

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
Denver, Colorado

FINANCIAL STATEMENTS
June 30, 2012 and 2011

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	6
Statements of Revenues, Expenses and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	15
Ten-Year Loss Development Information (Unaudited)	16
SUPPLEMENTARY SCHEDULES	17
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	18
Schedule H, Line 4j - Schedule of Reportable Transactions	19



Independent Auditors' Report

The Board of Trustees
University of Colorado Health and Welfare Trust
Denver, Colorado

We have audited the accompanying basic financial statements of University of Colorado Health and Welfare Trust (Trust) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust as of and for the year ended June 30, 2011, were audited by other auditors whose report dated April 13, 2012, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Colorado Health and Welfare Trust as of June 30, 2012, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and ten-year loss development information on pages 3 through 5 and 16 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who 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 audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University of Colorado Health and Welfare Trust's basic financial statements. The accompanying supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 11, 2013

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012 and 2011**

We are pleased to present this financial discussion and analysis of the University of Colorado Health and Welfare Trust (the Trust). It is intended to make the Trust's basic financial statements easier to understand and communicate its financial status in an open, transparent, and accountable manner. It provides an analysis of the Trust's position and results of operations for the years ended June 30, 2012 and 2011. Comparative information for the year ended June 30, 2010 is not available as the Plan began operating as of July 1, 2010. Trust management is responsible for the completeness and fairness of this discussion and analysis and for the basic financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Net Assets present the assets, liabilities, and net assets of the Trust at a point in time (June 30, 2012 and 2011). Its purpose is to present a financial snapshot of the Trust. It aids readers in determining the assets available to continue the Trust's operations; how much the Trust owes to pay claims and vendors; and resulting net assets. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or will become due within twelve months of the statement date.

Statements of Revenues, Expenses, and Changes in Net Assets present the total revenues and expenses of the Trust for operating and nonoperating activities during the fiscal years ended June 30, 2012 and 2011. Its purpose is to assess the Trust's operating and nonoperating results. The major source of operating revenues are member and participant contributions and the major sources of operating expenses are incurred claims and administrative and claims processing expenses.

Statements of Cash Flows present cash receipts and payments of the Trust during the fiscal years ended June 30, 2012 and 2011. Its purpose is to assess the Trust's ability to generate net cash flows and meet its obligations as they come due.

Notes to the Financial Statements present additional information to support the basic financial statements and are commonly referred to as "notes." Their purpose is to clarify and expand on the information in the financial statements.

Required Supplementary Information (RSI) presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes this management discussion and analysis as well as Ten-Year Loss Development Information. Note that only two years are presented in the Ten-Year Loss Development Information as this is the second year of Trust operations.

Supplemental Schedules present additional information required by the Employee Retirement Income Security Act of 1974. This additional information provides more detail on the Trust's 2a-7-money market account.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012 and 2011**

FINANCIAL HIGHLIGHTS

- The Trust ended the year with \$7,617,421 in unrestricted net assets.
- Incurred but not reported claims, as estimated by an outside actuary, amounted to \$9,935,804 of total incurred claims payable of \$13,119,969.
- Total Trust premium revenues were \$154,525,981.
- Incurred claims expenses were \$136,757,473.
- Administrative and claims processing expenses were \$12,115,278.

STATEMENTS OF NET ASSETS

At June 30, 2012, approximately 72% of total assets are held in cash and cash equivalents. Another 28% represents short-term receivables, the majority of which have been collected as of the date of the auditor's report. At June 30, 2011, these amounts were approximately 61% held in cash and cash equivalents, with another 39% in short-term receivables. The increase in cash and cash equivalents of \$9,618,979 or 125% is primarily attributable to the increasing operating activities of the Trust.

At June 30, 2012, approximately 60% of total liabilities represent the estimate of incurred but not reported claims. This amount has been actuarially determined by an outside party. Another 19% represents claims submitted to the third party administrator that are pending final payment. At June 30, 2011, 53% of total liabilities represented the estimate of incurred but not reported claims, with another 23% representing claims submitted to the third party administrator that were pending final payment. The increase in incurred claims of \$5,102,657 or 64% is due to the inclusion of more plans, and consequently more participants, in the Trust as of July 1, 2011. Figure 1 illustrates the Trust's summary of net assets.

