COLORADO
COHFA
HEALTH
FACILITIES
AUTHORITY

TO: The Honorable John Hickenlooper, Governor, State of Colorado
The Members of the Colorado State Senate
The Members of the Colorado House of Representatives
The Honorable Sally Symanski, Auditor of the State of Colorado
Crystal Dorsey, Director of Local Governmental Audits
Eugene Hainer, Assistant Commissioner for Libraries
Legislative Library

This report is being rendered pursuant to Sections 25-25-127 and 25-25-131 of Colorado Revised Statutes. Its purpose is to describe the activities and operations of the Colorado Health Facilities Authority ("COHFA") for its fiscal year 2010, which encompasses the time period from October 1, 2009 through September 30, 2010. COHFA's audit (the "Audit"), conducted by Ehrhardt Keefe Steiner & Hottman PC, accompanies this report and constitutes a part hereof.

Financings During Recent Fiscal Year

During COHFA's most recent fiscal year, it completed six tax-exempt healthcare financings in the aggregate principal amount of $1,369,020,000 as more fully detailed in the Schedule attached to the Audit.

Of the six financings included in the Schedule, three were for hospitals. The largest was for Catholic Health Initiatives ("CHI"). CHI used the proceeds of this issue to finance a variety of improvements at its sites, including those in Colorado and to refund and restructure its bonds to reduce short-term exposure for self-liquidity bonds, reduce credit risk to lower rated banks, and mitigate renewals of supporting bank agreements occurring within the next 18 months.

COHFA also completed a financing for the Sisters of Charity of Leavenworth ("Leavenworth") to refinance its existing debt for its facilities and refund all of Exempla's debt to bring it under Leavenworth's master trust indenture. While the refinancings resulted in debt service savings, they also resulted in converting variable rate debt to fixed rate debt.

The other hospital financing was for North Colorado Medical Center in Greeley. The purpose of its financing was to convert insured variable rate debt to letter of credit backed variable rate debt.

One of the financings was for long-term care facilities owned by American Baptist Homes of the Midwest. Another financing was the construction of a new hospice facility owned by Denver Hospice at Lowry. The final financing was for Rocky Mountain Youth Clinic. They used the proceeds to acquire and improve a pediatric medical and dental outpatient treatment clinic in Thornton.

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IRS Audits

The IRS has stepped up its audit program in the area of municipal finance and is conducting audits to assess compliance in particular areas of concern to the Service. In COHFA's most recent fiscal year, two audits were resolved successfully, meaning there was no change to the tax status of the bonds. With the successful conclusion of an audit right after the close of the fiscal year covered by this report, COHFA currently has no open audits with the Service.

Activities on Behalf of Nonprofit Healthcare Institutions

As part of its ongoing efforts to keep financing costs low, COHFA was able to refund to its borrowing organizations a portion of the annual fees paid to COHFA by such borrowers. This amounted to $567,531 for the fiscal year ending September 30, 2010.

In connection with its legislative mandate to assist nonprofit healthcare institutions in accessing the tax-exempt capital markets, COHFA meets with institutions contemplating a financing and informs them of various financing options available to them as well as of legal, tax and marketing issues. COHFA also meets periodically with legislators and members of the executive branch to update them on COHFA's activities.

During its most recent fiscal year COHFA hosted an educational seminar to inform nonprofit healthcare institutions across the State about the growing use of bank private placements due to recent changes in federal tax law.

COHFA participates in functions of the Colorado Health & Hospital Association, the Colorado Association of Homes and Services for the Aging and the Colorado Chapter of the Healthcare Financial Management Association to stay abreast of developments affecting Colorado healthcare institutions and to share its expertise with members of these organizations. COHFA is also actively involved in the National Association of Health and Educational Facilities Finance Authorities, an organization comprised of health and education authorities around the country.

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Financial Statements
and
Independent Auditors' Report
September 30, 2010 and 2009

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COLORADO HEALTH FACILITIES AUTHORITY

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COLORADO HEALTH FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

The following discussion and analysis presents management's discussion of the financial position and results of operations of the Colorado Health Facilities Authority (the "Authority") during the fiscal years ended September 30, 2010 and 2009. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements, and accompanying notes.

