

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
Denver, Colorado**

**BASIC FINANCIAL STATEMENTS
June 30, 2021 and 2020**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the University of Colorado Health and Welfare Trust (the Trust), a component unit of the University of Colorado, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statement 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.

Auditor's 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 auditor's 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 fiduciary net position of the University of Colorado Health and Welfare Trust as of June 30, 2021 and 2020, and the changes in fiduciary net position 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 as listed in the table of contents 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The other supplementary schedules as listed in the table of contents are 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.

BKD, LLP

Denver, Colorado
September 30, 2021

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021 and 2020

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 fiduciary net position and changes in fiduciary net position as of and for the years ended June 30, 2021 and 2020, with comparative information as of and for the year ended June 30, 2019. Trust management is responsible for the completeness and fairness of this discussion and analysis and for the basic financial statements.

As explained in Note 1, the Trust was reported as a special-purpose government engaged in business-type activities for years ended June 30, 2020 and prior. Upon UCHHealth's termination effective July 1, 2020, the Trust became a component unit of the University of Colorado and was reported as a fiduciary fund.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Fiduciary Net Position present the assets, liabilities, and net position of the Trust at a point in time (June 30, 2021 and 2020). Its purpose is to present a financial snapshot. 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 the resulting fiduciary 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 Changes in Fiduciary Net Position present the total additions and deductions of the Trust during the fiscal years ended June 30, 2021 and 2020. Its purpose is to assess the Trust's net increase or decrease in fiduciary net position. The major source of additions are member and participant contributions and the major sources of deductions are incurred claims and administrative and claims processing costs.

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 is required by Governmental Accounting Standards Board to supplement the information in the basic financial statements. In this report, RSI includes this management discussion and analysis.

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 cash equivalents and investments and the 10-year loss development information.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021 and 2020**

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2021 include:

- The Trust ended the year with \$32,093,934 in net position.
- Incurred but not reported claims, as estimated by an outside actuary, amounted to \$30,454,523.
- Total Trust premium additions were \$284,639,002.
- Incurred claims costs were \$287,911,554.
- Claims processing costs were \$19,472,929. Administrative costs were \$2,836,768.

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2021, approximately 88% of total assets are held in cash and cash equivalents and noncurrent investments. Another 11% represents short-term receivables. At June 30, 2020, these amounts were approximately 49% held in cash and cash equivalents and noncurrent investments, with another 51% in short-term receivables. At June 30, 2019, these amounts were approximately 51% held in cash and cash equivalents, with another 48% in short-term receivables. The increase in receivables from 2019 to 2020 was due to the payment terms being adjusted for a terminated employer. The decrease in receivables from 2020 to 2021 was due to payments received from the terminated employer.

At June 30, 2021, approximately 86% of total liabilities represent the estimate of incurred but not reported claims. This amount has been actuarially determined by an outside party. At June 30, 2020, 91% of total liabilities represented the estimate of incurred but not reported claims, with another 1% representing claims submitted to the third-party administrator that were pending final payment. At June 30, 2019, 88% of total liabilities represented the estimate of incurred but not reported claims, with another 2% representing claims submitted to the third-party administrator that were pending final payment. The increase in incurred claims liability from 2019 to 2020 was from an increase in participation and the timing of claims payments. The decrease in incurred claims liability from 2020 to 2021 was due to claims no longer being processed for the terminated employer.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021 and 2020

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

Figure 1. Summary of Assets, Liabilities, and Fiduciary Net Position as of June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets			
Cash and cash equivalents	\$ 27,087,361	\$ 46,893,935	\$ 34,716,007
Receivables	7,668,896	63,215,480	50,665,455
Prepaid expenses	228,081	272,148	256,083
Total current assets	<u>34,984,338</u>	<u>110,381,563</u>	<u>85,637,545</u>
Noncurrent assets			
Investments	32,491,241	13,215,889	12,585,501
Total assets	<u>\$ 67,475,579</u>	<u>\$ 123,597,452</u>	<u>\$ 98,223,046</u>
Current liabilities			
Incurred claims	\$ 30,454,523	\$ 59,190,617	\$ 57,028,707
Other current liabilities	4,927,122	5,464,616	5,252,024
Total current liabilities	<u>35,381,645</u>	<u>64,655,233</u>	<u>62,280,731</u>
Restricted for health and welfare benefits	32,093,934	58,942,219	35,942,315
Total liabilities and net position	<u>\$ 67,475,579</u>	<u>\$ 123,597,452</u>	<u>\$ 98,223,046</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the years ended June 30, 2021, 2020 and 2019, premium additions for the Trust totaled \$284,639,002, \$560,468,281, and \$522,943,466, respectively.

