COLORADO
COHFA
HEALTH
FACILITIES
AUTHORITY

Financial Statements
and
Independent Auditors' Report
September 30, 2014 and 2013

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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, 2014 AND 2013

The following discussion and analysis presents management's discussion of the financial position and results of operations of Colorado Health Facilities Authority (the "Authority") during the fiscal years ended September 30, 2014 and 2013. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Governmental 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 to the financial statements.

The Authority was created by the Colorado Legislature in 1977 as a financing vehicle to enable non-profit 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 of Colorado ("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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. 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 position. 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.

Overview of the Basic Financial Statements (continued)

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 related financing activities, and non-capital financing 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, 2014	September 30, 2013
Total assets	$ 7,510,957	$ 7,298,031
Total liabilities	$ 464,823	$ 464,301
Net position		
Invested in capital assets	$ 4,129	$ 5,263
Indemnification trust	1,999,683	1,999,724
Unrestricted		
Designated - assets limited as to use	4,942,322	4,728,743
Undesignated	100,000	100,000
Total net position	$ 7,046,134	$ 6,833,730

	For the Years Ended September 30, 2014	For the Years Ended September 30, 2013
Operating revenue		
Annual service fees	$ 1,547,713	$ 1,415,812
Less refunds	(395,764)	(388,689)
Net annual service fees	1,151,949	1,027,123
Initial fees	723,507	481,932
Total operating revenue	1,875,456	1,509,055
Operating expenses		
Direct costs of financings	771,366	488,703
General and administrative expenses	896,153	888,307
Total operating expenses	1,667,519	1,377,010
Non-operating revenue	4,467	10,453
Change in net position	212,404	142,498
Net position, beginning of year	6,833,730	6,691,232
Net position, end of year	$ 7,046,134	$ 6,833,730

Financial Analysis

Balance Sheets

Total assets of the Authority increased $212,926 or 2.9% from $7,298,031 on September 30, 2013 to $7,510,957 on September 30, 2014, and total liabilities increased $522 or 0.1% from $464,301 on September 30, 2013 to $464,823 on September 30, 2014. The increase in total assets is primarily due to an increase in investments reported as assets limited as to use, which resulted from purchases made with cash flow generated from operations.

The net position of the Authority at September 30, 2014 and 2013 was $7,046,134 and $6,833,730, respectively. Of the $7,046,134, approximately $2,000,000 is set aside in an irrevocable indemnification trust. An additional $4,942,322 has been designated by the Board of Directors ("Board") to provide future working capital and support operations during periods of unusual fluctuations or unexpected or extraordinary expenses. Net assets of $100,000 were undesignated.

Statements of Revenue, Expenses, and Changes in Net Position

Operating Activities

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care and senior housing 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, 2014 was $1,875,456, an increase of $366,401 or 24.3% 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 are based on a percentage of the issuance amount and the type of issuance. The initial fees increased $241,575 or 50.1% in 2014 when compared to 2013. This is primarily due to the increase in the total bond issuance amount of $960,971,704 in 2014 versus $576,133,654 in 2013. The annual fees cover the operating expenses of the Authority since it receives no funding from the State. The annual service fees increased $124,826 or 12% in 2014 when compared to 2013. The increase is due to the total bond issuances that increased in 2014, which resulted in an overall increase in operating revenue.

Total operating expenses increased $290,509 or 21.1% for the year ended September 30, 2014 when compared to the same period in 2013. This is due primarily to an increase in financing costs incurred by the Authority as a result of the increase in financings. Other general and administrative expenses had a minimal increase as there has been minimal change in the Authority's operations.

Financial Analysis (continued)

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

Non-Operating Activities

The only non-operating 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 $5,986 from the prior year due to market conditions.

Debt Administration

For the year ended September 30, 2014, the Authority issued $960,971,704 in bonds in 13 bond issues. In fiscal year 2013, the Authority issued $576,133,654 in 10 bond issues.

Budget Analysis

The Authority had budgeted a surplus of $236,881 for fiscal year 2014 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was $608,168. After a refund to borrowers of $395,764, the remaining surplus was $212,404.

