s 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:

	2023	2022
Gross charges	\$ 29,356,345	\$ 25,835,568
Third-party contractual allowances	(21,928,947)	(19,095,106)
Indigent and charity care	(289,573)	(244,584)
Provision for bad debt	(324,032)	(263,205)
Self-pay packages and other discounts	(308,500)	(328,765)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	<u>345,737</u>	<u>288,034</u>
Net patient service revenue	<u>\$ 6,851,030</u>	<u>\$ 6,191,942</u>

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 \$2,267,860 and \$2,091,078 in 2023 and 2022, 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 Administrative Contractor (the "MAC"). The Health System's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's and GVH's Medicare cost reports have been audited and settled by the MAC through June 30, 2018. MHS's and BFH's Medicare cost reports have been audited by the MAC through June 30, 2019. PVH's, MCR's, LPH's HRH's and YVMC's Medicare cost reports have been audited and settled by the MAC through June 30, 2020. PPRH's Medicare cost reports have been audited and settled by the MAC through June 30, 2021. The Medicare cost reports for 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
June 30, 2023 and 2022
(\$s 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 and MHS's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2017. 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 \$308,500 and \$328,765 in 2023 and 2022, 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, 2023 and 2022, the Health System was charged \$284,274 and \$261,850, respectively, in Hospital provider fees and received \$355,653 and \$330,968, 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 \$130,976 and \$109,067 for the years ended June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

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

(5) Restricted and Unrestricted Pledges

The Health System records pledges as restricted or unrestricted receivables based on the donors' specifications and the Health System's satisfaction of the donors' restriction. All long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge. Total unrestricted contributions receivable, net of allowances for uncollectible receivables, which are reported within other receivables in the accompanying statements of net position, were \$1,995 and \$1,963 at June 30, 2023 and 2022, respectively. Total restricted contributions receivable, net of allowances for uncollectible receivables, were \$1,937 and \$3,215 at June 30, 2023 and 2022, respectively.

The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within other receivables in the accompanying statements of net position, were \$730 and \$1,410 at June 30, 2023 and 2022, 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 \$1,207 and \$1,805 at June 30, 2023 and 2022, 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, 2023 and 2022, UCHealth's unrestricted cash deposits had a book balance of \$193,020 and \$285,247, respectively, and a bank balance of \$271,801 and \$354,239, respectively. UCHealth's restricted investments and donor pledges included cash deposits that had a book and bank balance of \$56,285 and \$55,795 at June 30, 2023 and 2022, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are 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.

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

June 30, 2023

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Enterprise fund			
Cash and cash equivalents	\$ 193,020	\$ -	\$ 193,020
Restricted by donor	-	57,492	57,492
Other restricted		1,011	1,011
Unrestricted Investments designated for liquidity support	-	211,855	211,855
Unrestricted Long-term investments	-	2,209,260	2,209,260
Assets designated for long-term purposes	-	3,142,389	3,142,389
	<u>\$ 193,020</u>	<u>\$ 5,622,007</u>	<u>\$ 5,815,027</u>

June 30, 2022

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Enterprise fund			
Cash and cash equivalents	\$ 285,247	\$ -	\$ 285,247
Restricted by trustee under bond agreement	-	1	1
Restricted by donor	-	57,600	57,600
Other restricted	-	736	736
Unrestricted Investments designated for liquidity support	-	219,755	219,755
Unrestricted Long-term investments	-	2,055,883	2,055,883
Assets designated for long-term purposes	-	2,768,841	2,768,841
	<u>\$ 285,247</u>	<u>\$ 5,102,816</u>	<u>\$ 5,388,063</u>

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

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

	June 30,	
	2023	2022
Cash equivalents	\$ 71,034	\$ 86,948
U.S. Treasury bills	294,759	359,294
U.S. government agency, pool, and mortgage-backed securities	369,632	273,172
Asset-backed securities	286,468	264,199
Mutual bond funds	597,660	587,253
Treasury inflation protected securities ("TIPS")	258,487	261,948
Corporate bonds	466,608	567,961
Equity securities	3,164,965	2,670,820
Alternative investments	76,216	21,085
Interest and dividends receivable	1,347	1,035
Interest rate swaps	49,481	22,411
Miscellaneous investment payable	(14,650)	(13,310)
Total investments	<u>\$ 5,622,007</u>	<u>\$ 5,102,816</u>

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

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

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

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

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

(a) Credit Risk

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, 2023 and 2022. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale.

	2023		2022	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 369,632	AA+	\$ 273,172	AA+
Asset-backed securities	286,468	AA+	264,199	AA+
Mutual bond funds	597,660	BBB+	587,253	BBB+
TIPS	258,487	AA+	261,948	AA+
Corporate bonds	466,608	BBB+	567,961	BBB+

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

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

	2023		2022	
	Fair Value	Average Rating	Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 82,435	AA+	\$ 34,019	AA+
Asset-backed securities	45,140	AA+	25,872	AA+
Mutual bond funds	85,784	BB-	66,713	B+
TIPS	43,125	AAA	33,198	AAA
Corporate bonds	95,986	BBB+	118,477	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, 2023 and 2022, the enterprise fund held the following investments. Modified duration is in years.

	2023		2022	
	Fair Value	Modified Duration	Fair Value	Modified Duration
U.S. Treasury bills	\$ 294,759	10.81	\$ 359,294	8.64
U.S. government agency, pool, and mortgage-backed securities	369,632	6.36	273,172	7.40
Asset-backed securities	286,468	2.30	264,199	2.00
Mutual bond funds	597,660	4.36	587,253	4.36
TIPS	258,487	5.38	261,948	5.93
Corporate bonds	466,608	3.89	567,961	5.56

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

(b) Interest Rate Risk (continued)

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

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

(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.

UNIVERSITY OF COLORADO HEALTH

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

(6) Deposits and Investments (continued)

(c) Foreign Currency Risk (continued)

UCHealth's enterprise and pension trust fund investments are exposed to foreign currency risk as illustrated in the following table as of June 30, 2023 and 2022.

