

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
Denver, Colorado

FINANCIAL STATEMENTS
June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Colorado Health and Welfare Trust (Trust) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 15 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. 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 14, 2014

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2013 and 2012**

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, 2013 and 2012, with comparative information for the year ended June 30, 2011. 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 Position present the assets, liabilities, and net position of the Trust at a point in time (June 30, 2013 and 2012). 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 position. 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 Position present the total revenues and expenses of the Trust for operating and nonoperating activities during the fiscal years ended June 30, 2013 and 2012. 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, 2013 and 2012. 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 three years are presented in the Ten-Year Loss Development Information as this is the third year of Trust operations.

Supplementary 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.

FINANCIAL HIGHLIGHTS

- The Trust ended the year with \$13,999,117 in unrestricted net position.
- Incurred but not reported claims, as estimated by an outside actuary, amounted to \$12,403,131 of total incurred claims payable of \$16,160,946.
- Total Trust premium revenues were \$199,935,416.
- Incurred claims expenses were \$174,463,648.
- Administrative and claims processing expenses were \$18,873,069.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2013 and 2012**

STATEMENTS OF NET POSITION

At June 30, 2013, approximately 76% of total assets are held in cash and cash equivalents. Another 24% represents short-term receivables, the majority of which have been collected as of the date of the auditor's report. At June 30, 2012, these amounts were approximately 72% held in cash and cash equivalents, with another 28% in short-term receivables. At June 30, 2011, these amounts were approximately 61% held in cash and cash equivalents, with another 39% in short-term receivables. The increases in cash and cash equivalents are primarily attributable to the increasing operating activities of the Trust.

At June 30, 2013, approximately 62% 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, 2012, 60% of total liabilities represented the estimate of incurred but not reported claims, with another 19% representing claims submitted to the third party administrator that were 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 increases in incurred claims are due to the inclusion of more plans, and consequently more participants, in the Trust.

Figure 1 illustrates the Trust's summary of net position.

Figure 1. Summary of Assets, Liabilities, and Net Position as of June 30, 2013, 2012, and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets			
Cash and cash equivalents	\$ 25,796,354	\$ 17,291,108	\$ 7,672,129
Receivables	8,173,670	6,881,603	4,939,625
Total current assets	<u>\$ 33,970,024</u>	<u>\$ 24,172,711</u>	<u>\$ 12,611,754</u>
Current liabilities			
Incurred claims	\$ 16,160,946	\$ 13,119,969	\$ 8,017,312
Other current liabilities	3,809,961	3,435,321	2,488,723
Total current liabilities	19,970,907	16,555,290	10,506,035
Unrestricted net position	13,999,117	7,617,421	2,105,719
Total liabilities and net position	<u>\$ 33,970,024</u>	<u>\$ 24,172,711</u>	<u>\$ 12,611,754</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2013, premium revenues for the Trust totaled \$199,935,416. Of this amount, \$170,643,800 (85%) was earned from Trust members and \$29,291,616 (15%) was contributed by participants. For the year ended June 30, 2012, premium revenues totaled \$154,525,981, with \$128,738,224 (83%) earned from Trust members and \$25,787,757 (17%) 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.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2013 and 2012**

For the year ended June 30, 2013, incurred claims (including incurred but not reported claims) totaled \$174,463,648 while administrative and claims processing expenses totaled \$18,873,069. For the year ended June 30, 2012, incurred 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 increases in total operating revenues and expenses are due to the inclusion of more plans as of July 1, 2011 and the expansion of the University of Colorado Hospital Authority as of October 1, 2012, and consequently more participants in the Trust.

As of June 30, 2013, 2012, and 2011, there were approximately 23,000, 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 Position.