The Authority was created by the Colorado Legislature in 1977 as a financing vehicle to enable nonprofit public and private health care institutions to access the tax-exempt capital market when financing or refinancing health care facilities. The Authority does not receive any State funds and is not a State agency. Its operations are funded through annual fees charged to the organizations on whose behalf the Authority issues bonds and other debt obligations (together, "bonds").

The Authority's statute does not provide that the moral authority of the State can be pledged. To the contrary, it explicitly provides that any bonds issued by the Authority are not an indebtedness, a debt or a liability of the State, or any political subdivision of the State. All bond documents, bonds, and offering circulars pertaining to bonds issued by the Authority state that the bonds are not the obligations of the State or the Authority but are the financial obligations of the health care institutions.

As the Authority has no liability with respect to these bonds and has no beneficial interest in the related assets held by the trustees, the Authority excludes these bonds and related assets held by the trustees from its financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that provide enhanced disclosure of some of the information in the financial statements.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the nature and the amounts of investments in resources (assets) and the amounts due to the Authority's creditors (liabilities). It provides one way to measure the financial health of the Authority by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority. This information should be considered along with other non-financial factors such as the change in economic conditions.

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and changes in net assets. This statement measures operations over the year and can be used to determine whether the Authority has recovered all of its costs through its revenue sources.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operating, investing, capital and non-capital activities. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the period.

Condensed Financial Information

	September 30, 2010	September 30, 2009
Total assets	$ 6,978,208	$ 6,517,478
Total liabilities	609,998	326,339
Net assets		
Invested in capital assets	4,513	6,762
Unrestricted assets		
Designated - assets limited as to use	2,456,752	2,451,912
Undesignated	1,899,105	1,721,126
Indemnification trust	2,007,840	2,011,339
Total net assets	$ 6,368,210	$ 6,191,139

	For the Years Ended September 30, 2010	For the Years Ended September 30, 2009
Operating revenue		
Annual service fees	$ 1,378,443	$ 1,290,940
Less refunds	(567,531)	(266,443)
Net annual service fees	810,912	1,024,497
Initial fees	551,103	500,746
Total operating revenue	1,362,015	1,525,243
Operating expenses		
Direct costs of financings	415,389	604,687
General and administrative expenses	803,034	856,982
Total operating expenses	1,218,423	1,461,669
Investment and miscellaneous income	33,479	121,913
Change in net assets	177,071	185,487
Net assets, beginning of year	6,191,139	6,005,652
Net assets, end of year	$ 6,368,210	$ 6,191,139

Financial Analysis

Balance Sheet

Total assets of the Authority increased $460,730 or 7.1% from $6,517,478 on September 30, 2009 to $6,978,208 on September 30, 2010, while total liabilities showed an increase from $326,339 on September 30, 2009 to $609,998 on September 30, 2010. The increase in assets is a result of the surplus derived from operations which was invested by the Authority. The increase in liabilities is a result of a much larger refund of annual fees being returned to the borrowers.

The net assets of the Authority (the excess of assets over its liabilities) at September 30, 2010 and 2009 were $6,368,210 and $6,191,139, respectively. Of the $6,368,210, approximately $2 million is set aside in an irrevocable indemnification trust. An additional $2,456,752 has been designated by the Board to provide future working capital and support operations during periods of unusual fluctuations or unexpected or extraordinary expenses. The remaining net assets of $1,903,618 were undesignated.

Statements of Revenue, Expenses, and Changes in Net Assets

Operating Activities

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care providers. The Authority also hosts educational seminars for the providers and sponsors and participates in various State associations comprised of hospitals and long term care facilities, as well as in national organizations comprised of entities involved in tax exempt health care finance.

The Authority charges financing and administrative fees for its services as discussed herein and further in Note 1 to the accompanying financial statements.

The total operating revenue for the year ended September 30, 2010 was $1,362,015, a decrease of $163,228 or 11% from the prior year. The initial fees are designed to cover the Authority's costs in issuing the bonds of the borrowing health care facilities and are paid by the borrowers at their closings. These fees increased $50,357 in 2010 when compared to 2009, a direct result of the Authority issuing more in par amounts of bonds in 2010 than in 2009. The annual fees cover the operating expenses of the Authority since it receives no funding from the State. These fees decreased $213,585, or 21%, from 2009 as a result of refunding a significantly larger amount of annual fees to the borrowers at fiscal year end.

