

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

**BASIC FINANCIAL STATEMENTS
June 30, 2023 and 2022**

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the University of Colorado Health and Welfare Trust as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 – Adoption of New Accounting Standard to the financial statements, effective July 1, 2021, the Trust adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Management is also responsible for maintaining a current trust instrument, including all trust amendments, administering the Trust, and determining that the Trust's transactions that are presented and disclosed in the financial statements are in conformity with the Trust's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplementary Information Required by ERISA (Subjected to Auditing Procedures)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplemental 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, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedules is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Supplementary Information (Not Subjected to Auditing Procedures)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplementary information (not subjected to auditing procedures) 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2023 and 2022

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, 2023 and 2022, with comparative information as of and for the year ended June 30, 2021. Trust management is responsible for the completeness and fairness of this discussion and analysis and for the basic financial statements.

Financial information from June 30, 2022 and 2021 have been restated as a result of the implementation of GASB 96 Subscription Based Information Technology Arrangements. Fiduciary Net Position decreased by \$2,273 and \$191 for years ended June 30, 2022 and 2021, respectively, from the restatement.

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, 2023 and 2022). 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, 2023 and 2022. 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 Information and 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 (Not subjected to auditing procedures)
June 30, 2023 and 2022

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2023 include:

- The Trust ended the year with \$68,593,486 in net position.
- Incurred but not reported claims, as estimated by an outside actuary, amounted to \$37,588,807.
- Total Trust premium additions were \$399,099,266.
- Incurred claims costs were \$359,059,624.
- Claims processing costs were \$21,298,914. Administrative costs were \$3,512,738.

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2023, approximately 64% of total assets are held in cash and cash equivalents and noncurrent investments. Another 35% represents short-term receivables. At June 30, 2022, approximately 63% of total assets are held in cash and cash equivalents and noncurrent investments. Another 37% represents short-term receivables. At June 30, 2021, these amounts were approximately 88% held in cash and cash equivalents and noncurrent investments, with another 11% in short-term receivables. The increase in receivables from 2021 to 2022 was due to the timing of the last monthly premium from an employer being received after year end. The ratios of total assets to cash and cash equivalents and noncurrent investments and short-term receivables were consistent from 2022 to 2023.

At June 30, 2023, approximately 89% of total liabilities represent the estimate of claims payable. At June 30, 2022, approximately 88% of total liabilities represent the estimate of claims payable. At June 30, 2021, approximately 85% of total liabilities represent the estimate of claims payable. The estimate of incurred but not reported claims amounts have been actuarially determined by an outside party and are included in claims payable. The increase in claims payable from 2021 to 2022 was from an increase in participation and the timing of claims payments. The decrease in claims payable from 2022 to 2023 is a result of the timing of claims payments.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2023 and 2022

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, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets			
Cash and cash equivalents	\$ 39,271,077	\$ 33,620,412	\$ 27,087,361
Receivables	39,171,866	35,054,443	7,668,896
Prepaid expenses	164,491	146,871	216,665
Total current assets	<u>78,607,434</u>	<u>68,821,726</u>	<u>34,972,922</u>
Noncurrent assets			
Investments	32,282,006	26,778,042	32,491,241
IT subscription, net	132,980	202,361	271,742
Total noncurrent assets	<u>32,414,986</u>	<u>26,980,403</u>	<u>32,762,983</u>
Total assets	<u>\$ 111,022,420</u>	<u>\$ 95,802,129</u>	<u>\$ 67,735,905</u>
Current liabilities			
Claims payable	\$ 37,588,807	\$ 38,226,729	\$ 30,454,523
Other current liabilities	4,784,131	5,019,051	4,994,422
Total current liabilities	<u>42,372,938</u>	<u>43,245,780</u>	<u>35,448,945</u>
Noncurrent liabilities	55,996	125,573	193,217
Total liabilities	42,428,934	43,371,353	35,642,162
Restricted for health and welfare benefits	68,593,486	52,430,776	32,093,743
Total liabilities and net position	<u>\$ 111,022,420</u>	<u>\$ 95,802,129</u>	<u>\$ 67,735,905</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the years ended June 30, 2023, 2022 and 2021, premium additions for the Trust totaled \$399,099,266, \$375,109,766, and \$284,639,002, respectively.