Figure 1. Summary of Assets, Liabilities, and Net Assets as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 17,291,108	\$ 7,672,129
Receivables	6,881,603	4,939,625
Total current assets	<u>\$ 24,172,711</u>	<u>\$ 12,611,754</u>
Current liabilities		
Incurred claims	\$ 13,119,969	\$ 8,017,312
Other current liabilities	3,435,321	2,488,723
Total current liabilities	16,555,290	10,506,035
Unrestricted net assets	7,617,421	2,105,719
Total net assets and liabilities	<u>\$ 24,172,711</u>	<u>\$ 12,611,754</u>

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012 and 2011**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2012, premium revenues for the Trust totaled \$154,525,981. Of this amount, \$128,738,224 (83%) was earned from Trust members and \$25,787,757 (17%) was contributed by participants. For the year ended June 30, 2011, premium revenues totaled \$109,851,032, with \$96,706,116 (88%) earned from Trust members and \$13,144,916 (12%) contributed by participants.

For the year ended June 30, 2012, incurred claims (including incurred but not reported claims) totaled \$136,757,473 while administrative and claims processing expenses totaled \$12,115,278. For the year ended June 30, 2011, incurred claims totaled \$101,376,495 while administrative and claims processing expenses totaled \$6,661,194.

The increase in total operating revenues of \$44,861,712 or 41%, and the corresponding increase in total operating expenses of \$40,835,062 or 38%, is due to the inclusion of more plans, and consequently more participants, in the Trust as of July 1, 2011.

As of June 30, 2012 and 2011, there were approximately 18,000 and 13,600 employees and retirees, respectively, participating in the Trust.

Figure 2 illustrates the Summary of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011.

Figure 2. Summary of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues	\$154,712,744	\$109,851,032
Operating expenses	<u>148,872,751</u>	<u>108,037,689</u>
Operating income	5,839,993	1,813,343
Nonoperating revenues (expenses)	<u>(328,291)</u>	<u>292,356</u>
Increase in net assets	5,511,702	2,105,699
Net assets, beginning of year	<u>2,105,719</u>	<u>20</u>
Net assets, end of year	<u>\$ 7,617,421</u>	<u>\$ 2,105,719</u>

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Please see Note 8 in the basic financial statements for a discussion on the expansion of the Trust which took place subsequent to June 30, 2012.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS (all current):		
Cash, noninterest bearing, medical	\$ 497	\$ 202,741
Restricted cash - Flexible spending account	1,464,597	898,378
Cash equivalents:		
BlackRock Tem Fund #24	<u>15,826,014</u>	<u>6,571,010</u>
Total cash and cash equivalents	<u>17,291,108</u>	<u>7,672,129</u>
Receivables:		
Premiums	550,981	45,947
Pharmacy rebate	2,837,812	1,799,826
Premium assessment due from member	3,341,338	2,670,000
Other	<u>151,472</u>	<u>423,852</u>
Total receivables	<u>6,881,603</u>	<u>4,939,625</u>
 Total assets	 <u>24,172,711</u>	 <u>12,611,754</u>
LIABILITIES (all current):		
Incurred claims	13,119,969	8,017,312
Accrued liabilities	503,180	487,855
Accounts payable	1,512,294	1,102,490
Flexible spending accounts payable	<u>1,419,847</u>	<u>898,378</u>
Total liabilities	<u>16,555,290</u>	<u>10,506,035</u>
 Unrestricted net assets	 <u>\$ 7,617,421</u>	 <u>\$ 2,105,719</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Premiums:		
Member	\$ 128,738,224	\$ 96,706,116
Participant, including COBRA and retiree	25,787,757	13,144,916
Total premiums	<u>154,525,981</u>	<u>109,851,032</u>
Miscellaneous	186,763	-
Total operating revenues	<u>154,712,744</u>	<u>109,851,032</u>
OPERATING EXPENSES		
Incurred claims	136,757,473	101,376,495
Administrative and claims processing	12,115,278	6,661,194
Total operating expenses	<u>148,872,751</u>	<u>108,037,689</u>
Operating income	<u>5,839,993</u>	<u>1,813,343</u>
NONOPERATING REVENUES (EXPENSES)		
Interest	14,499	5,731
Wellness initiative revenue	16,200	286,625
Wellness initiative expenses	(358,990)	-
Total nonoperating revenues (expenses)	<u>(328,291)</u>	<u>292,356</u>
INCREASE IN NET ASSETS	5,511,702	2,105,699
UNRESTRICTED NET ASSETS		
Beginning of year	<u>2,105,719</u>	<u>20</u>
End of year	<u>\$ 7,617,421</u>	<u>\$ 2,105,719</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums	\$ 153,621,999	\$ 106,711,233
Paid claims	(132,692,802)	(95,159,009)
Administrative and claims processing	(11,690,149)	(5,070,849)
Miscellaneous revenue	<u>186,763</u>	<u>-</u>
Net cash flows provided by operating activities	<u>9,425,811</u>	<u>6,481,375</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wellness initiative funds received	16,200	286,625
Wellness initiative funds disbursed	(358,990)	-
Flexible spending account receipts	6,836,876	6,012,904
Flexible spending account payments	<u>(6,315,417)</u>	<u>(5,114,526)</u>
Net cash flows provided by noncapital financing activities	<u>178,669</u>	<u>1,185,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>14,499</u>	<u>5,731</u>
Net increase in cash and cash equivalents	9,618,979	7,672,109
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,672,129</u>	<u>20</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,291,108</u>	<u>\$ 7,672,129</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,839,993	\$ 1,813,343
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Changes in assets and liabilities:		
Premiums receivable	(505,034)	(45,947)
Pharmacy rebate	(1,037,986)	(1,799,826)
Premium assessment due from member	(671,338)	(2,670,000)
Other receivables	272,390	(423,852)
Incurred claims	5,102,657	8,017,312
Accrued liabilities	15,325	487,855
Accounts payable	<u>409,804</u>	<u>1,102,490</u>
Net cash flows provided by operating activities	<u>\$ 9,425,811</u>	<u>\$ 6,481,375</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - DESCRIPTION OF THE TRUST