Currency	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
	2023	2022	2023	2022
Argentinean Peso	\$ 314	\$ -	\$ 167	\$ -
Australian Dollar	23,554	39,420	10,753	15,786
Bahraini Dinar	(50)	(99)	(48)	(79)
Brazilian Real	15,561	12,963	2,942	4,643
Canadian Dollar	28,596	33,906	14,326	13,356
Chilean Peso	(3,098)	590	(1,842)	559
Chinese Yuan Reminbi	29,939	23,529	18,070	22,964
Colombian Peso	1,774	3,828	908	2,863
Czech Koruna	(4,845)	(2,692)	(4,456)	(2,391)
Danish Krone	14,033	11,098	3,850	3,972
Egyptian Pound	2,170	795	1,656	653
Euro	177,386	132,048	74,546	54,407
Hong Kong Dollar	24,724	22,882	17,069	6,362
Hungarian Forint	(2,769)	4,577	(2,252)	3,681
Iceland Krona	4	-	-	-
Indian Rupee	26,169	28,557	14,669	16,143
Indonesian Rupiah	3,872	1,894	1,980	1,099
Israel New Shekel	3,413	(2,679)	2,432	(1,140)
Japanese Yen	141,019	97,762	55,727	43,819
Kuwaiti Dinar	17	26	327	224
Malaysian Ringgit	72	729	453	402
Mexican Peso	6,729	8,312	4,830	5,556
New Zealand Dollar	(808)	2,459	(357)	1,848
Norwegian Krone	30,912	18,638	187	1,655
Omani Rial	(50)	-	(12)	-
Pakistani Rupee	1	2	-	-
Peru Newsol	1,054	1,080	1,078	443
Philippine Peso	3,937	8,224	2,885	5,965
Polish Zloty	(993)	2,394	(1,053)	1,104
Qatari Riyal	(349)	(67)	299	210
Romanian Leu	(30)	4,087	-	3,273
Russian Ruble	2,645	4,207	383	2,529
Saudi Riyal	357	47	1,950	1,511
Serbian Dinar	745	-	-	-
Singapore Dollar	1,249	(1,314)	(1,494)	(2,107)
South African Rand	9,161	7,366	3,605	2,307
South Korean Won	27,681	18,936	12,770	10,762
Swedish Krona	11,540	11,869	5,948	4,999
Swiss Franc	45,017	44,560	19,502	19,234
Taiwan New Dollar	26,824	5,762	15,780	4,658
Thailand Baht	(349)	(2,621)	515	(328)
Turkish Lira	11,019	6,208	8,525	5,201
United Arab Emirates Dirham	1,843	1,018	1,626	1,127
United Kingdom Pound Sterling	101,855	88,638	41,654	27,090
	<u>\$ 761,845</u>	<u>\$ 638,939</u>	<u>\$ 329,898</u>	<u>\$ 284,360</u>

UNIVERSITY OF COLORADO HEALTH

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

(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, 2023 and confirmed that no more than 5% of total investments are held in any one issuer, except for securities issued by the U.S. government and its agencies.

Additionally, 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, 2023, 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, 2023 and 2022, UCHealth was party to 4 swap agreements as follows:

- A floating-to-fixed swap agreement having an original notional value of \$198,805 and a current notional value of \$195,575, 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, 2023 and 2022, this swap had an approximate fair value of \$12,286 and \$2,668, 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, 2023 and 2022, this swap had an approximate fair value of \$148 and \$749, respectively.

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

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

- 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, 2023 and 2022, this swap had an approximate fair value of \$13,968 and \$3,019, 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, 2023 and 2022, this swap had an approximate fair value of \$23,079 and \$15,975, respectively.

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

In fiscal year 2023 and 2022, the swaps produced annual net cash inflows (outflows) of \$6,831 and (\$29,984), 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 within long term investments 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.

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

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

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 UCHHealth's own assumptions.

As of June 30, 2023 and 2022, the enterprise fund held the following investments, by level, within the fair value hierarchy.

		June 30, 2023			
		Total	Level 1	Level 2	Level 3
Investments by fair value level					
U.S. Treasury bills	\$	294,759	\$ -	\$ 294,759	\$ -
U.S. government agency, pool, and mortgage-backed securities		369,632	-	369,632	-
Asset-backed securities		286,468	-	286,468	-
Mutual bond funds		597,660	208,202	389,458	-
TIPS		258,487	134,158	124,329	-
Corporate bonds		466,608		466,608	-
Equity securities		3,164,965	1,625,816	1,539,137	12
Alternative investments		76,216	-	-	76,216
Interest rate swaps		49,481	-	-	49,481
Total investments by fair value level	\$	<u>5,564,276</u>	<u>\$ 1,968,176</u>	<u>\$ 3,470,391</u>	<u>\$ 125,709</u>
		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
Interest rate swaps		22,411	-	-	22,411
Total investments by fair value level	\$	<u>5,028,143</u>	<u>\$ 1,709,535</u>	<u>\$ 3,275,100</u>	<u>\$ 43,508</u>

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

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2023 and 2022, the pension trust fund held the following investments, by level, within the fair value hierarchy.

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

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

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

(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,	
	2023	2022
Enterprise fund investments		
Total investments by fair value level	\$ 5,564,276	\$ 5,028,143
Cash equivalents	71,034	86,948
Interest and dividends receivable	1,347	1,035
Miscellaneous investment payable	<u>(14,650)</u>	<u>(13,310)</u>
Total enterprise fund investments	<u>\$ 5,622,007</u>	<u>\$ 5,102,816</u>
Pension trust fund investments		
Total investments by fair value level	\$ 1,551,309	\$ 1,336,829
Cash equivalents	23,680	18,791
Interest and dividends (payable) receivable	(46)	7
Miscellaneous investment payable	<u>(10,827)</u>	<u>(737)</u>
Total pension trust fund investments	<u>\$ 1,564,116</u>	<u>\$ 1,354,890</u>

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Notes to Basic Financial Statements June 30, 2023 and 2022 (\$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, 2023 and 2022, equity interests in joint ventures held by UCHealth and its component units ranged from 5% to 50% and totaled \$53,999 and \$44,894, respectively.