Total operating expenses decreased $243,246 or 16.6% for the year ended September 30, 2010 when compared to the same period in 2009. This is due primarily to the decrease in the direct costs of financings. General and administrative expenses had a minimal increase, as there has been minimal change in the Authority's operations.

Statements of Revenue, Expenses, and Changes in Net Assets (continued)

Nonoperating Activities

The only nonoperating revenue shown on the Authority's financial statements is investment income earned on the investments held as part of the Authority's operating fund and trust. These investments are both Board-designated as well as unrestricted money. Investment income decreased $88,434 from the prior year due to market conditions.

Debt Administration

For the year ended September 30, 2010, the Authority issued $1,369,020,000 in bonds in six bond issues. In fiscal year 2009, the Authority issued $485,805,000 in nine bond issues.

Budget Analysis

The Authority had budgeted a surplus of $222,218 for fiscal year 2010 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was $744,602. After a refund to borrowers of $567,531, the remaining surplus was $177,071.

	September 30,		
	2010 (Actual)	2010 (Budgeted)	2009 (Actual)
Revenue	$ 1,395,494	$ 1,737,004	$ 1,647,156
Expenses	1,218,423	1,514,786	1,461,669
Revenue over expenses	$ 177,071	$ 222,218	$ 185,487

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

We have audited the accompanying financial statements of Colorado Health Facilities Authority (the "Authority") as of and for the years ended September 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes considerations of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2010 and 2009, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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To the Board of Directors
Colorado Health Facilities Authority

Management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of bonds outstanding and the schedule of lease-purchase financings outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

December 16, 2010
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Balance Sheets

	September 30, 2010	September 30, 2009
Assets		
Current assets		
Cash	$ 70,912	$ 88,366
Accounts receivables	308,701	293,569
Deferred financing expenses	28,775	10,351
Other current assets	52,050	76,844
Total current assets	460,438	469,130
Investments	2,048,665	1,578,335
Capital assets, net of accumulated depreciation of $128,898 and $126,649, respectively	4,513	6,762
Assets limited as to use	2,456,752	2,451,912
Indemnification trust	2,007,840	2,011,339
Total assets	$ 6,978,208	$ 6,517,478
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 603,877	$ 314,789
Accrued liabilities	6,121	11,550
Total liabilities	609,998	326,339
Commitments and contingencies		
Net assets		
Invested in capital assets	4,513	6,762
Indemnification trust	2,007,840	2,011,339
Unrestricted assets		
Designated - assets limited as to use	2,456,752	2,451,912
Undesignated	1,899,105	1,721,126
Total net assets	6,368,210	6,191,139
Total liabilities and net assets	$ 6,978,208	$ 6,517,478

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Assets

	For the Years Ended September 30, 2010	2009
Operating revenue		
Annual service fees	$ 1,378,443	$ 1,290,940
Less refunds	(567,531)	(266,443)
Net annual service fees	810,912	1,024,497
Initial fees	551,103	500,746
Total operating revenue	1,362,015	1,525,243
Operating expenses		
Direct costs of financings		
Financial consulting	260,276	365,957
Legal costs through closing	89,537	152,990
Post closing legal costs	28,535	39,322
Non-recurring legal costs	20,223	-
Incomplete financings costs	-	33,187
Multi-state fee expense	14,364	11,330
Other	2,454	1,901
Total direct costs of financings	415,389	604,687
General and administrative expenses		
Salaries and related	482,254	467,912
Office rent and expenses	137,181	140,835
Professional services	83,039	141,212
Legislative relations	38,847	37,369
Meetings	19,432	18,068
Council dues and meetings	27,667	34,303
Public information/business development	9,193	12,227
Depreciation	2,249	2,249
Trust expenses	3,172	2,807
Total general and administrative expenses	803,034	856,982
Total operating expenses	1,218,423	1,461,669
Operating income	143,592	63,574
Non-operating revenue (expense)		
Interest and dividend income	54,792	153,378
Net decrease in fair value of investments	(21,313)	(31,465)
Change in net assets	177,071	185,487
Net assets, beginning of year	6,191,139	6,005,652
Net assets, end of year	$ 6,368,210	$ 6,191,139