The University of Colorado Health and Welfare Trust (the Trust) was established June 28, 2010 with an initial capital contribution of \$20 to administer and manage certain health and welfare benefits for participating employees and retirees of the University of Colorado (the University), the University of Colorado Hospital Authority (UCH), and University Physicians Incorporated (UPI) (collectively, the Members). It is intended that the Trust shall qualify as a "voluntary employees' beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

The Trust is self-insured and is financed through premiums collected from the Members and their participants. Participant eligibility is determined pursuant to the terms of each Component Plan.

In the year ended June 30, 2011, insurance coverage was provided through the following Component Plans:

- the UA Net Plan (which includes Blue View Vision),
- the UA Net Plan – Colorado Springs,
- BlueAdvantage HMO Plan (which includes Blue View Vision),
- the Lumenos High Deductible Health (HSA – Compatible) Plan,
- the Medicare Primary Plan (the Medical Plan),
- the University of Colorado Flexible Benefits Plan, and
- the University of Colorado Hospital Authority Cafeteria Plan (the Health Care Spending and Pretax Premium Component – Flex Plan).

As part of the self-insured Medical Plan, Express Scripts provides employees and their eligible dependents prescription drug expense benefits. Finally, the flexible spending plans noted above allow employees to set aside their own pre-tax dollars to pay for certain medical expenses and is administered by Application Software, Inc. or PayFlex Systems USA, Inc.

In the year ended June 30, 2012, the Kaiser Permanente EPO Plan was added to the Component Plans in place at June 30, 2011.

Participants and Members share the cost of coverage, based on actuarially determined premium rates. The premiums are the same for each Member, however each Member determines the amount that will be paid by the Member and their participants. Participants are responsible for copayments, deductibles, coinsurance amounts, if applicable, and dependent on the level of coverage selected, as further described in each Component Plan document. The flexible spending plans noted above are funded with employee pre-tax dollars.

Although the Members intend to maintain the Trust for an indefinite period, the Members reserve the right to amend the Trust for any reason. The Members have the right to modify the benefits provided to and premiums required of participants under the terms of the Trust or under the terms of a Component Plan, to discontinue its premiums at any time, and/or to terminate the Trust.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

The Trust is administered by a Trust Committee, consisting of five members; two designated by the President of the University, two designated by UCH, and one designated by UPI. Based upon the application of the above criteria, and the requirement for a supermajority vote of the trustees on key operating and fiduciary decisions, the Trust has no component units and is not a component unit of any other entity.

Basis of Accounting

The accounting policies of the Trust conform to GAAP as applicable to governmental entities. For financial reporting purposes, the Trust is considered a special-purpose government engaged only in business-type activities. Accordingly, the Trust's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Trust Accounting*, the Trust applies all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Trust also has the option of following FASB guidance issued after November 30, 1989, but has elected not to do so.