Lakota Lake, LLC ("Lakota Lake") has a 50% equity interest in Gateway Medical Services, LLC ("Gateway") totaling \$4,428 and \$4,279 at June 30, 2023 and 2022, respectively. Lakota Lake's share of Gateway's net income was \$232 and \$422 for the years ended June 30, 2023 and 2022, respectively. Lakota Lake received distributions from Gateway of \$83 and \$840 during the years ended June 30, 2023 and 2022, respectively. Gateway's financial statements are separately audited.

PVHS has a 50% equity interest in OCR Loveland ASC & CCC, LLC ("OCRL") totaling \$21,661 and \$21,816 at June 30, 2023 and 2022, respectively. PVHS's share of OCRL's net income was \$3,440 and \$2,877 for the years ended June 30, 2023 and 2022, respectively. PVHS received distributions from OCRL of \$3,595 and \$2,662 during the years ended June 30, 2023 and 2022, respectively. PVHS made contributions of \$15,445 to OCRL during the year ended June 30, 2022; no contributions were made during the year ended June 30, 2023.

GH has a 50% interest in OCR Greeley Real Estate, LLC ("OCRG") totaling \$6,426 at June 30, 2023. GH made contributions of \$6,426 to OCRG during the year ended June 30, 2023. OCRG has not yet commenced operations as of June 30, 2023.

UCHealth has a 50% equity interest in AML JV, LLC ("AML") totaling \$7,057 at June 30, 2023. UCHealth's share of AML's net loss was \$3,643 for the year ended June 30, 2023. UCHealth made contributions of \$10,700 to AML during the year ended June 30, 2023.

UCHealth and its component units have equity ownership interests ranging from 5% to 50% in other joint ventures totaling \$14,427 and \$18,799 for the years ended June 30, 2023 and 2022, respectively. UCHealth and its component units' share of the other joint ventures' net income was \$2,835 and \$6,272 for the years ended June 30, 2023 and 2022, respectively. UCHealth and its component units received \$7,707 and \$6,970 in distributions from these other joint ventures during the years ended June 30, 2023 and 2022, respectively. UCHealth and its component units made contributions of \$500 and \$850 to these other joint ventures during the years ended June 30, 2023 and 2022, respectively.

UCHealth has a minority interest in Catapult Health, LLC of \$7,000 at June 30, 2023 and 2022, which is accounted for under the cost method. UCHealth has a minority interest in Acclara Solutions, LLC ("Acclara") of \$10,000 at June 30, 2023 and 2022, which is accounted for under the cost method. UCHealth has a minority interest in LeanTaaS of \$6,372 at June 30, 2023 and 2022, which is accounted for under the cost method. UCHA has a minority interest in TriWest Healthcare Alliance Corp. ("TriWest") of \$6,000 at June 30, 2023 and 2022, which is accounted for under the cost method. UCHealth has investments in other minority interests of \$21,646 and \$18,682 at June 30, 2023 and 2022, respectively, which are accounted for under the cost method. UCHealth made contributions to minority interests in other entities of \$4,115 and \$4,400 during the years ended June 30, 2023 and 2022, respectively. UCHealth wrote off a cost-method investment of \$1,151 during the year ended June 30, 2023; there were no such write offs during the year ended June 30, 2022.

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

(10) Capital Assets

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

	June 30, 2021	Additions	Transfers	Disposals	June 30, 2022	Additions	Transfers	Disposals	June 30, 2023
Capital assets, not being depreciated									
Land	\$ 128,089	\$ 1,135	\$ 518	\$ (500)	\$ 129,242	\$ -	\$ 25	\$ (96)	\$ 129,171
Construction in progress	296,121	386,125	(140,752)	(99)	541,395	405,464	(424,946)	-	521,913
Total capital assets, not being depreciated	424,210	387,260	(140,234)	(599)	670,637	405,464	(424,921)	(96)	651,084
Capital assets, being depreciated									
Buildings and improvements	3,314,564	84,588	81,275	(27,060)	3,453,367	841	391,927	(950)	3,845,185
Fixed and moveable equipment	1,652,354	71,709	58,959	(9,248)	1,773,774	152,270	32,994	(22,592)	1,936,446
Right to use assets - land	27,920	8	-	-	27,928	-	-	(259)	27,669
Right to use assets - buildings	284,914	7,663	-	(18,499)	274,078	42,594	-	(35,041)	281,631
Right to use assets - equipment	30,729	2,774	-	(2,493)	31,010	17,101	-	(2,519)	45,592
Right to use assets - PPP	60,913	-	-	-	60,913	-	-	-	60,913
Right to use assets - SBITA	123,913	40,237	-	(2,077)	162,073	24,953	-	(12,630)	174,396
Total capital assets, being depreciated	5,495,307	206,979	140,234	(59,377)	5,783,143	237,759	424,921	(73,991)	6,371,832
Accumulated depreciation, amortization and impairment									
Buildings and improvements	1,181,154	134,226	314	(18,068)	1,297,626	139,130	-	(950)	1,435,806
Fixed and moveable equipment	1,173,100	163,465	(314)	(9,037)	1,327,214	164,887	-	(22,507)	1,469,594
Right to use assets - land	4,862	984	-	-	5,846	637	-	(863)	5,620
Right to use assets - buildings	103,616	29,971	-	(17,548)	116,039	31,462	-	(45,421)	102,080
Right to use assets - equipment	10,959	6,661	-	(2,493)	15,127	7,843	-	(2,441)	20,529
Right to use assets - PPP	-	1,492	-	-	1,492	1,491	-	-	2,983
Right to use assets - SBITA	-	34,668	-	(2,077)	32,591	44,379	-	(12,630)	64,340
Total accumulated depreciation, amortization and impairment	2,473,691	371,467	-	(49,223)	2,795,935	389,829	-	(84,812)	3,100,952
Total capital assets, net	\$ 3,445,826	\$ 222,772	\$ -	\$ (10,753)	\$ 3,657,845	\$ 253,394	\$ -	\$ 10,725	\$ 3,921,964