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30, 2010	2009
Cash flows from operating activities		
Cash receipts from customers	$ 1,346,883	$ 1,535,737
Cash payments to other suppliers of goods or services	(438,462)	(974,259)
Cash payments to employees for services	(487,683)	(464,262)
Net cash provided by operating activities	420,738	97,216
Cash flows from investing activities		
Proceeds from sales of investments	3,395,000	3,505,000
Purchase of investments	(3,882,945)	(2,807,150)
Interest and dividend income	54,792	153,378
Purchase of investments - indemnification trust	(5,039)	(983,827)
Purchase of equipment	-	(1,249)
Net cash used in investing activities	(438,192)	(133,848)
Net decrease in cash	(17,454)	(36,632)
Cash - beginning of year	88,366	124,998
Cash - end of year	$ 70,912	$ 88,366
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 143,592	$ 63,574
Adjustments to reconcile change in operating income to net cash provided by operating activities		
Depreciation	2,249	2,249
Changes in assets and liabilities		
Accounts receivable	(15,132)	10,494
Deferred financing expenses	(18,424)	44,213
Other current assets	24,794	21,765
Accounts payable	289,088	(48,729)
Accrued liabilities	(5,429)	3,650
	277,146	33,642
Net cash provided by operating activities	$ 420,738	$ 97,216

Supplemental disclosure of non-cash activity:

Net decrease in fair value of investments for years ended September 30, 2010 and 2009 was $(21,313) and $(31,465), respectively.

See notes to financial statements.

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization

Colorado Health Facilities Authority (the "Authority") is an independent public body and political subdivision created, effective July 1, 1977, by an Act of the General Assembly of the state of Colorado. Although the Authority is not considered a component unit of the state of Colorado, the Authority is considered a related party to the state of Colorado.

The purpose of the Authority is to provide access to tax-exempt capital markets to nonprofit public and private health care institutions, to refund or refinance outstanding indebtedness, and to finance additional facilities and other capital expenditures.

While the Authority issues tax-exempt revenue bonds and enters into leases on behalf of the borrowing institutions, the Authority is not liable with respect to the bonds or lease payments outstanding. The balances included in the accompanying financial statements represent the financial position of the Authority and do not include balances related to the bonds issued or leases financed.

During 1992, Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, which has several limitations, including restrictions on increases in revenue and expenditures and other specific requirements of state and local governments. The Authority received an opinion from its general counsel that the Authority qualifies as an enterprise under the Amendment and therefore is exempt from its provisions.

Component Unit

In 2003, the Authority's Board of Directors approved the creation of the Colorado Health Facilities Authority Trust (the "Trust"). Since the Trust's governing body is substantially the same as the Authority's, the Trust is reported as a blended component unit as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Basis of Accounting

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Authority is accounted for as a single column business activity. The accompanying financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. The Authority applies all statements issued by GASB and those statements issued by the Financial Accounting Standards Board after November 30, 1989, which do not conflict with or contradict GASB statements.

Cash

For the purpose of the statements of cash flows, cash includes cash and investments with a maturity of three months or less when purchased.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable arise in the normal course of business related to the annual fees charged to borrowers. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Authority on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of September 30, 2010 and 2009, no allowance was considered necessary.

Investments

Investments are recorded at fair value. Interest, dividend, and realized and unrealized gains and losses are included in non-operating income and expenses when incurred. It is the Authority's intention to hold the investment portfolio on a long-term basis although the underlying investments may have a short-term maturity. Therefore, all investments are reported as non-current assets in the accompanying balance sheets.

Capital Assets

Capital assets are recorded at cost when purchased and are depreciated on the straight-line basis over estimated useful lives of five years.

Assets Limited as to Use

Assets limited as to use represents investments which the Authority's Board of Directors has designated as reserves to provide for future working capital, operating, and capital expenditure needs of the Authority. These funds may be expended only upon specific action by the Board of Directors.

Net Assets and Related Reserves

The Authority's net assets are classified as follows:

Invested in capital assets - consists of capital assets net of accumulated depreciation.

Indemnification trust - consists of Trust assets.

Unrestricted - consists of the remaining net assets that are available for unrestricted use.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Net Assets and Related Reserves (continued)

The Authority's Board of Directors has approved a policy on the accumulation and maintenance of reserves of up to two times the amount of the Authority's budgeted general and administrative expenses for the following fiscal year plus $750,000. This designated reserve of $2,456,752 and $2,451,912 at September 30, 2010 and 2009, respectively, is maintained in cash and investments, classified as assets limited as to use in the accompanying balance sheets, and is to be updated annually by the Authority's Board of Directors. Currently, the fund balance is sufficient to meet the requirements of the policy.