For the year ended June 30, 2021, incurred claims (including incurred but not paid claims) were \$287,911,554 while claims processing and administrative costs were \$22,309,697. For the year ended June 30, 2020, incurred claims were \$507,032,627 and administrative and claims processing costs were \$29,992,556. For the year ended June 30, 2019, incurred claims were \$493,247,950 and administrative and claims processing costs were \$29,873,420.

The decrease in additions and deductions from fiscal year 2020 to 2021 was a result of an employer terminating their membership in the Trust at July 1, 2020. The increase in additions and deductions from fiscal year 2019 to 2020 was due to additional participants.

As of June 30, 2021, 2020, and 2019, there were approximately 22,000, 41,000, and 40,000 employees and retirees, respectively, participating in the Trust which amounted to approximately 47,000, 89,000, and 84,000 lives covered during those years, respectively.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021 and 2020**

Figure 2 illustrates the Summary of Changes in Fiduciary Net Position.

Figure 2. Summary of Changes in Fiduciary Net Position for the Years Ended June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020*</u>	<u>2019*</u>
Additions	\$ 284,935,640	\$ 561,714,589	\$ 524,319,587
Deductions	<u>311,783,925</u>	<u>538,714,685</u>	<u>525,009,631</u>
Net increase (decrease) in fiduciary net position	(26,848,285)	22,999,904	(690,044)
Net position, beginning of year	<u>58,942,219</u>	<u>35,942,315</u>	<u>36,632,359</u>
Net position, end of year	<u>\$ 32,093,934</u>	<u>\$ 58,942,219</u>	<u>\$ 35,942,315</u>

* Fiscal years 2020 and 2019 nonoperating revenues and expenses as shown in the enterprise are included in the applicable categories of additions and deductions

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS:		
Current assets:		
Cash, noninterest bearing	\$ 1,493	\$ 1,497
Restricted cash - flexible spending accounts	1,160,645	1,197,136
Cash equivalents	<u>25,925,223</u>	<u>45,695,302</u>
Total cash and cash equivalents	<u>27,087,361</u>	<u>46,893,935</u>
Receivables:		
Premiums, net	75,222	36,066,956
Pharmacy rebates	6,517,205	14,939,454
Other rebates and refunds	50,546	713,866
Claims run out	983,718	11,466,028
Interest receivable	<u>42,205</u>	<u>29,176</u>
Total receivables	<u>7,668,896</u>	<u>63,215,480</u>
Prepaid expenses	<u>228,081</u>	<u>272,148</u>
Total current assets	<u>34,984,338</u>	<u>110,381,563</u>
Noncurrent assets:		
Investments	<u>32,491,241</u>	<u>13,215,889</u>
Total assets	<u>67,475,579</u>	<u>123,597,452</u>
CURRENT LIABILITIES:		
Incurred claims	30,454,523	59,190,617
Accrued liabilities	910,796	903,624
Accounts payable	3,189,088	3,773,963
Flexible spending accounts payable	<u>827,238</u>	<u>787,029</u>
Total liabilities	<u>35,381,645</u>	<u>64,655,233</u>
Total net position restricted for health and welfare benefits	<u>\$ 32,093,934</u>	<u>\$ 58,942,219</u>

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years ended June 30, 2021 and 2020

	2021	2020
ADDITIONS		
Premiums	\$ 284,639,002	\$ 560,468,281
Miscellaneous	-	52,014
Investment earnings	296,638	1,194,294
Total additions	284,935,640	561,714,589
DEDUCTIONS		
Incurred claims	287,911,554	507,032,627
Claims processing	19,472,929	26,978,282
Administrative	2,836,768	3,014,274
Wellness initiatives	1,562,674	1,689,502
Total deductions	311,783,925	538,714,685
Net increase (decrease) in fiduciary net position	(26,848,285)	22,999,904
NET POSITION		
Beginning of year	58,942,219	35,942,315
End of year	\$ 32,093,934	\$ 58,942,219