Classification of Revenues and Expenses

Operating revenues are derived from activities associated with providing services of the Trust. For the Trust, this includes premiums paid by both members and participants. Operating expenses are paid to produce the services provided by the Trust in return for operating revenues. Operating expenses include incurred claims and administrative and claims processing expenses.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating revenues include all revenues that do not meet the definition of operating revenues or capital revenues.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as amounts held in a money market account with a weighted average maturity date of less than 90 days.

Premiums

Premiums are recognized in the period when the insurance coverage is provided. Premiums are due monthly from the Members and participants based on the rates adopted by the Members.

Members may, but are not required to, pay additional premiums or amounts to make up for any shortfall caused by adverse claims experience of their participants.

Flexible Spending Account Forfeitures

Federal regulations require that participants use the entire amount in their health care flexible spending account by the end of each plan year or during the following 75-day grace period. After the close of the grace period, an additional 45-day claims run-out period is provided for participants to submit claims for services performed during the previous plan year or grace period. At the end of the appeals process related to the plan year end, participants' unused balances are permanently forfeited. The Trust uses these forfeitures to offset reasonable administrative costs incurred during the plan year. These forfeitures are recorded as miscellaneous operating revenue on the statement of revenues, expenses, and changes in net assets.

Pharmacy Rebates

The Trust receives rebates from its in-house prescription drug program. Pharmacy rebates are recognized in the period corresponding to the period that the participant fills the prescription. Rebates are recorded as a reduction of incurred claims in the statement of revenues, expense, and changes in net assets.

Net Assets

The Trust's net assets are classified as unrestricted and are expendable in accordance with the requirements stated in the Trust Agreement.

Administrative Expenses

All third party expenses, including trustee's fees and expenses, are paid by the Trust.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Trust Committee has applied to the Department of Labor (DOL) for an opinion as to the Trust's qualification as a governmental plan. Until the DOL delivers its opinion on the Trust's governmental status, the Trust is operating under the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The VEBA Trust was established pursuant to Section 501 (c)(9) of the Internal Revenue Code of 1986, as amended (IRC), and accordingly, the VEBA Trust's net investment income is exempt from income taxes. The Trust obtained an exemption letter from the Internal Revenue Service (IRS) on August 29, 2011, in which the IRS stated that the VEBA Trust was in compliance with applicable requirements of the IRC and the Trust sponsor believes that the VEBA Trust continues to qualify and to operate in accordance with applicable provisions of the IRC.

Use of Estimates

The preparation of the Trust's financial statements in conformity with GAAP requires the Trust administrator to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation. The fiscal year 2011 Statement of Net Assets was changed to reflect the flexible spending account assets and offsetting liabilities. This reclassification did not impact the change in net assets as previously reported.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Trust is authorized to invest the Trust's financial assets primarily in cash equivalents and fixed-income securities using internal resources as well as external managers and commingled and mutual funds, where appropriate, in accordance with the Trust Investment Policy as adopted by the Trust Committee.

Cash consists of amounts held in noninterest bearing deposit accounts, none of which exceed the FDIC limit.

Cash equivalents consist of a 2a-7-money market account held in the BlackRock Temp Fund #24 (ticker symbol TMPXX), which has a credit rating of AAAM and a weighted average maturity of less than 90 days. Cash equivalents are reported at amortized cost, which approximates fair value. The BlackRock Temp Fund #24 is an open-ended mutual fund and is, therefore, not exposed to custodial credit risk.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 - UNPAID CLAIMS LIABILITY

The Trust establishes a liability based on the ultimate estimated cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. This liability is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and is reviewed by the Trust's independent consulting actuary. This includes a liability for claim processing expenses associated with paying claims, which have been incurred, but not yet paid.

The following represents changes in the unpaid claims liability during the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Claims liability, beginning of year	\$ 8,017,312	\$ -
Provision for claims expenses		
Provision for covered events of the current year	136,890,094	101,376,495
Decrease in provision for covered events of prior years	<u>(132,621)</u>	<u>-</u>
Total provision for claims expenses	<u>136,757,473</u>	<u>101,376,495</u>
Payments		
Claims expenses attributable to covered events of the current year	123,774,948	93,359,183
Claims expenses attributable to covered events of prior years	<u>7,879,868</u>	<u>-</u>
Total payments	<u>131,654,816</u>	<u>93,359,183</u>
Claims payable, end of year	<u>\$ 13,119,969</u>	<u>\$ 8,017,312</u>

Unpaid claims are not discounted. Payments of claims under the Trust are made according to a schedule of benefits, upon submission of a proof of claim by an independent claims processor. The Trust is fully self-insured and is subject to increased claims expense due to higher than anticipated utilization or a higher than anticipated number of catastrophic claims. See note 5 for discussion of amounts receivable from UCH as a result of adverse claims experience during the year.