For the year ended June 30, 2023, incurred claims (including incurred but not paid claims) were \$359,059,624 while claims processing and administrative costs were \$24,811,652. For the year ended June 30, 2022, incurred claims (including incurred but not paid claims) were \$329,847,961 while claims processing and administrative costs were \$21,925,860. 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 \$22,309,888.

The increase in additions from fiscal year 2021 to 2022 was due an employer contributing additional reserve premiums to the Trust. The increase in deductions from fiscal year 2021 to 2022 was a result of an increase in claim utilization and an increase in the cost of care. The increase in additions from fiscal year 2022 to 2023 was due an increase in both premium contribution amounts and employees. The increase in deductions from fiscal year 2022 to 2023 was a result of an increase in claim utilization, an increase in the cost of care, and an increase in participants.

As of June 30, 2023, 2022, and 2021, there were approximately 25,000, 24,000, and 22,000 employees and retirees, respectively, participating in the Trust which amounted to approximately 52,000, 50,000, and 47,000 lives covered during those years, respectively.

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2023 and 2022**

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, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Additions	\$ 401,529,935	\$ 373,577,653	\$ 284,935,640
Deductions	<u>385,367,225</u>	<u>353,240,620</u>	<u>311,784,116</u>
Net increase (decrease) in fiduciary net position	16,162,710	20,337,033	(26,848,476)
Net position, beginning of year	<u>52,430,776</u>	<u>32,093,743</u>	<u>58,942,219</u>
Net position, end of year	<u>\$ 68,593,486</u>	<u>\$ 52,430,776</u>	<u>\$ 32,093,743</u>

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, 2023 and 2022

	2023	2022 (restated)
ASSETS:		
Current assets:		
Cash, noninterest bearing	\$ 1,499	\$ 1,286
Restricted cash - flexible spending accounts	1,279,225	834,522
Cash equivalents	37,990,353	32,784,604
Total cash and cash equivalents	39,271,077	33,620,412
Receivables:		
Premiums, net	32,948,585	28,499,794
Pharmacy rebates	5,985,467	5,742,815
Performance guarantee	-	55,728
Other rebates and refunds	-	321,674
Claims run out	30,000	404,076
Interest receivable	207,814	30,356
Total receivables	39,171,866	35,054,443
Prepaid expenses	164,491	146,871
Total current assets	78,607,434	68,821,726
Noncurrent assets:		
Investments	32,282,006	26,778,042
IT subscription, net	132,980	202,361
Total noncurrent assets	32,414,986	26,980,403
Total assets	111,022,420	95,802,129
LIABILITIES:		
Current liabilities:		
Claims payable	37,588,807	38,226,729
Accrued liabilities	1,169,619	928,014
Accounts payable	2,659,321	3,579,486
Current subscription liability	69,577	67,644
Flexible spending accounts payable	885,614	443,907
Total current liabilities	42,372,938	43,245,780
Noncurrent liabilities:		
Subscription liability, noncurrent	55,996	125,573
Total liabilities	42,428,934	43,371,353
Total net position restricted for health and welfare benefits	\$ 68,593,486	\$ 52,430,776

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, 2023 and 2022

	2023	2022 (restated)
ADDITIONS		
Premiums	\$ 399,099,266	\$ 375,109,766
Miscellaneous	96,858	164,210
Investment earnings (loss)	2,333,811	(1,696,323)
Total additions	401,529,935	373,577,653
DEDUCTIONS		
Incurred claims	359,059,624	329,847,961
Claims processing	21,298,914	18,737,211
Administrative	3,512,738	3,188,649
Wellness initiatives	1,495,949	1,466,799
Total deductions	385,367,225	353,240,620
Net increase in fiduciary net position	16,162,710	20,337,033
NET POSITION		
Beginning of year	52,430,776	32,093,743
End of year	\$ 68,593,486	\$ 52,430,776

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, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022, 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 CVS/Caremark, 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, 2023 and 2022

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARD

The Trust adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) as of July 1, 2021. GASB 96 defines a subscription-based information technology arrangement (SBITA) and establishes that a SBITA results in a right-to-use (RTU) asset and a corresponding liability. The RTU is amortized over the period of the arrangement.