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Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$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,	
	2023	2022
Medicare	26%	26%
Medicaid	14%	16%
Managed care	39%	39%
Commercial	3%	3%
Self-pay and medically indigent	13%	9%
Military and other governmental	1%	2%
Other	4%	5%

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, 2023 and 2022 (\$s in thousands)

(12) Long-Term Debt, Leases, and SBITA and PPP Liabilities

Long-term debt consists of the following:

Issuing Entity	Type	Description	2023	2022
Combined	Direct Borrowing	Lease liabilities	\$ 233,416	\$ 213,248
Combined	Direct Borrowing	SBITA liabilities	97,056	116,816
Combined	Direct Borrowing	PPP liabilities	59,709	59,832
MHS	Direct Borrowing	City of Colorado Springs agreement, long term, due in installments through September 30, 2042	81,523	84,585
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
UCHA	Direct Placement	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
UCHA	Direct Placement	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	196,375	196,915
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	16,155	23,730
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	Direct Placement	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 \$5,254 and \$9,220 at June 30, 2023 and 2022, respectively	128,039	132,005
UCHA	Direct Placement	Revenue Bonds, Series 2019D, due in installments through fiscal year 2049	50,000	50,000
UCHA	Direct Placement	Revenue Bonds, Series 2022A, due in installments through fiscal year 2030	115,283	-
UCHA	Direct Placement	Revenue Bonds, Series 2022B, due in installments through fiscal year 2030	115,282	-
		Total long-term debt	1,737,458	1,767,205
		Less current portion	(103,069)	(86,387)
		Less long-term debt subject to short-term remarketing arrangements	(211,855)	(219,755)
			<u>\$ 1,422,534</u>	<u>\$ 1,461,063</u>

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

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

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

Entity	2023	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	\$ 213,248	\$ 59,695	\$ -	\$ (39,527)	\$ 233,416	\$ 32,054
Combined	SBITA liabilities	Direct Borrowing	Various	116,816	24,953	-	(44,713)	97,056	33,579
Combined	PPP liabilities	Direct Borrowing	Various	59,832	-	-	(123)	59,709	164
MHS	City of Colorado Springs agreement	Direct Borrowing	10/01/12	84,585	-	-	(3,062)	81,523	3,157
UCHA	Series 2012A	Other Bonds	10/01/12	245,454	(241,616)	(278)	(3,560)	-	-
UCHA	Series 2012C	Direct Placement	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2015D	Direct Placement	09/01/15	196,915	-	-	(540)	196,375	450
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	23,730	-	-	(7,575)	16,155	7,900
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	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
UCHA	Series 2019C	Other Bonds	10/30/19	132,005	-	(3,966)	-	128,039	-
UCHA	Series 2019D	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
UCHA	Series 2022A	Direct Placement	11/15/22	-	115,283	-	-	115,283	12,883
UCHA	Series 2022B	Direct Placement	11/15/22	-	115,282	-	-	115,282	12,882
Total				<u>\$ 1,767,205</u>	<u>\$ 73,597</u>	<u>\$ (4,244)</u>	<u>\$ (99,100)</u>	<u>\$ 1,737,458</u>	<u>\$ 103,069</u>

UNIVERSITY OF COLORADO HEALTH

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

(12) Long-Term Debt, Leases, and SBITA and PPP Liabilities (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
Combined	SBITA liabilities	Direct Borrowing	Various	110,047	40,236	-	(33,467)	116,816	37,159
Combined	PPP liabilities	Direct Borrowing	Various	59,917	-	-	(85)	59,832	123
MHS	City of Colorado Springs agreement	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 2013B	Direct Placement	11/18/13	-	-	-	-	-	-
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	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
UCHA	Series 2019C	Other Bonds	10/30/19	135,970	-	(3,965)	-	132,005	-
UCHA	Series 2019D	Direct Placement	10/28/19	50,000	-	-	-	50,000	-
Total				<u>\$ 2,241,024</u>	<u>\$ (142,887)</u>	<u>\$ (6,935)</u>	<u>\$ (323,997)</u>	<u>\$ 1,767,205</u>	<u>\$ 86,387</u>

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

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

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

Year Ending June 30,	Principal	Interest	Total
2024	29,372	13,802	43,174
2025	34,860	13,237	48,097
2026	44,121	12,547	56,668
2027	44,961	11,791	56,752
2028	32,888	11,149	44,037
2029-2033	100,181	48,750	148,931
2034-2038	84,679	41,911	126,590
2039-2043	150,791	29,772	180,563
2044-2048	253,345	12,379	265,724
2049-2050	72,850	456	73,306
Total long-term debt payments	848,048	<u>\$ 195,794</u>	<u>\$ 1,043,842</u>
Other bonds	493,975		
Lease liabilities	233,416		
SBITA liabilities	97,056		
PPP liabilities	59,709		
Unamortized net premium and discount	<u>5,254</u>		
Total carrying amount of long-term debt	<u>\$ 1,737,458</u>		

Annual debt service requirements for other bonds are as follows:

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

UNIVERSITY OF COLORADO HEALTH

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

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

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 2023 and 2116. The discount rates applicable to these leasing arrangements range from 0.16% to 13.23%.

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

Year Ending June 30,	Principal	Interest	Total
2024	32,054	4,691	36,745
2025	33,138	3,999	37,137
2026	30,362	3,361	33,723
2027	24,279	2,789	27,068
2028	19,754	2,308	22,062
2029-2033	73,856	5,942	79,798
2034-2038	8,928	1,775	10,703
2039-2043	264	1,422	1,686
2044-2048	302	1,385	1,687
2049-2053	334	1,343	1,677
Thereafter	10,145	10,480	20,625
Total lease payments	\$ 233,416	\$ 39,495	\$ 272,911

UCHealth obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly, quarterly or annually. Subscription asset activity of UCHealth is included in Note 10.

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

Year Ending June 30,	Principal	Interest	Total
2024	33,579	1,241	34,820
2025	14,264	859	15,123
2026	10,764	613	11,377
2027	11,363	420	11,783
2028	8,263	306	8,569
2029-2031	18,823	288	19,111
Total lease payments	\$ 97,056	\$ 3,727	\$ 100,783

UNIVERSITY OF COLORADO HEALTH

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

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

As of June 30, 2023 and 2022, UCHealth has \$538 and \$15,092, respectively, in commitments related to subscriptions for which the subscription term has not commenced.