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - DESCRIPTION OF THE TRUST

The University of Colorado Health and Welfare Trust (the Trust) was established June 28, 2010 to administer and manage certain health and welfare benefits for participating employees and retirees. The University of Colorado (the University) and University of Colorado Medicine (CU Med) were the Members of the Trust at June 30, 2021. The University of Colorado Hospital Authority (UCH) was a member of the Trust until July 1, 2020. 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 employer members and their participants. Participant eligibility is determined pursuant to the terms of each Component Plan.

In the years ended June 30, 2021 and 2020, insurance coverage was provided through the following Component Plans:

- CU Health Plan – Exclusive Plan, which includes Blue View Vision,
- CU Health Plan – Extended,
- CU Health Plan – High Deductible/HSA Compatible,
- CU Health Plan – Medicare,
- CU Health Plan – Kaiser,
- CU Health Plan – Delta Dental EPO,
- CU Health Plan – Delta Dental PPO,
- CU Health Plan – Dental Dental Premier
- CU Health Plan – Vision, and
- the University of Colorado Flexible Benefits Plan

As part of the self-insured Medical Plan, employees and their eligible dependents are provided prescription drug benefits through Express Scripts Inc. (ending on February 28, 2020), IngenioRx (beginning March 1, 2020), University of Colorado Health, or Kaiser Permanente, depending on the respective plan. The flexible spending plan listed above allows employees to set aside their own pre-tax dollars to pay for certain medical costs and is administered by Application Software, Inc. (ASI) for the University of Colorado Flexible Benefits Plan.

Participants and Members share the cost of coverage, based on actuarially determined premium rates. Each Member determines the amount that will be paid by the Member and its participants. Participants are responsible for copayments, deductibles, coinsurance amounts, if applicable, and are 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.

The intent of the Trust is to maintain it for an indefinite period. However, Members reserve the right to amend or terminate the Trust for any reason.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - DESCRIPTION OF THE TRUST (CONTINUED)

The year ended June 30, 2020 has been restated from a special-purpose government engaged only in business-type activities and presented as an enterprise fund to a fiduciary fund presentation. The restatement was a result of the departure of UCH from the Trust effective July 1, 2020. The restatement did not change the beginning or ending net position.

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; four designated by the President of the University and one designated by CU Med. 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 a component unit of the University.

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 fiduciary fund. 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, additions are recognized when earned, and deductions are recorded when an obligation has been incurred.

Classification of Additions and Deductions

Additions are derived from activities associated with providing services of the Trust and investment income. For the Trust, this includes premiums paid by both members and participants. Deductions are paid to produce the services provided by the Trust in return for the additions. Deductions include incurred claims, claims processing, administrative and wellness initiative costs.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 approximately 30 days.

Investments

Investments are reported at fair value. The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third parties that can be used to pay current obligations of the Trust. Noncurrent investments include investments with a maturity in excess of one year, restricted investments, and those investments designated to be used for long-term obligations. The Trust's investment policy permits investments in mutual funds and highly rated fixed-income securities with effective maturities of 10 years or less. The Trust has an investment that is a cash equivalent on the statement of fiduciary net position. The other investment of the Trust is classified as a noncurrent asset.

Allowance for Doubtful Accounts

Premiums receivable are presented on the statement of fiduciary net position net of estimated uncollectible amounts. The Trust records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Trust recorded an allowance for doubtful accounts of \$0 as of June 30, 2021 and 2020.

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 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 60-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 additions on the statement of changes in fiduciary net position.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pharmacy Rebates

The Trust receives rebates from its prescription drug programs. 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 changes in fiduciary net position. In fiscal year 2021 and 2020, there were rebates received from two programs.

Performance Guarantee

The Trust may receive a performance guarantee related to failure to meet contract obligations from its vendors. Performance guarantees are recognized upon which the contractual settlement occurs with the vendor. Guarantees are recorded as a reduction of claims processing costs in the statement of changes in fiduciary net position.