NOTE 5 - RELATED PARTY TRANSACTIONS

The University provides certain accounting and administrative services to the Trust for which fees are charged at cost, \$303,676 and \$139,256 for the years ended June 30, 2012 and 2011, respectively. The Trust's cash is maintained in a wholly separate operating banking account.

At June 30, 2012 and 2011, the Trust recorded receivables from UCH of \$3,341,338 and \$2,670,000, respectively, for an additional premium assessment related to adverse claims experience during the year. In addition, at June 30, 2012 and 2011, the Trust recorded a pharmacy rebate receivable from UCH of \$2,837,812 and \$1,799,826, respectively.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Trust is exposed to various risks of loss related to torts and errors and omissions. The Trust has in place errors and omissions insurance coverage. Any losses related to torts are self-insured by the Trust. As a governmental trust, the Trust is immune from suit in tort, though the Trust's status as a governmental entity has not been finally determined. Under any circumstances, tort claims would be covered by the errors and omissions and the fiduciary policy. No claims against the Trust have been filed.

NOTE 7 - RECONCILIATION OF SCHEDULE H OF FORM 5500

There are no differences between the balances contained in the Trust's financial statements and those reported in Schedule H of Form 5500.

NOTE 8 - SUBSEQUENT EVENTS

In January 2012, UCH and Poudre Valley Health System finalized a joint operating agreement to become University of Colorado Health. On July 1, 2013, the employees of Poudre Valley Health System, approximately 4,300 will become eligible to enroll in Trust plans. In August 2012, Colorado Springs voters agreed to lease Memorial Hospital to University of Colorado Health. Effective October 1, 2012 Memorial Hospital employees became employees of UCH and eligible for enrollment into Trust plans. Approximately 3,100 Memorial Hospital employees subsequently enrolled in Trust Plans.

REQUIRED SUPPLEMENTARY INFORMATION

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2012 and 2011**

	<u>Fiscal and Report Year Ended</u>	
	<u>2011</u>	<u>2012</u>
1) Net earned required contribution and investment revenue	\$ 109,856,763	\$ 154,540,480
2) Unallocated claims adjustment expenses	\$ 6,661,194	\$ 12,115,278
3) Estimated incurred claims as of end of report year	\$ 101,376,495	\$ 136,890,094
4) Net paid (cumulative) claims as of		
End of incurred year	\$ 93,359,183	\$ 123,774,948
One year later	\$ 101,239,051	\$ -
5) Reestimated incurred claims		
End of incurred year	\$ 101,376,495	\$ 136,890,094
One year later	\$ 101,243,874	\$ -
6) Increase (decrease) in estimated incurred claims (5 less 3)	\$ (132,621)	\$ -
7) Net claim reserve (5 less 4)	\$ 4,823	\$ 13,115,146

SUPPLEMENTARY SCHEDULES

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
June 30, 2012

<u>(a)</u>	<u>(b)</u> Identity of Issue, Borrower, Lessor or Similar Party	<u>(c)</u> Description of Investment	<u>(d)</u> Cost	<u>(e)</u> Current Value
	BlackRock: AIM Short-term Treasury Fund	Money Market Fund	\$ 15,826,014	\$ 15,826,014

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
EIN: 27-6690619
PLAN #501
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Year Ended June 30, 2012

(a) Identity of Party Involved	(b) Description of Assets	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or (Loss)
Category (iii) - A series of transactions which exceed 5% of net assets as of the beginning of the Plan year:						
VP8799919 Blackrock	Temp Fund B #24	\$ 140,014,051	\$ -	\$ 140,014,051	\$ 140,014,051	\$ -
VP8799919 Blackrock	Temp Fund B #24	\$ -	\$ 130,760,154	\$ 130,760,154	\$ 130,760,154	\$ -

There were no Category (i), (ii) or (iv) reportable transactions during the year ended June 30, 2012.
Columns (e) and (f) have not been presented, as this information is not applicable.