The subscription asset and corresponding subscription liability were both recorded at \$277,524 on the adoption date. The financial statements for the year ended June 30, 2022 have been restated to reflect the impact of the adoption of GASB 96. The following table shows the effect of the restatement:

	<u>Original</u>	<u>Restated</u>
Prepaid expenses	158,288	146,871
IT subscription, net	-	202,361
Total assets	95,611,185	95,802,129
Current subscription liability	-	67,644
Subscription liability, noncurrent	-	125,573
Total liabilities	43,178,136	43,371,353
Total net position restricted for health and welfare benefits	52,433,049	52,430,776
Administrative deduction	3,186,567	3,188,649
Net increase in fiduciary net position	20,339,115	20,337,033

NOTE 3 - 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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023 and 2022.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - 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 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.

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 2023 and 2022, there were rebates received from two programs and totaled \$23,558,412 and \$16,255,217, respectively.

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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 4 - 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 two 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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 30, 2023 and 2022, cash equivalents consist of shares of a 2a-7-money market fund held in the Allspring Government Money Market Fund, formerly Wells Fargo Government Money Market Fund (ticker symbol GVIXX), which has a S&P credit rating of Aaam and a weighted average maturity of approximately 23 days. The Allspring Government Money Market Fund is reported at fair value and as an open-ended mutual fund, is not exposed to custodial credit risk.

At June 30, 2023 and 2022, 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 2.6 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. At June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the Trust believes the interest rate risk is minimal.

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, 2023 and 2022, the Trust's investments consist of a single short-term duration bond fund.

NOTE 5 – 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.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5 – FAIR VALUE (CONTINUED)

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, 2023				
Cash equivalents				
Money Market Fund	\$ 37,990,353	\$ 37,990,353	\$ -	\$ -
Investments				
Mutual Fund	\$ 32,282,006	\$ 32,282,006	\$ -	\$ -
At June 30, 2022				
Cash equivalents				
Money Market Fund	\$ 32,784,604	\$ 32,784,604	\$ -	\$ -
Investments				
Mutual Fund	\$ 26,778,042	\$ 26,778,042	\$ -	\$ -

NOTE 6 - CLAIMS PAYABLE

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 claims runout at June 30, 2023 and 2022 totaled \$30,000 and \$404,076, respectively, as a result of adverse claims experience during the year ended June 30, 2020 from a member that terminated.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6 - CLAIMS PAYABLE (CONTINUED)

The following represents changes in the claims payable liability during the years ended June 30, 2023 and 2022:

	2023	2022
Claims payable, beginning of year	\$ 38,226,729	\$ 30,454,523
Provision for claims costs		
Provision for covered events of the current year	357,818,378	323,743,701
Increase in provisions for covered events of prior years	1,241,246	6,104,260
Total provision for claims costs	359,059,624	329,847,961
Payments		
Claims costs attributable to covered events of the current year	320,555,992	286,392,661
Claims costs attributable to covered events of prior years	39,141,554	35,683,094
Total payments	359,697,546	322,075,755
Claims payable, end of year	\$ 37,588,807	\$ 38,226,729

NOTE 7 - IT SUBSCRIPTION

The Trust has a subscription based information technology arrangement with a company that holds the data warehouse and provides data analytics that started June 2021 and will end in May 2025. The IT subscription asset totaled \$277,524 for years ended June 30 2023 and 2022 and accumulated amortization totaled \$144,544 and \$75,163 for years ended June 30, 2023 and 2022, respectively. The corresponding subscription liability was originally recorded at \$277,524, with a balance at June 30, 2023 and 2022 of \$125,573 and \$193,217, respectively. The following table presents future principal and interest payments for years ending June 30:

	Interest		Principal		Total
2024	\$ 511	\$	69,577	\$	70,088
2025	143		55,996		56,139
	\$ 654	\$	125,573	\$	126,227