The Trust assets and interest accrued thereon of $2,007,840 and $2,011,339 as of September 30, 2010 and 2009, respectively, are currently maintained in U.S. Treasury bills, U.S. Treasury notes, and a Federated Treasury obligation fund and classified as the indemnification trust in the accompanying balance sheets.

Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net assets distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with arranging financings and includes annual service fees and initial fees. Non-exchange income includes investment income and miscellaneous income and is reported as non-operating. Operating expenses are all expenses incurred to provide financing as well as the administrative expenses of the Authority.

The Authority charges two types of fees to the borrowers, an initial fee and an annual service fee. A portion of the initial fee may be collected prior to the issuance of bonds. In the event that bonds are not issued, any fees collected in excess of legal and other expenses incurred related to the issuance are refundable to the potential borrower. Thus, initial fees are recorded as deferred revenue and recognized as revenue when the related expenses are incurred, with any excess recognized when the bonds are issued. If legal and other expenses incurred exceed fees collected prior to bond issuance, such expenses are deferred and recorded as expense when the bonds are issued. Annual service fees are payable quarterly in arrears based on the bond anniversary date for issuances of borrowers with bonds outstanding of $100,000,000 or less on a cumulative basis and based on the Authority's fiscal year-end for issuances of borrowers with bonds outstanding of more than $100,000,000 on a cumulative basis. During the years ended September 30, 2010 and 2009, the Authority determined to refund $567,531 and $266,443, respectively, of its annual fees to the borrowers.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, medical, property losses, workers' compensation, and public officials' liability are all managed through purchased insurance. In addition, the Authority's Board of Directors entered into an agreement to create a trust to pay or reimburse, upon satisfaction of certain requirements, any indemnification claims of past, present or future directors, officers, and employees of the Authority. The trust is currently funded in the amount of $2,000,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures 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.

Subsequent Events

The Authority has evaluated all subsequent events through December 16, 2010, which is the date the financial statements were issued, and has determined that there are no events requiring disclosure.

Note 2 - Deposits and Investments

Colorado statutes require that the Authority use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. Government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

Note 2 - Deposits and Investments (continued)

The Authority's deposits and investments include the following:

	September 30, 2010		
	Deposits	Investments	Total
Cash	$ 70,912	$ -	$ 70,912
Investments	-	2,048,665	2,048,665
Assets limited as to use	-	2,456,752	2,456,752
Indemnification trust	-	2,007,840	2,007,840
Total deposits and investments	$ 70,912	$ 6,513,257	$ 6,584,169

	September 30, 2009		
	Deposits	Investments	Total
Cash	$ 88,366	$ -	$ 88,366
Investments	-	1,578,335	1,578,335
Assets limited as to use	-	2,451,912	2,451,912
Indemnification trust	2,011,339	-	2,011,339
Total deposits and investments	$ 2,099,705	$ 4,030,247	$ 6,129,952

The bank balances on deposit were $104,962 and $103,345 at September 30, 2010 and 2009, respectively.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, establishes and modifies disclosures requirements related to interest risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The Authority's investment portfolio is not exposed to foreign currency risk. As of September 30, 2010 and 2009, the Authority had the following investments:

	September 30, 2010		September 30, 2009	
Investment Type	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
U.S. Treasury obligations	$ 4,908,537	0.58	$ 1,945,895	1.58
Federated Treasury Obligation Fund	504,720	N/A	-	N/A
Certificates of deposit	1,100,000	0.47	1,000,000	0.38
Mortgage backed funds	-	N/A	1,084,352	0.38
	$ 6,513,257		$ 4,030,247	
Portfolio weighted average maturity		0.52		0.96

Note 2 - Deposits and Investments (continued)

Interest Rate Risk - In accordance with its investment policy, the Authority manages credit risk by investing surplus funds in accordance with Colorado state statutes, at the maximum interest rates available for maturities coincident with the need for those funds. The Authority manages its exposure to declines in fair values by purchasing investments with different maturities, not to exceed ten years.