	September 30,		
	2014 (Actual)	2014 (Budgeted)	2013 (Actual)
Revenue	$ 1,879,923	$ 1,987,976	$ 1,519,508
Expenses	1,667,519	1,751,095	1,377,010
Revenue over expenses	$ 212,404	$ 236,881	$ 142,498

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of Colorado Health Facilities Authority (the "Authority") as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

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To the Board of Directors
Colorado Health Facilities Authority

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Colorado Health Facilities Authority as of September 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with auditing standards generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of bonds outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements; accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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December 18, 2014
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Balance Sheets

	September 30, 2014	September 30, 2013
Assets		
Current assets		
Cash	$ 98,361	$ 55,369
Accounts receivable	343,293	317,977
Prepaid financing expenses	1,892	56,886
Other current assets	41,552	46,663
Total current assets	485,098	476,895
Long-term investments	79,725	87,406
Capital assets, net of accumulated depreciation of $134,950 (2014) and $133,816 (2013)	4,129	5,263
Assets limited as to use	4,942,322	4,728,743
Indemnification trust	1,999,683	1,999,724
Total assets	$ 7,510,957	$ 7,298,031
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 449,455	$ 440,383
Accrued liabilities	15,368	23,918
Total liabilities	464,823	464,301
Commitments and contingencies		
Net position		
Invested in capital assets	4,129	5,263
Indemnification trust	1,999,683	1,999,724
Unrestricted		
Designated - assets limited as to use	4,942,322	4,728,743
Undesignated	100,000	100,000
Total net position	7,046,134	6,833,730
Total liabilities and net position	$ 7,510,957	$ 7,298,031

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Position

	For the Years Ended September 30, 2014	2013
Operating revenue		
Annual service fees	$ 1,547,713	$ 1,415,812
Less refunds	(395,764)	(388,689)
Net annual service fees	1,151,949	1,027,123
Initial fees	723,507	481,932
Total operating revenue	1,875,456	1,509,055
Operating expenses		
Direct costs of financings		
Financial consulting	480,571	333,080
Legal costs through closing	220,336	123,716
Post-closing legal costs	33,881	12,210
Incomplete financings costs	13,584	-
Multi-state fee expense	21,218	17,994
Other	1,776	1,703
Total direct costs of financings	771,366	488,703
General and administrative expenses		
Salaries and related	534,951	537,631
Office rent and expenses	132,315	144,806
Professional services	111,827	115,613
Legislative relations	42,407	41,140
Meetings	26,485	16,188
Council dues and meetings	30,335	10,619
Public information/business development	15,699	20,021
Depreciation	1,134	1,289
Trust expenses	1,000	1,000
Total general and administrative expenses	896,153	888,307
Total operating expenses	1,667,519	1,377,010
Operating income	207,937	132,045
Non-operating revenue		
Interest and dividend income	8,936	8,528
Net (decrease) increase in fair value of investments	(4,469)	1,925
Change in net position	212,404	142,498
Net position - beginning of year	6,833,730	6,691,232
Net position - end of year	$ 7,046,134	$ 6,833,730

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30, 2014	2013
Cash flows from operating activities		
Cash receipts from customers	$ 1,850,140	$ 1,504,955
Cash payments to other suppliers of goods or services	(1,062,257)	(736,189)
Cash payments to employees for services	(543,501)	(521,784)
Net cash provided by operating activities	244,382	246,982
Cash flows from investing activities		
Proceeds from sales of investments	4,150,000	4,525,000
Purchase of investments	(4,360,678)	(4,809,959)
Interest and dividend income	8,936	8,528
Proceeds from investments - indemnification trust	352	223
Purchase of capital assets	-	(5,668)
Net cash used in investing activities	(201,390)	(281,876)
Net increase (decrease) in cash	42,992	(34,894)
Cash - beginning of year	55,369	90,263
Cash - end of year	$ 98,361	$ 55,369
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 207,937	$ 132,045
Adjustments to reconcile change in operating income to net cash provided by operating activities		
Depreciation	1,134	1,289
Changes in assets and liabilities		
Accounts receivable	(25,316)	(4,100)
Prepaid financing expenses	54,994	(37,090)
Other current assets	5,111	(5,157)
Accounts payable	9,072	144,148
Accrued liabilities	(8,550)	15,847
	36,445	114,937
Net cash provided by operating activities	$ 244,382	$ 246,982

Supplemental disclosure of non-cash activity:

Net decrease in fair value of investments for the year ended September 30, 2014 was $4,469 and net increase in fair value of investments for the year ended September 30, 2013 was $1,925.

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 non-profit public and private health care institutions and senior housing facilities, 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.

Component Unit

In 2003, the Authority's Board of Directors ("Board") approved the creation of the Colorado Health Facilities Authority Trust (the "Trust"). Since the Trust's governing body is the same as the Authority's, the Trust is reported as a blended component unit.