In 1994, PVHS entered into an agreement with the Poudre Valley Hospital District (the “District”), which was subsequently amended and extended in 2012, under which PVHS operates Poudre Valley Hospital and related healthcare operations through April 30, 2062. UCHealth has recognized a PPP liability for future installment payments using a discount rate of 1.9%. UCHealth has recognized an other long-term liability of \$55,106 at June 30, 2023 and 2022, representing the expected carrying value of assets to be transferred back to the District upon termination of the lease, if it is not extended. UCHealth has recognized a deferred outflow for PPP of \$52,406 and \$53,756 at June 30, 2023 and 2022, respectively. PPP asset activity of UCHealth is included in Note 10.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	164	1,142	1,306
2025	206	1,139	1,345
2026	250	1,135	1,385
2027	297	1,130	1,427
2028	345	1,124	1,469
2029-2033	2,536	5,502	8,038
2034-2038	4,120	5,199	9,319
2039-2043	6,073	4,730	10,803
2044-2048	8,466	4,057	12,523
2049-2053	11,382	3,135	14,517
Thereafter	<u>25,870</u>	<u>2,320</u>	<u>28,190</u>
Total lease payments	<u>\$ 59,709</u>	<u>\$ 30,613</u>	<u>\$ 90,322</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 agreement is for a 40-year term with renewals or extensions anticipated. The installment payments totaled \$110,000 and will be paid down in monthly payments through 2042. Effective May 1, 2017, MHS entered into a Ground Sublease with Children’s Hospital Colorado (the “Ground Sublease”) for 15% of the original agreement amount under the Health System Operating Lease Agreement with the City. Future minimum payments under the Ground Sublease are \$14,160 and \$14,457 at June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

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

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

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

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, 2023 and 2022, the principal amount of such bonds has been classified as a current liability in the accompanying statements of net position. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

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

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

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

In July 2018, UCHA issued Series 2018A Revenue Bonds ("Series 2018A") in the amount of \$45,915 to fully refund PVHS Series 2005A bonds. Series 2018A were issued as variable-rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2023 and 2022, 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
June 30, 2023 and 2022
(\$s in thousands)

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

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. UCHealth has a Standby Bond Purchase Agreement with TD Bank to provide liquidity support for Series 2018B. The Standby Bond Purchase Agreement expires on February 8, 2028 unless extended by the bank.

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

In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of \$152,075 to fully refund UCHA Series 2015A Revenue Bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of \$152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 40 basis points. UCHealth settles with the counterparty 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, 2023 and 2022, 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 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.

UNIVERSITY OF COLORADO HEALTH

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

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

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 had an optional redemption date of November 2022, at which time UCHA issued the 2022A and 2022B bonds to refinance and fully defease the 2012A bonds in full. As part of the defeasance, the difference between the reacquisition price and the net carrying amount of the old debt, including unamortized premium and discount, was recognized as a deferred inflow of resources on the statements of net position.

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.

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

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

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

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

Cash paid for interest was \$35,078 and \$47,739 in 2023 and 2022, respectively. UCHealth paid \$2,405 and \$2,237 in debt issuance costs during the years ended June 30, 2023 and 2022, respectively.

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

UNIVERSITY OF COLORADO HEALTH

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

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

(14) Self-insurance Program

UCHealth has 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 \$1,871 and \$4,344 during the years ending June 30, 2023 and 2022, respectively. Reserves for claims incurred but not yet paid were \$11,057 and \$9,073 at June 30, 2023 and 2022, respectively. Reserves for claims incurred but not yet paid are estimated based upon historical claims experience and actuarial development factors. Actual results could differ from those estimates.

(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 \$369,728 and \$349,158 during the years ending June 30, 2023 and 2022, respectively. UCHealth recognized reserves for claims incurred but not yet paid of \$29,344 and \$28,150 and at June 30, 2023 and 2022, respectively. Reserves for claims incurred but not yet paid are estimated based upon historical claims experience and actuarial development factors. Actual results could differ from those estimates.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
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(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”).

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.

UNIVERSITY OF COLORADO HEALTH

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

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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. The actuarially computed net periodic pension cost for the Basic Pension Plan for 2023 and 2022 was \$167,911 and \$135,706, respectively. Investment gains (losses) for 2023 and 2022, including interest, dividends, and realized and unrealized gains (losses), were \$117,645 and (\$110,006), respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2022 and 2021 (dates of the latest actuarial valuations):

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

UNIVERSITY OF COLORADO HEALTH

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

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

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 \$145,200 and \$122,900 in 2023 and 2022, respectively. The actuarially determined contributions were \$145,195 and \$119,905 in 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, the Health System's average contribution rates were 6.39% and 6.46%, respectively, of annual payroll.

The Health System's net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022 and 2021, respectively. 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.

Additional information as of the latest actuarial valuation date follows:

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

* Includes inflation at 2.25%.

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

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

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

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$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, 2022 and 2021. All figures shown are nominal (i.e., inclusive of inflation):

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

UNIVERSITY OF COLORADO HEALTH

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

(16) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the net pension liability (asset) for the years ended June 30, 2023 and 2022 were as follows.