Credit Risk - The Authority adheres to an investment policy of purchasing investments restricted to direct U.S. Treasury obligations, U.S. agency obligations, obligations issued by any state or any of its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. agency obligations, and qualified certificates of deposit or time deposits which are insured by the FDIC. The Authority's investments in U.S. Treasury obligations were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investment in the Federated Treasury obligation fund was rated AAAm by Standard & Poor's and Aaa by Moody's. The Authority's certificates of deposit were rated AA- by Standard & Poor's and Aa1 by Moody's.

Note 3 - Capital Assets

Capital assets consist of the following:

September 30, 2010	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	$ 133,411	$ -	$ -	$ 133,411
Less accumulated depreciation				
Furniture and fixtures	(126,649)	(2,249)	-	(128,898)
Total capital assets, being depreciated	$ 6,762	$ (2,249)	$ -	$ 4,513

September 30, 2009	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	$ 132,162	$ 1,249	$ -	$ 133,411
Less accumulated depreciation				
Furniture and fixtures	(124,400)	(2,249)	-	(126,649)
Total capital assets, being depreciated	$ 7,762	$ (1,000)	$ -	$ 6,762

Note 4 - Budget Policies

The Authority prepares a non-appropriated operating budget annually. This budget is adopted by the Authority's Board of Directors who review actual results as compared to the budget on a quarterly basis. The budget is prepared on the accrual basis of accounting.

Note 5 - Lease Commitments

The Authority entered into a lease for office space beginning August 1, 2006, which expires July 31, 2011 and has been renewed for an additional five years through July 31, 2016. The future minimum rental commitment under the lease agreement is as follows:

For the Years Ending September 30,		
2011	$	65,017
2012		69,056
2013		69,056
2014		69,661
2015		72,690
Thereafter		60,575
	$	406,055

Rental expense of $74,298 and $74,057 was charged to operations for the years ended September 30, 2010 and 2009, respectively.

Note 6 - Pension Plan

The Authority contributes to the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado ("PERA"). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the Authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Note 6 - Pension Plan (continued)

Plan members and the Authority are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Authority it is 10% of covered salary. A portion of the Authority's contribution, 1.02% for the years ended September 30, 2010 and 2009, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 2.2% and 1.8%, respectively, of the total payroll for the calendar years 2010 and 2009. The Authority is also required to pay a supplemental amortization equalization of 1.5% and 1.0% of total payroll for the calendar years 2010 and 2009, respectively. The total contribution rate was 13.7% and 12.8%, respectively for the calendar years 2010 and 2009. The Authority's employer contributions to PERA for the years ended September 30, 2010 and 2009 were $45,505 and $41,430, respectively, equal to their required contributions for the year.

Note 7 - Defeased Bond Issues

A number of the Authority's bond issues have been defeased with the proceeds of Authority refunding bonds or escrow deposits made by the borrower institutions. In these instances, cash, U.S. Government obligations or other securities permitted by the bond indentures are deposited with a trustee in an irrevocable escrow account to be used solely to retire the bonds being refunded at a future date. This escrow deposit must be sufficient in amount to pay maturing principal, interest, and applicable call premiums on the advance refunded bonds when due. The escrowed assets are pledged solely to the bondholders of the refunded issues. The lien and secured interests of the bond trustee and the Authority created by the bond indenture and loan agreement governing the advance refunded bond issue are defeased or released at the time the escrow deposit is made. As such, defeased bond issues are not considered to be outstanding as of September 30, 2010 and 2009, as applicable, in Schedule I - Schedule of Bonds Outstanding (unaudited) and the balance disclosed in Note 9.

Note 8 - Defaults

Certain bond issues may be declared to be in default from time to time. While the Authority is not responsible for the repayment of the bonds, it does incur costs to assist in the resolution of the defaults. As of September 30, 2010, the Authority is not aware of any bond issues that were in default.

Note 9 - Bond Issues and Lease-Purchase Financings (Unaudited)

As of September 30, 2010 and 2009, the Authority was involved in the bond issues and lease-purchase financings as shown in Schedule I - Schedule of Bonds Outstanding (unaudited) and Schedule II - Schedule of Lease-Purchase Financings Outstanding (unaudited). The total amount of conduit debt outstanding at September 30, 2010 and 2009 is $5,140,100,332 and $4,401,345,887 for bonds, and $8,678,276 and $14,557,911 for leases, respectively.