Figure 2. Summary of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2013, 2012, and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 200,129,110	\$ 154,712,744	\$ 109,851,032
Operating expenses	<u>193,336,717</u>	<u>148,872,751</u>	<u>108,037,689</u>
Operating income	6,792,393	5,839,993	1,813,343
Nonoperating revenues (expenses)	<u>(410,697)</u>	<u>(328,291)</u>	<u>292,356</u>
Increase in net position	6,381,696	5,511,702	2,105,699
Net position, beginning of year	<u>7,617,421</u>	<u>2,105,719</u>	<u>20</u>
Net position, end of year	<u><u>\$ 13,999,117</u></u>	<u><u>\$ 7,617,421</u></u>	<u><u>\$ 2,105,719</u></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, 2013.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS (all current):		
Cash, noninterest bearing, medical	\$ 2,305,767	\$ 497
Restricted cash - Flexible spending accounts	1,657,700	1,464,597
Cash equivalents:		
BlackRock Temp Fund #24	<u>21,832,887</u>	<u>15,826,014</u>
Total cash and cash equivalents	<u>25,796,354</u>	<u>17,291,108</u>
Receivables:		
Premiums	3,143,062	550,981
Pharmacy rebate	1,799,564	2,837,812
Premium assessment due from member	3,200,000	3,341,338
Other	<u>31,044</u>	<u>151,472</u>
Total receivables	<u>8,173,670</u>	<u>6,881,603</u>
 Total assets	 <u>33,970,024</u>	 <u>24,172,711</u>
LIABILITIES (all current):		
Incurred claims	16,160,946	13,119,969
Accrued liabilities	1,412,606	1,567,828
Accounts payable	799,902	447,646
Flexible spending accounts payable	<u>1,597,453</u>	<u>1,419,847</u>
Total liabilities	<u>19,970,907</u>	<u>16,555,290</u>
 Unrestricted net position	 <u>\$ 13,999,117</u>	 <u>\$ 7,617,421</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 POSITION
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Premiums:		
Member	\$ 170,643,800	\$ 128,738,224
Participant, including COBRA and retiree	<u>29,291,616</u>	<u>25,787,757</u>
Total premiums	199,935,416	154,525,981
Miscellaneous	<u>193,694</u>	<u>186,763</u>
Total operating revenues	<u>200,129,110</u>	<u>154,712,744</u>
OPERATING EXPENSES		
Incurred claims	174,463,648	136,757,473
Administrative and claims processing	<u>18,873,069</u>	<u>12,115,278</u>
Total operating expenses	<u>193,336,717</u>	<u>148,872,751</u>
Operating income	<u>6,792,393</u>	<u>5,839,993</u>
NONOPERATING REVENUES (EXPENSES)		
Interest	10,333	14,499
Wellness initiative revenue	31,505	16,200
Wellness initiative expenses	<u>(452,535)</u>	<u>(358,990)</u>
Total nonoperating revenues (expenses)	<u>(410,697)</u>	<u>(328,291)</u>
INCREASE IN NET POSITION	6,381,696	5,511,702
UNRESTRICTED NET POSITION		
Beginning of year	<u>7,617,421</u>	<u>2,105,719</u>
End of year	<u>\$ 13,999,117</u>	<u>\$ 7,617,421</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums	\$ 197,605,101	\$ 153,621,999
Paid claims	(170,384,423)	(132,692,802)
Administrative and claims processing	(18,676,035)	(11,690,149)
Miscellaneous revenue	<u>193,694</u>	<u>186,763</u>
Net cash flows provided by operating activities	<u>8,738,337</u>	<u>9,425,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wellness initiative funds received	31,505	16,200
Wellness initiative funds disbursed	(452,535)	(358,990)
Flexible spending account receipts	6,333,834	6,836,876
Flexible spending account payments	<u>(6,156,228)</u>	<u>(6,315,417)</u>
Net cash flows provided (used) by noncapital financing activities	<u>(243,424)</u>	<u>178,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>10,333</u>	<u>14,499</u>
Net cash flows provided by investing activities	<u>10,333</u>	<u>14,499</u>
Net increase in cash and cash equivalents	8,505,246	9,618,979
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,291,108</u>	<u>7,672,129</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 25,796,354</u>	<u>\$ 17,291,108</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,792,393	\$ 5,839,993
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Changes in assets and liabilities:		
Premiums receivable	(2,592,081)	(505,034)
Pharmacy rebate	1,038,248	(1,037,986)
Premium assessment due from member	141,338	(671,338)
Miscellaneous receivables	120,428	272,390
Incurred claims	3,040,977	5,102,657
Accrued liabilities	(155,222)	15,325
Accounts payable	<u>352,256</u>	<u>409,804</u>
Net cash flows provided by operating activities	<u>\$ 8,738,337</u>	<u>\$ 9,425,811</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, 2013 and 2012

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 years ended June 30, 2012 and 2013, insurance coverage was provided through the following Component Plans:

- the Exclusive Plan, which includes Blue View Vision (formerly called UA Net),
- the Exclusive Plan – Colorado Springs (formerly called UA Net – Colorado Springs),
- the Access Network HMO Plan, which includes Blue View Vision (formerly called Blue Advantage HMO),
- the High Deductible Health (HSA – Compatible) Plan, (formerly called Lumenos),
- the Medicare Plan (formerly called the Medicare Primary Plan or the Medical Plan),
- the University of Colorado Flexible Benefits Plan,
- the University of Colorado Hospital Authority Cafeteria Plan (the Health Care Spending and Pretax Premium Component – Flex Plan), and
- the Kaiser Permanente EPO 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.