Basis of Accounting

The Authority is accounted for as a single-column business-type 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.

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.

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, 2014 and 2013, no allowance was considered necessary.

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

Investments

Investments are recorded at fair value. Interest, dividends, 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 represent investments that the Board 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.

Net Position and Related Reserves

The Authority's net position is 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 position that is available for unrestricted use.

The Board has approved a policy on the accumulation and maintenance of reserves. Effective September 30, 2013, the Board reviewed the policy and determined that it was necessary to designate all reserves over $100,000 to the maintenance of operations and obligations for the next 40 years, ending at the final maturity date of the bonds it has issued. This designated reserve of $4,942,322 and $4,728,743 at September 30, 2014 and 2013, 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 Board. Currently, the fund balance is sufficient to meet the requirements of the policy.

The Trust assets and interest accrued thereon of $1,999,683 and $1,999,724 as of September 30, 2014 and 2013, respectively, are currently maintained in U.S. Treasury bills and a Federated Treasury Obligation Fund and are classified as the indemnification trust in the accompanying balance sheets.

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

Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net position 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 revenue collected in advance 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, 2014 and 2013, the Authority determined to refund $395,764 and $388,689, respectively, of its annual fees to the borrowers.

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 Board 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 approximately $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 and 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.

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

Recently Issued Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* ("GASB No. 68"), which revises and establishes new financial reporting requirements for most government entities that provide their employees with pension benefits. GASB No. 68 requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. GASB No. 68 is effective for fiscal years beginning after June 15, 2014. The Authority is in the process of evaluating the impact of GASB No. 68 to its financial statements.

Subsequent Events

The Authority has evaluated all subsequent events through the auditors' report date 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 FDIC.

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, 2014		
	Deposits	Investments	Total
Cash	$ 98,361	$ -	$ 98,361
Investments	-	79,725	79,725
Assets limited as to use	-	4,942,322	4,942,322
Indemnification trust	-	1,999,683	1,999,683
Total deposits and investments	$ 98,361	$ 7,021,730	$ 7,120,091

	September 30, 2013		
	Deposits	Investments	Total
Cash	$ 55,369	$ -	$ 55,369
Investments	-	87,406	87,406
Assets limited as to use	-	4,728,743	4,728,743
Indemnification trust	-	1,999,724	1,999,724
Total deposits and investments	$ 55,369	$ 6,815,873	$ 6,871,242

The bank balances on deposit were $148,438 and $72,665 at September 30, 2014 and 2013, respectively.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, establishes and modifies disclosure 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, 2014 and 2013, the Authority had the following investments:

	September 30,			
	2014		2013	
Investment Type	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
U.S. Treasury obligations	$ 3,301,156	0.58	$ 3,985,202	0.51
Federated Treasury Obligation Fund	252	N/A	249	N/A
U.S. government agency securities	3,720,322	0.74	2,830,422	0.51
	$ 7,021,730		$ 6,815,873	
Portfolio weighted average maturity		1.01		0.53

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 10 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 that are insured by the FDIC. The Authority's investments in U.S. Treasury obligations were rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's investment in the Federated Treasury Obligation Fund was rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's U.S. government agency securities were rated A-1+ to AA+ by Standard & Poor's and P-1 to Aaa by Moody's.

Note 3 - Capital Assets

Capital assets consist of the following:

September 30, 2014	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 139,079	$ -	$ -	$ 139,079
Less accumulated depreciation				
Furniture and fixtures	(133,816)	(1,134)	-	(134,950)
Total capital assets being depreciated	$ 5,263	$ (1,134)	$ -	$ 4,129

September 30, 2013	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 133,411	$ 5,668	$ -	$ 139,079
Less accumulated depreciation				
Furniture and fixtures	(132,527)	(1,289)	-	(133,816)
Total capital assets being depreciated	$ 884	$ 4,379	$ -	$ 5,263

Note 4 - Budget Policies

The Authority prepares a non-appropriated operating budget annually. This budget is adopted by the Board, which reviews 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 through July 31, 2016. The future minimum rental commitment under the lease agreement is as follows:

For the Years Ending September 30,	
2015	$ 72,690
2016	60,575
	$ 133,265

Rental expense of $77,240 and $77,366 was charged to operations for the years ended September 30, 2014 and 2013, 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 (the "Plan") administered by the Public Employees' 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, 1301 Pennsylvania Street, Denver, CO 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

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%, 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, 2014 and 2013, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 2.2% of the total payroll for the calendar years 2014 and 2013 and a supplemental amortization equalization of 1.5% of total payroll for the calendar years 2014 and 2013. The total contribution rate was 13.7% for the calendar years 2014 and 2013. The Authority's employer contributions to PERA for the years ended September 30, 2014 and 2013 were $53,090 and $51,544, respectively, equal to its 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 the 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, 2014 and 2013, as applicable, in the schedule of bonds outstanding 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, 2014, the Authority was not aware of any bond issues that were in default.