ACCOMPANYING INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

We have audited the accompanying financial statements of Colorado Health Facilities Authority (the "Authority"), as of and for the year ended September 30, 2010, and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Directors
Colorado Health Facilities Authority

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

December 16, 2010
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding
(Unaudited)

Bond Issue	Amount Outstanding as of September 30, 2010	2009
Adventist Health System/Sunbelt Obligated Group, Series 2004	$ 46,145,000	$ 46,145,000
Adventist Health System/Sunbelt Obligated Group, Series 2006	236,290,000	236,820,000
Allosource Project, Series 2006	11,499,215	12,303,533
Allosource Project, Series 2007	1,066,303	1,565,342
American Baptist, Series 2007	37,260,000	37,735,000
American Baptist Homes, Series 2009	28,115,000	-
Arapahoe House, Series 2004	4,500,000	4,730,000
Bethesda Adult Communities, Series 2008	21,480,000	21,480,000
Bethesda Foundation - 1999 Projects, Series 1999	16,510,000	16,955,000
Bethesda Living Centers, Series 2004	11,780,000	12,030,000
Boulder Community Hospital Project, Series 1989 B & C	9,610,000	11,145,000
Boulder Community Hospital Project, Series 1994 A & B	17,575,000	18,370,000
Boulder Community Hospital Project, Series 2000	57,540,000	58,980,000
Boulder Community Hospital Project, Series 2003 A & B	58,340,000	59,780,000
Brent Eley Center, Series 2007	4,469,110	5,000,000
Catholic Health Initiatives, Composite Issue, Series 1997A & B	9,680,000	91,395,000
Catholic Health Initiatives, Series 2000B	57,700,000	61,900,000
Catholic Health Initiatives, Series 2002A & B	49,300,000	50,500,000
Catholic Health Initiatives, Series 2004	171,700,000	241,000,000
Catholic Health Initiatives, Series 2006	520,635,000	536,500,000
Catholic Health Initiatives, Series 2008	175,000,000	200,000,000
Catholic Health Initiatives, Series 2008D	212,600,000	215,755,000
Catholic Health Initiatives, Series 2009	675,585,000	-
Christian Living Campus - Holly Creek Project, Series 2004	16,685,000	17,010,000
Christian Living Campus, Series 2006	65,895,000	68,880,000
Christian Living Communities - Clermont Park, Series 2009	29,755,000	29,755,000
Composite Issue, Revenue Bonds, Series 1998A-H	5,655,000	6,220,000
Covenant Retirement Communities, Inc., Series 1999A	12,900,000	12,900,000
Covenant Retirement Communities, Inc., Series 2002A & B	48,465,000	48,910,000
Covenant Retirement Communities, Inc., Series 2005	130,230,000	145,000,000
Covenant Retirement Communities, Inc., Series 2006	16,530,000	17,225,000
Craig Hospital Project, Series 2003	10,525,000	11,325,000
Denver Options, Inc., Series 2002	12,595,000	12,900,000
Denver Hospice, Series 2009	12,000,000	-
Devereux Foundation, Series 2002	10,220,000	10,870,000
Eaton Terrace Residences Project, Series 2006	7,765,000	7,940,000
Evangelical Lutheran Good Samaritan Society Project, Series 2000	11,640,000	12,045,000
Evangelical Lutheran Good Samaritan Society Project, Series 2002	25,455,000	26,580,000
Evangelical Lutheran Good Samaritan Society Project, Series 2004	25,640,000	27,410,000
Evangelical Lutheran Good Samaritan Society Project, Series 2005	60,795,000	62,030,000
Evangelical Lutheran Good Samaritan Society Project, Series 2006	97,450,000	99,340,000
Evangelical Lutheran Good Samaritan Society Project, Series 2007	23,830,000	23,830,000
Evangelical Lutheran Good Samaritan Society Project, Series 2008	17,990,000	21,215,000
Evangelical Lutheran Good Samaritan Society Project, Series 2009	80,975,000	80,975,000

(Continued on the following page)