Fiduciary Net Position

The Trust's fiduciary net position is classified as restricted for health and welfare benefits in accordance with the requirements stated in the Trust Agreement.

Administrative Costs/Deductions

All third-party costs, including significant trustee's fees and costs, 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 Trust management 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 Trust management 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 additions and deductions during the reporting period. Actual results could differ from those estimates.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Trust's financial assets are authorized for investment 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.

Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of bank failure, the Trust will not be able to recover the value of its deposits. The Trust does not have a formal policy for custodial credit risk.

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. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioner for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2021 and 2020, cash equivalents consist of shares of a 2a-7-money market fund held in the Wells Fargo Government Money Market Fund (ticker symbol GVIXX), which has a credit rating of Aaam and a weighted average maturity of approximately 32 days. Cash equivalents are reported at amortized cost, which approximates fair value. The Wells Fargo Government Money Market Fund is an open-ended mutual fund and is, therefore, not exposed to custodial credit risk.

At June 30, 2021 and 2020, noncurrent investments consist of the Vanguard Admiral Fund (ticker symbol VFSUX) which invests in short term bonds and is an unrated mutual fund with an average duration of 2.7 years for the underlying investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust has no formal policy for custodial credit risk. At June 30, 2021 and 2020, the Trust did not identify any investments subject to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Trust. The Trust has no formal policy for credit risk. At June 30, 2021 and 2020, the Trust believes the credit risk is minimal.

Interest rate risk is the risk that an investment's value will change due to a change in interest rates. The Trust has no formal policy for interest rate risk. At June 30, 2021 and 2020, the Trust believes the interest rate risk is minimal.

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NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. At June 30, 2021 and 2020, the Trust's investments consist of a single short-term duration bond fund.

NOTE 4 – FAIR VALUE

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for an identical asset that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Unobservable inputs for an asset.

The following table presents the fair value of measurements of assets recognized in the accompanying statement of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
At June 30, 2021				
Cash equivalents				
Money Market Fund	\$ 25,925,223	\$ 25,925,223	\$ -	\$ -
Investments				
Mutual Fund	\$ 32,491,241	\$ 32,491,241	\$ -	\$ -
At June 30, 2020				
Cash equivalents				
Money Market Fund	\$ 45,695,302	\$ 45,695,302	\$ -	\$ -
Investments				
Mutual Fund	\$ 13,215,889	\$ 13,215,889	\$ -	\$ -

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTE 5 - 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 paid. 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 costs associated with paying claims, which have been incurred, but not yet paid.

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 costs due to higher than anticipated utilization or a higher than anticipated number of catastrophic claims. Amounts receivable from UCH at June 30, 2021 and 2020 totaled \$983,718 and \$11,466,028, respectively, as a result of adverse claims experience during the year ended June 30, 2020.

The following represents changes in the unpaid claims liability during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Claims payable, beginning of year	\$ 59,190,617	\$ 57,028,707
Provision for claims costs		
Provision for covered events of the current year	292,860,531	514,203,848
Decrease in provisions for covered events of prior years	<u>(4,948,977)</u>	<u>(7,171,221)</u>
Total provision for claims costs	<u>287,911,554</u>	<u>507,032,627</u>
Payments		
Claims costs attributable to covered events of the current year	262,925,767	456,724,222
Claims costs attributable to covered events of prior years	<u>\$ 53,721,881</u>	<u>48,146,495</u>
Total payments	<u>316,647,648</u>	<u>504,870,717</u>
Claims payable, end of year	<u>\$ 30,454,523</u>	<u>\$ 59,190,617</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The University provides certain accounting and administrative services to the Trust for which fees are charged at cost, \$1,845,000 and \$1,830,000 for the years ended June 30, 2021 and 2020, respectively. The Trust's cash and investments are maintained in wholly separate accounts.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6 - RELATED PARTY TRANSACTIONS (CONTINUED)

During years ended June 30, 2021 and 2020, the Trust recorded pharmacy rebates from UCH of \$3,000,000 and \$5,434,000, respectively.