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

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

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2023 and 2022 (\$s 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 (asset)			
June 30, 2023	\$ 467,849	\$ 202,188	\$ (14,657)
June 30, 2022	428,670	196,685	6,877

At June 30, 2023 and 2022, 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, 2023		
Differences between expected and actual experience	\$ 36,407	\$ -
Changes in assumptions	26,348	1,187
Net difference between projected and actual earnings on pension plan investments	16,297	-
Total	<u>\$ 79,052</u>	<u>\$ 1,187</u>
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	<u>\$ 98,298</u>	<u>\$ 3,225</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2023 and 2022
(\$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:

Year Ending June 30,

2024	\$	18,269
2025		10,864
2026		51,079
2027		(2,347)
	\$	<u>77,865</u>

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

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 \$26 and \$39 for 2023 and 2022, respectively. Required contributions during fiscal years 2023 and 2022 were \$26 and \$39, respectively. UCHA contributed 100% of each year's required contribution. As 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, 2023 and 2022, was \$2,461,149 and \$2,220,723, respectively. Total employee contributions made under the provisions of this plan were \$140,115 and \$123,106 for the years ended June 30, 2023 and 2022, respectively. This represents 5.69% and 5.54% of payroll for the years ended June 30, 2023 and 2022, 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 UCHHealth were \$1,769 and \$1,210 in 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

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

(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 2023 and 2022 were \$48,810 and \$45,404, 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 2023 and 2022 were \$128,986 and \$116,032, 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 2023 and 2022 were \$42 and \$150, respectively. Employee contributions to the Fidelity 457b Plan in 2023 and 2022 were \$24,552 and \$20,354, 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 \$1,950 and \$2,245 at June 30, 2023 and 2022, respectively. Total benefit costs related to this plan were (\$96) and (\$417) for the years ended June 30, 2023 and 2022, respectively. In the calculation of the liability an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan was used. The discount rate used to measure the liability was 3.65% and 3.54% at June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2023 and 2022 (\$s 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 bond proceeds of \$25,765 and \$3,560 at June 30, 2023 and 2022, respectively; amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of \$7,900 and \$7,575, respectively; \$4,456 and \$4,078 related to interest due on intercompany bonds from MHS, PVHS, and Other Entities at June 30, 2023 and 2022, respectively; and \$944,349 and \$824,059 at June 30, 2023 and 2022, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include \$746,612 and \$699,778 at June 30, 2023 and 2022, respectively, related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include \$44,528 and \$101,736 at June 30, 2023 and 2022, 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 bond proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of \$264,102 and \$301,478 at June 30, 2023 and 2022, 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 \$342,457 and \$350,538 at June 30, 2023 and 2022, respectively. Total non-current assets of UCHA include a receivable from Other Entities related to bonds issued for the acquisition of capital assets of \$308,299 and \$311,653 at June 30, 2023 and 2022, respectively.

Total current liabilities of MHS at June 30, 2023 and 2022 include \$25,765 and \$3,560, respectively, due to UCHA for bond proceeds, and \$879 and \$1,831, respectively, related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2023 and 2022 include \$7,900 and \$7,575, 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, 2023 and 2022 include a payable to affiliates of \$2,752 and \$1,591, respectively, related to accrued interest on bond proceeds. Total current liabilities of Other Entities at June 30, 2023 and 2022 include a payable to affiliates of \$825 and \$657, 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 \$1,692,050 and \$1,600,533 related to transactions between Other Entities, the Health System and other component units at June 30, 2023 and 2022, respectively. The Health System has a payable to affiliates that is comprised of amounts due (to) from component units of (\$43,439) and (\$25,040) related to transactions between the Health System and UCHA, PVHS, MHS and Other Entities at June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

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

(17) Significant Transactions Between Component Units (continued)

Total non-current liabilities of MHS at June 30, 2023 and 2022 include a payable to affiliates of \$264,102 and \$301,478, 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, 2023 and 2022 include a payable to affiliates of \$342,457 and \$350,538, 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, 2023 and 2022 include a payable to affiliates of \$308,299 and \$311,653, 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, 2023 and 2022. PVHS's portion of pooled cash at June 30, 2023 and 2022 was \$78,041 and \$107,404, respectively. PVHS's portion of pooled investments at June 30, 2023 and 2022 was \$2,341,013 and \$2,087,089, respectively. UCHA's portion of pooled cash at June 30, 2023 and 2022 was \$98,711 and \$137,736, respectively. UCHA's portion of pooled investments at June 30, 2023 and 2022 was \$2,961,068 and \$2,676,609, respectively. MHS's portion of pooled cash at June 30, 2023 and 2022 was \$4,653 and \$9,918, respectively. MHS's portion of pooled investments at June 30, 2023 and 2022 was \$139,583 and \$192,700, respectively. Other Entities' portion of pooled cash at June 30, 2023 and 2022 was \$1,815 and \$2,481, respectively. Other Entities portion of pooled investments at June 30, 2023 and 2022 was \$54,444 and \$48,211, 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, 2023 and 2022
(\$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 \$73,085 and \$71,687 for these services, which are recorded in purchased services and other expenses in 2023 and 2022, respectively.

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

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

Effective July 1, 2014, UCHealth entered into a five-year academic support agreement with the University of Colorado School of Medicine, which was subsequently amended to extend it with rolling three-year terms requiring written notice of nonrenewal no later than June 30 of each year if UCHealth is not going to renew 24 months from the date of the notice. The academic support donation for the year ended June 30, 2023 is estimated at \$17,389. The amount paid for the academic support donation for the year ended June 30, 2022 was \$18,417. 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 \$19,041 and \$15,997 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

UNIVERSITY OF COLORADO HEALTH

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

(18) Related-Party Transactions (continued)

(c) CU Medicine

During the years ended June 30, 2023 and 2022, UCHHealth recognized \$271,850 and \$276,498, 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 UCHHealth (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).

UCHHealth recorded net payables to CU Medicine of \$21,197 and \$20,799 at June 30, 2023 and 2022, respectively, for various contract labor and provider support expenses and TriWest pass-through balances. UCHHealth has also entered into various long-term lease financing agreements, leased employee agreements and other services agreements with CU Medicine. UCHHealth recorded net receivables from CU Medicine of \$11,720 and \$19,675 at June 30, 2023 and 2022, 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, 2023 and 2022, of \$40,390 and \$42,577, 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 \$630 and \$507 at June 30, 2023 and 2022, respectively, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other non-current assets is \$13,530 and \$13,950 at June 30, 2023 and 2022, respectively, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2023 and 2022 is \$659 and \$602, 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 \$2,001 and \$1,473 at June 30, 2023 and 2022, respectively.

UNIVERSITY OF COLORADO HEALTH

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

(18) Related-Party Transactions (continued)

(e) 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 had a receivable from Colorado Access for a loan outstanding of \$651 at June 30, 2022, which was fully paid down during 2023.