NOTE 8 - RELATED PARTY TRANSACTIONS

The University provides certain accounting and administrative services to the Trust for which fees are charged at cost, \$1,449,000 and \$2,062,000 for the years ended June 30, 2023 and 2022, respectively. The Trust's cash and investments are maintained in wholly separate accounts.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 9 - 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 10 - 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 (Not subjected to auditing procedures)
June 30, 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1) Net earned required contribution and investment earnings	\$ 285,918,491	\$ 316,481,456	\$ 365,546,362	\$ 402,990,316	\$ 471,944,505
2) Unallocated claims adjustment costs and reported other costs	25,630,781	26,995,891	28,689,606	28,396,292	31,406,145
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	260,104,673	285,422,019	324,928,970	364,311,674	429,744,903
4) Net paid (cumulative) claims as of					
End of incurred year	237,394,883	261,646,107	293,611,962	362,890,120	387,623,927
One year later	261,028,097	290,252,967	328,062,766	363,020,197	432,077,791
Two years later	261,319,966	290,048,207	327,923,421	365,799,156	429,643,216
Three years later	261,152,342	290,040,253	328,421,994	365,110,916	429,637,197
Four years later	261,152,342	290,040,253	328,221,155	365,073,298	429,361,467
Five years later	261,152,342	290,178,405	328,221,155	365,049,022	429,361,467
Six years later	261,156,480	290,178,405	328,221,155	365,049,022	-
Seven years later	261,156,480	290,178,405	328,221,155	-	-
Eight years later	261,156,480	290,178,405	-	-	-
Nine years later	261,156,480	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	260,104,673	285,422,019	324,928,970	364,311,674	429,744,903
One year later	261,363,182	290,252,967	327,866,104	364,441,751	432,077,791
Two years later	261,319,966	290,048,207	327,976,541	365,799,156	429,643,216
Three years later	261,152,342	290,040,253	328,421,994	365,110,916	429,637,197
Four years later	261,152,342	290,040,253	328,221,155	365,073,298	429,361,467
Five years later	261,152,342	290,178,405	328,221,155	365,049,022	429,361,467
Six years later	261,156,480	290,178,405	328,221,155	365,049,022	-
Seven years later	261,156,480	290,178,405	328,221,155	-	-
Eight years later	261,156,480	290,178,405	-	-	-
Nine years later	261,156,480	-	-	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	1,051,807	4,756,386	3,292,185	737,348	(383,436)
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 (Not subjected to auditing procedures) (CONTINUED)
June 30, 2023

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1) Net earned required contribution and investment earnings	\$ 524,319,587	\$ 561,714,589	\$ 284,935,640	\$ 373,577,653	\$ 401,529,935
2) Unallocated claims adjustment costs and reported other costs	31,761,681	31,682,058	23,872,371	23,390,577	26,307,601
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	490,876,600	514,203,848	292,860,531	323,743,701	357,818,378
4) Net paid (cumulative) claims as of					
End of incurred year	437,548,938	456,724,222	262,925,767	286,392,661	320,555,992
One year later	487,666,814	510,020,262	296,370,448	324,361,199	-
Two years later	486,945,060	512,259,959	297,129,781	-	-
Three years later	486,724,022	512,673,642	-	-	-
Four years later	486,724,022	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	490,876,600	514,203,848	292,860,531	323,743,701	357,818,378
One year later	487,666,814	510,020,262	297,246,137	324,687,620	-
Two years later	486,945,060	512,259,959	297,129,781	-	-
Three years later	486,724,022	512,673,642	-	-	-
Four years later	486,724,022	-	-	-	-
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)	(4,152,578)	(1,530,206)	4,269,250	943,919	-
7) Net claim reserve (5 less 4)	-	-	-	326,421	37,262,386

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, 2023

(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
	Allspring: Government	Money Market Fund	\$ 37,990,353	\$ 37,990,353
	Vanguard: Vanguard Admiral Fund Short Duration Bond Fund	Defensive Fixed-Income Mutual Fund	34,536,383	32,282,006
	Total		<u>\$ 72,526,736</u>	<u>\$ 70,272,359</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, 2023

(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:						
Vanguard	Vanguard Admiral Fund Short Duration Bond Fund	\$ 5,697,615	\$ -	\$ 5,697,615	\$ 5,697,615	\$ -
Allspring	Government Money Market Fund	\$ 378,003,754	\$ -	\$ 378,003,754	\$ 378,003,754	\$ -
Allspring	Government Money Market Fund	\$ -	\$ 372,828,005	\$ 372,828,005	\$ 372,828,005	\$ -