Schedule I - Schedule of Bonds Outstanding (Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2010	2009
Exempla Healthcare, Series 2002A & B	30,100,000	81,065,000
Exempla Healthcare, Series 2009	33,000,000	33,000,000
Exempla Northwest Medical Center, Series 2002A	-	160,535,000
Frasier Meadows Manor Inc. Project, Series 1999	16,175,000	17,270,000
Frasier Meadows Manor Inc. Project, Series 2008	30,000,000	30,000,000
Global Country, Series 2006	17,145,000	17,145,000
Global Country, Series 2007	17,460,000	17,460,000
Golden West Manor, Series 2005	8,213,748	8,375,310
Golden West Manor, Series 2006	6,680,000	6,680,000
Goodwill Industries of Denver, Series 2004	4,525,000	4,845,000
Kentucky Circle Village, Series 2005	4,172,535	4,237,950
Longmont United Hospital Project, Series 2003	10,700,000	11,460,000
Longmont United Hospital Project, Series 2006	84,635,000	86,140,000
MARC, Series 2008	4,038,724	4,483,476
Maranatha Volunteers International, Inc., Series 2004	9,170,000	9,290,000
Maranatha Volunteers International, Inc., Series 2008	6,000,000	6,000,000
Metro Community, Series 2006	8,435,191	8,793,374
National Jewish Medical and Research Center Project, Revenue Bonds, Series 1998	25,235,000	26,060,000
National Jewish Medical and Research Center Project, Series 1998B	4,510,000	4,645,000
National Jewish Medical and Research Center Project, Series 2005	12,300,000	12,600,000
North Colorado Medical Center Inc. Project, Series 2003	87,955,000	89,650,000
North Colorado Medical Center Inc. Project, Series 2005	-	44,800,000
North Colorado Medical Center Inc. Project, Series 2008	51,645,000	53,750,000
North Colorado Medical Center Inc. Project, Series 2009	42,865,000	-
Parkview Medical Center, Series 2004	16,620,000	17,375,000
Parkview Medical Center, Series 2005	7,965,000	8,325,000
Parkview Medical Center, Series 2007	67,195,000	67,995,000
Plan De Salud del Valle, Series 2005	9,845,000	10,125,000
Plan De Salud del Valle, Series 2008	6,370,000	6,500,000
Porter Place, Inc. Project - GNMA Collateralized, Series 2000A & B	9,635,000	9,790,000
Poudre Valley Health Care, Inc., Series 1999A & B	-	3,645,000
Poudre Valley Health Care, Inc., Series 2005	370,000,000	370,000,000
Project Cure, Series 2008	7,905,000	7,905,000
Rocky Mountain Youth Clinic, Series 2010	1,346,023	-
Shalom Park, Series 2001	15,340,000	15,900,000
Sisters of Charity of Leavenworth Health Services Corporation, Revenue Bonds, Series 1998	-	88,215,000
Sisters of Charity of Leavenworth Health System, Series 2002	65,700,000	67,500,000
Sisters of Charity of Leavenworth Health System, Series 2003	75,505,000	78,110,000
Sisters of Charity of Leavenworth Health System, Series 2010	590,150,000	-

(Continued on the following page)

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding
(Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2010	2009
Sunnyrest Villa Project, Series 2004	3,554,483	3,626,902
Total Longterm Care Project, Series 2002	2,290,000	2,780,000
Vail Valley Medical Center, Series 2001	20,755,000	20,755,000
Vail Valley Medical Center, Series 2004	17,760,000	19,190,000
Valley View Hospital, Series 2006	7,135,000	8,135,000
Valley View Hospital, Series 2007	45,000,000	45,000,000
Valley View Hospital, Series 2008	51,145,000	51,145,000
Visiting Nurse Corporation of Colorado, Inc., Revenue Bonds, Series 1997	770,000	880,000
Visiting Nurse Corporation of Colorado, Inc., Series 2001A & B	525,000	625,000
Volunteers of America Care Facilities Obligated Group Projects, Series 2007	35,935,000	36,550,000
Yampa Valley, Series 2007	39,320,000	40,540,000
	$ 5,140,100,332	$ 4,401,345,887

COLORADO HEALTH FACILITIES AUTHORITY

Schedule II - Schedule of Lease-Purchase Financings Outstanding
(Unaudited)

Lease	Maturity	Principal Portion of Lease Payments Outstanding as of September 30, 2010	2009
Exempla Inc., Series 2004	2004-2009	$ -	$ 2,475,839
National Jewish Medical and Research Center, Series 2008	2008-2013	6,749,021	9,307,056
Longmont, Series 2006	2006-2011	1,929,255	2,775,016
		$ 8,678,276	$ 14,557,911