(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, 2023, UCHealth has committed contract expenditures for these significant projects of \$330,038.

(20) COVID Relief Funding

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

UNIVERSITY OF COLORADO HEALTH

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

(20) COVID Relief Funding (continued)

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

During the years ended June 30, 2023 and 2022, UCHealth received payments of \$0 and \$44,332, respectively, as part of general and targeted distributions of the CARES Act Provider Relief Fund and American Rescue Plan (ARP) Rural Payments. These payments are not subject to repayment, provided UCHealth is able to attest to and comply with the terms and conditions of the funding including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and American Rescue Plan (ARP) programs and the impact of the pandemic on UCHealth's operating results through June 30, 2023, UCHealth believes that they have complied with the applicable terms and conditions required to retain the funds are met as of June 30, 2023 and 2022. Therefore, UCHealth has recognized \$438 and \$43,461 as grant revenue on the statement of revenue, expenses, and changes in net position for the years ended June 30, 2023 and 2022, respectively.

HHS' requirements for the uses of the Provider Relief Fund and the American Rescue Plan (ARP) payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as revenue during the years ended June 30, 2023 and 2022. If UCHealth is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

June 30, 2023 and 2022

(\$s in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

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

Note to Schedule:

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

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

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

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

UNIVERSITY OF COLORADO HEALTH

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

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

Note to Schedule (continued):

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

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

UNIVERSITY OF COLORADO HEALTH

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

Schedule of Contributions (Last 10 Fiscal Years)

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal, Level Percent of Pay

Amortization method Straight Line

Asset valuation method Fair Value

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

Projected salary increases In the 2022 valuation, 3.25% to 8.75%, with a one time load for FYE 2023 of (2.10%). In the 2021 and 2020 valuations, 3.05% to 7.25%, with one time loads for FYE 2022 and 2023 of 4.44% and (2.10%), respectively. In the 2019 and prior valuations, 3.3% to 7.5%

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

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

UNIVERSITY OF COLORADO HEALTH

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

Schedule of Pension Plan Investment Returns

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

SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Net Position

June 30, 2023

(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	\$ 98,745	\$ 78,073	\$ 4,668	\$ 4,117	\$ -	\$ 185,603	\$ 3,279	\$ 4,138	\$ -	\$ 193,020
Patient accounts receivable, net of allowances for uncollectible accounts	269,252	154,837	144,960	118,878	-	687,927	-	6,907	-	694,834
Other receivables	46,856	11,855	9,964	24,366	-	93,041	442	3,005	-	96,488
Receivables from affiliates	943,153	703,506	44,528	-	(1,625,528)	65,659	-	-	(65,659)	-
Inventories	55,794	27,670	26,134	25,331	-	134,929	-	10,486	-	145,415
Prepaid expenses	49,727	14,041	15,007	27,395	-	106,170	72	637	-	106,879
Investments designated for liquidity support	211,855	-	-	-	-	211,855	-	-	-	211,855
Total current assets	1,675,382	989,982	245,261	200,087	(1,625,528)	1,485,184	3,793	25,173	(65,659)	1,448,491
Non-current assets:										
Restricted investments, other	681	-	-	330	-	1,011	-	-	-	1,011
Restricted investments and donor pledges	4,796	-	-	14,225	-	19,021	-	42,470	(3,999)	57,492
Capital assets, net of accumulated depreciation and amortization	1,245,573	516,652	592,138	1,547,212	-	3,901,575	159	20,188	42	3,921,964
Long-term investments	1,325,715	832,662	-	-	-	2,158,377	-	50,883	-	2,209,260
Assets designated for long-term purposes	1,437,614	1,510,748	139,583	54,444	-	3,142,389	-	-	-	3,142,389
Long-term receivables from affiliates	925,199	-	-	-	(925,199)	-	-	-	-	-
Other investments	6,000	79,591	2,427	64,342	(1,519)	150,841	-	5,274	(51,098)	105,017
Other assets	3,262	17,888	17,739	57,254	-	96,143	-	140	-	96,283
Total non-current assets	4,948,840	2,957,541	751,887	1,737,807	(926,718)	9,469,357	159	118,955	(55,055)	9,533,416
Total assets	6,624,222	3,947,523	997,148	1,937,894	(2,552,246)	10,954,541	3,952	144,128	(120,714)	10,981,907
Deferred Outflows of Resources										
Deferred amortization on refundings	12,333	33	-	-	-	12,366	-	-	-	12,366
Deferred amortization related to pension plan	23,844	23,894	16,701	14,613	-	79,052	-	-	-	79,052
Deferred amortization on public private partnership	-	52,406	-	-	-	52,406	-	-	-	52,406
Deferred amortization on acquisitions	-	-	3,930	32,696	-	36,626	-	576	-	37,202
Total deferred outflows of resources	36,177	76,333	20,631	47,309	-	180,450	-	576	-	181,026
Total assets and deferred outflows of resources	\$ 6,660,399	\$ 4,023,856	\$ 1,017,779	\$ 1,985,203	\$ (2,552,246)	\$ 11,134,991	\$ 3,952	\$ 144,704	\$ (120,714)	\$ 11,162,933
Liabilities and Net Position										
Current liabilities:										
Current portion of long-term debt	\$ 37,870	\$ 5,314	\$ 11,969	\$ 47,510	\$ -	\$ 102,663	\$ 32	\$ 374	\$ -	\$ 103,069
Accounts payable and accrued expenses	240,266	107,739	111,763	180,155	-	639,923	284	9,794	-	650,001
Accounts payable - construction	25,445	10,982	-	10,329	-	46,756	-	-	-	46,756
Accrued compensated absences	31,717	28,809	23,148	44,267	-	127,941	249	1,127	-	129,317
Payables to affiliates	-	10,652	26,644	1,592,390	(1,625,528)	4,158	2,989	62,671	(69,818)	-
Accrued interest payable	3,920	84	-	-	-	4,004	-	-	-	4,004
Estimated third-party settlements, net	88,685	33,442	17,025	28,448	-	167,600	-	-	-	167,600
Long-term debt subject to short-term remarketing	211,855	-	-	-	-	211,855	-	-	-	211,855
Total current liabilities	639,758	197,022	190,549	1,903,099	(1,625,528)	1,304,900	3,554	73,966	(69,818)	1,312,602
Long-term liabilities:										
Long-term debt, less current portion	1,067,461	71,833	130,729	149,007	-	1,419,030	-	3,504	-	1,422,534
Long-term payables to affiliates	-	342,457	264,102	308,299	(914,858)	-	-	-	-	-
Net pension liability	115,262	36,980	26,324	23,622	-	202,188	-	-	-	202,188
Other long-term liabilities	2,590	59,588	4,559	44,288	-	111,025	38	80	-	111,143
Total liabilities	1,825,071	707,880	616,263	2,428,315	(2,540,386)	3,037,143	3,592	77,550	(69,818)	3,048,467
Deferred Inflows of Resources										
Deferred amortization related to pension plan	541	489	121	36	-	1,187	-	-	-	1,187
Deferred amortization on refundings	10,341	-	10,341	-	(10,341)	10,341	-	-	-	10,341
Deferred inflows on leases	1,350	13,642	2,510	44,715	-	62,217	-	-	-	62,217
Total deferred inflows of resources	12,232	14,131	12,972	44,751	(10,341)	73,745	-	-	-	73,745
Total liabilities and deferred inflows of resources	1,837,303	722,011	629,235	2,473,066	(2,550,727)	3,110,888	3,592	77,550	(69,818)	3,122,212
Net position:										
Invested in capital assets, net of related debt	852,146	75,466	149,232	1,032,397	-	2,109,241	127	16,310	42	2,125,720
Restricted										
Expendable										
Restricted by donors	-	-	-	-	-	-	-	44,120	-	44,120
Non-expendable										
Permanent endowments	-	-	-	-	-	-	-	28,396	-	28,396
Minority interest in component unit	-	43,563	-	-	-	43,563	-	-	-	43,563
Unrestricted	3,970,950	3,182,816	239,312	(1,520,260)	(1,519)	5,871,299	233	(21,672)	(50,938)	5,798,922
Net position	4,823,096	3,301,845	388,544	(487,863)	(1,519)	8,024,103	360	67,154	(50,896)	8,040,721
Total liabilities, deferred inflows of resources, and net position	\$ 6,660,399	\$ 4,023,856	\$ 1,017,779	\$ 1,985,203	\$ (2,552,246)	\$ 11,134,991	\$ 3,952	\$ 144,704	\$ (120,714)	\$ 11,162,933