NOTE 7 - 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 8 - 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.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2021

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1) Net earned required contribution and investment earnings	\$ 154,540,480	\$ 199,945,749	\$ 285,918,491	\$ 316,481,456	\$ 365,546,362
2) Unallocated claims adjustment costs and reported other costs	12,115,278	18,873,069	25,630,781	26,995,891	28,689,606
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	136,620,429	175,180,914	260,104,673	285,422,019	324,928,970
4) Net paid (cumulative) claims as of					
End of incurred year	123,926,182	159,032,382	237,394,883	261,646,107	293,611,962
One year later	136,344,651	175,300,683	261,028,097	290,252,967	328,062,766
Two years later	136,240,052	175,313,650	261,319,966	290,048,207	327,923,421
Three years later	136,227,555	175,313,650	261,152,342	290,040,253	328,421,994
Four years later	136,227,555	175,313,650	261,152,342	290,040,253	328,221,155
Five years later	136,227,555	175,313,650	261,152,342	290,178,405	328,221,155
Six years later	136,227,555	175,313,650	261,156,480	290,178,405	-
Seven years later	136,227,555	175,313,650	261,156,480	-	-
Eight years later	136,227,556	175,313,650	-	-	-
Nine years later	136,227,556	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	136,620,429	175,180,914	260,104,673	285,422,019	324,928,970
One year later	136,357,060	175,332,273	261,363,182	290,252,967	327,866,104
Two years later	136,251,076	175,332,263	261,319,966	290,048,207	327,976,541
Three years later	136,227,555	175,313,650	261,152,342	290,040,253	328,421,994
Four years later	136,227,556	175,313,650	261,152,342	290,040,253	328,221,155
Five years later	136,227,556	175,313,650	261,152,342	290,178,405	328,221,155
Six years later	136,227,556	175,313,650	261,156,480	290,178,405	-
Seven years later	136,227,556	175,313,650	261,156,480	-	-
Eight years later	136,227,556	175,313,650	-	-	-
Nine years later	136,227,556	-	-	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	(392,873)	132,736	1,051,807	4,756,386	3,292,185
7) Net claim reserve (5 less 4)	-	-	-	-	-

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (UNAUDITED) (CONTINUED)
June 30, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1) Net earned required contribution and investment earnings	\$ 402,990,316	\$ 471,944,505	\$ 524,319,587	\$ 561,714,589	\$ 284,935,640
2) Unallocated claims adjustment costs and reported other costs	28,396,292	31,406,145	31,761,681	31,682,058	23,872,371
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	364,311,674	429,744,903	490,876,600	514,203,848	292,860,531
4) Net paid (cumulative) claims as of					
End of incurred year	362,890,120	387,623,927	437,548,938	456,724,222	262,925,767
One year later	363,020,197	432,077,791	487,666,814	509,500,503	-
Two years later	365,799,156	429,643,216	486,945,060	-	-
Three years later	365,110,916	429,637,197	-	-	-
Four years later	365,073,298	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	364,311,674	429,744,903	490,876,600	514,203,848	292,860,531
One year later	364,441,751	432,077,791	487,666,814	510,020,262	-
Two years later	365,799,156	429,643,216	486,945,060	-	-
Three years later	365,110,916	429,637,197	-	-	-
Four years later	365,073,298	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	761,624	(107,706)	(3,931,540)	(4,183,586)	-
7) Net claim reserve (5 less 4)	-	-	-	519,759	29,934,764

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
June 30, 2021

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
	Wells Fargo:			
	Government	Money Market Fund	\$ 25,925,223	\$ 25,925,223
	Vanguard:			
	Vanguard Admiral Fund	Defensive Fixed-Income		
	Short Duration Bond Fund	Mutual Fund	32,146,372	32,491,241
	Total		<u>\$ 58,071,595</u>	<u>\$ 58,416,464</u>

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Year Ended June 30, 2021

(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 plan assets:						
Wells Fargo Bank	Government Money Market Fund	\$ 309,054,756	\$ -	\$ 309,054,756	\$ 309,054,756	\$ -
Wells Fargo Bank	Government Money Market Fund	\$ -	\$ 328,824,835	\$ 328,824,835	\$ 328,824,835	\$ -
Wells Fargo Bank	Vanguard Admiral Fund	\$ 19,286,468	\$ -	\$ 19,286,468	\$ 19,286,468	\$ -

There were no Category (i), (ii) or (iv) reportable transactions during the year ended June 30, 2021.