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, 2013 and 2012

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.

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.

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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position.

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 position.

Net Position

The Trust's net position is classified as unrestricted and is 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.

Income Tax 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 believes that the VEBA Trust continues to qualify and to operate in accordance with applicable provisions of the IRC.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncement

Effective July 1, 2012, the Trust adopted the provisions of Governmental Accounting Standards Board (GASB) No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB No. 63). GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4, "Elements of Financial Statements" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The Trust does not have any financial statement balances that under current GAAP meet the definition of a deferred outflow of resources or a deferred inflow of resources. As such, other than changing the name of certain financial statements and certain line items as required by GASB No. 63, the adoption of this pronouncement had no impact on the Trust's financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, was implemented for the Trust effective July 1, 2012. The objectives of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Trust has already been following these standards.

Reclassifications

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation.

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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and restricted cash consist of amounts held in three noninterest bearing demand deposit accounts at Wells Fargo Bank, N.A. The Federal Deposit Insurance Corporation's limit of \$250,000 applies to the Trust's balances held at this bank. Therefore, the total of the cash and restricted cash in excess of \$250,000 is not insured by the FDIC.

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.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Claims payable, beginning of year	\$ 13,119,969	\$ 8,017,312
Provision for claims expenses		
Provision for covered events of the current year	175,180,914	136,890,094
Decrease in provisions for covered events of prior years	<u>(717,266)</u>	<u>(132,621)</u>
Total provision for claims expenses	<u>174,463,648</u>	<u>136,757,473</u>
Payments		
Claims expenses attributable to covered events of the current year	159,032,382	123,774,948
Claims expenses attributable to covered events of prior years	<u>12,390,289</u>	<u>7,879,868</u>
Total payments	<u>171,422,671</u>	<u>131,654,816</u>
Claims payable, end of year	<u><u>\$ 16,160,946</u></u>	<u><u>\$ 13,119,969</u></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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 - RELATED PARTY TRANSACTIONS

The University provides certain accounting and administrative services to the Trust for which fees are charged at cost, \$550,000 and \$303,676 for the years ended June 30, 2013 and 2012, respectively. The Trust's cash is maintained in a wholly separate operating banking account.

At June 30, 2013 and 2012, the Trust recorded receivables from UCH of \$3,200,000 and \$3,341,338, respectively, for an additional premium assessment related to adverse claims experience during the year. In addition, at June 30, 2013 and 2012, the Trust recorded a pharmacy rebate receivable from UCH of \$1,799,564 and \$2,837,812, respectively.

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.

Effective September 3, 2013, the Trust Committee was increased to consist of seven members: three designated by the President of the University, three designated by UCH, and one designated by UPI.

REQUIRED SUPPLEMENTARY INFORMATION

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2013 and 2012**

	Fiscal and Report Year Ended		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
1) Net earned required contribution and investment revenue	\$ 109,856,763	\$ 154,540,480	\$ 199,945,749
2) Unallocated claims adjustment expenses	6,661,194	12,115,278	18,873,069
3) Estimated incurred claims as of end of report year	101,797,391	136,620,429	175,180,914
4) Net paid (cumulative) claims as of			
End of incurred year	93,780,079	123,926,182	159,032,382
One year later	101,239,051	136,344,651	-
Two years later	101,657,283	-	-
5) Reestimated incurred claims			
End of incurred year	101,797,391	136,620,429	175,180,914
One year later	101,664,770	136,357,060	-
Two years later	101,657,288	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	(140,103)	(263,371)	-
7) Net claim reserve (5 less 4)	5	12,409	16,148,532

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, 2013

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment	(d) Cost	(e) Current Value
	BlackRock: AIM Short-term Treasury Fund	Money Market Fund	\$ 21,832,887	\$ 21,832,887

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Year Ended June 30, 2013

(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 position as of the beginning of the Plan year:						
VP8799919 Blackrock	Temp Fund B #24	\$ 151,956,518	\$ -	\$ 151,956,518	\$ 151,956,518	\$ -
VP8799919 Blackrock	Temp Fund B #24	-	145,948,979	145,948,979	145,949,026	47

There were no Category (i), (ii) or (iv) reportable transactions during the year ended June 30, 2013.
Columns (e) and (f) have not been presented, as this information is not applicable.