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, 2023
(\$s 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
Operating revenue:										
Net patient service revenue, net of provision for bad debts	\$ 2,825,726	\$ 1,470,890	\$ 1,378,099	\$ 1,091,202	\$ -	\$ 6,765,917	\$ -	\$ 85,113	\$ -	\$ 6,851,030
Other operating revenue	30,441	33,239	19,980	26,723	(5,947)	104,436	-	18,868	(29,769)	93,535
Total operating revenue	2,856,167	1,504,129	1,398,079	1,117,925	(5,947)	6,870,353	-	103,981	(29,769)	6,944,565
Operating expenses:										
Wages, contract labor, and benefits	942,926	786,307	783,042	600,828	(42)	3,113,061	-	36,861	(950)	3,148,972
Supplies	834,381	308,595	283,721	225,638	-	1,652,335	-	27,701	2	1,680,038
Purchased services and other expenses	689,711	234,522	233,071	193,887	(5,905)	1,345,286	-	72,755	(28,552)	1,389,489
Depreciation and amortization	116,664	71,970	70,502	127,338	-	386,474	-	7,913	-	394,387
Total operating expenses	2,583,682	1,401,394	1,370,336	1,147,691	(5,947)	6,497,156	-	145,230	(29,500)	6,612,886
Operating income	272,485	102,735	27,743	(29,766)	-	373,197	-	(41,249)	(269)	331,679
Non-operating revenue and expenses:										
Interest expense	(28,907)	(10,077)	(9,907)	(23,088)	40,776	(31,203)	-	(1,627)	79	(32,751)
Investment income	306,519	224,140	19,413	27,632	(40,776)	536,928	-	6,349	(79)	543,198
Unrealized gain on derivative investments	5,813	14,352	(198)	7,103	-	27,070	-	-	-	27,070
Gain on disposal of capital assets	2,987	317	247	3,042	-	6,593	-	8	-	6,601
Grant revenue	-	216	-	216	-	432	-	6	-	438
Other, net	(7,663)	(7,534)	(9,450)	(6,467)	2	(31,112)	-	(7,570)	1,494	(37,188)
Total non-operating revenue and expenses	278,749	221,414	105	8,438	2	508,708	-	(2,834)	1,494	507,368
(Loss) income before distributions and contributions	551,234	324,149	27,848	(21,328)	2	881,905	-	(44,083)	1,225	839,047
Net distributions to minority interest in component unit	-	(1,012)	-	-	-	(1,012)	-	(315)	-	(1,327)
Contributions (to) from affiliates	-	-	-	-	-	-	-	(4,288)	4,288	-
Contributions restricted for capital assets	-	342	-	556	(2)	896	-	-	(896)	-
Contributions restricted, other	(38,660)	-	2,099	-	-	(36,561)	-	45,678	(276)	8,841
Change in net position	512,574	323,479	29,947	(20,772)	-	845,228	-	(3,008)	4,341	846,561
Net position, beginning of year	4,310,522	2,978,366	358,597	(467,091)	(1,519)	7,178,875	360	70,162	(55,237)	7,194,160
Net position, end of year	<u>\$ 4,823,096</u>	<u>\$ 3,301,845</u>	<u>\$ 388,544</u>	<u>\$ (487,863)</u>	<u>\$ (1,519)</u>	<u>\$ 8,024,103</u>	<u>\$ 360</u>	<u>\$ 67,154</u>	<u>\$ (50,896)</u>	<u>\$ 8,040,721</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, 2023 and the related notes to the financial statements, which collectively comprise UCHealth's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 & Moreau, PLLC

September 26, 2023