Note 9 - Bond Issues (Unaudited)

As of September 30, 2014 and 2013, the Authority was involved in the bond issues as shown in the schedule of bonds outstanding. The total amount of conduit debt outstanding for bonds at September 30, 2014 and 2013 was $6,407,891,408 and $5,706,014,601, respectively. There was no conduit debt for leases as of September 30, 2014 and 2013.

SUPPLEMENTARY INFORMATION

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding
(Unaudited)

Bond Issue	Amount Outstanding as of September 30, 2014	2013
Adventist Health System/Sunbelt Obligated Group, Series 2006	$ 220,620,000	$ 225,910,000
Adventist Health System/Sunbelt Obligated Group, Series 2010	22,500,000	23,500,000
Adventist Health System/Sunbelt Obligated Group, Series 2014	75,000,000	-
Allosource Project, Series 2010	19,510,000	21,387,000
American Baptist, Series 2007	34,960,000	35,605,000
American Baptist Homes, Series 2009	27,325,000	27,660,000
American Baptist Homes, Series 2013	48,565,000	-
Arapahoe House, Series 2004A & B	3,430,000	3,720,000
Augustana Elk Run Assisted Living Project, Series 2013	875,000	875,000
Bethesda Living Centers, Series 2011	-	23,112,441
Bethesda Living Centers, Series 2014	43,476,704	-
Boulder Community Hospital Project, Series 1989 B & C	2,215,000	4,275,000
Boulder Community Hospital Project, Series 2000	51,190,000	52,870,000
Boulder Community Hospital Project, Series 2010 A & B	83,900,000	86,980,000
Boulder Community Hospital Project, Series 2012	29,465,000	30,000,000
Brent Eley Center, Series 2012	3,111,771	3,244,354
Catholic Health Initiatives, Series 2002A & B	41,500,000	42,900,000
Catholic Health Initiatives, Series 2004	54,200,000	54,200,000
Catholic Health Initiatives, Series 2006	520,635,000	520,635,000
Catholic Health Initiatives, Series 2008	55,000,000	55,000,000
Catholic Health Initiatives, Series 2008D	210,100,000	210,100,000
Catholic Health Initiatives, Series 2009	558,735,000	611,580,000
Catholic Health Initiatives, Series 2011A & C	501,240,000	521,740,000
Catholic Health Initiatives, Series 2013A	254,765,000	-
Catholic Health Initiatives, Series 2013B	100,000,000	-
Children's Hospital Colorado, Series 2013	310,360,000	310,360,000
Christian Living Campus, Series 2006	59,920,000	60,985,000
Christian Living Communities - Clermont Park, Series 2011A & B	24,445,000	26,045,000
Christian Living Communities, Series 2012	47,885,000	49,195,000
Colorado Senior Residences - Casey's Pond, Series 2012	45,110,000	45,110,000
Composite Issue, Revenue Bonds, Series 1998A-H	210,000	3,795,000
Covenant Retirement Communities, Inc., Series 2005	120,755,000	123,285,000
Covenant Retirement Communities, Inc., Series 2012A, B, & C	147,290,000	150,170,000
Covenant Retirement Communities, Inc., Series 2013	39,545,000	39,545,000
Craig Hospital, Series 2012	36,970,000	37,595,000
Denver Options dba Rocky Mountain Human Services, Series 2012	10,346,441	10,818,886
Denver Hospice, Series 2009	-	1,525,031
Devereux Foundation, Series 2012	6,389,069	7,050,485
Eaton Terrace Residences Project, Series 2006	-	7,180,000
Eaton Senior Residences Project, Series 2014	7,280,000	-
Evangelical Lutheran Good Samaritan Society Project, Series 2004	24,000,000	24,375,000

(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, 2014	2013
Evangelical Lutheran Good Samaritan Society Project, Series 2005	55,195,000	56,700,000
Evangelical Lutheran Good Samaritan Society Project, Series 2006	85,445,000	88,945,000
Evangelical Lutheran Good Samaritan Society Project, Series 2007	23,830,000	23,830,000
Evangelical Lutheran Good Samaritan Society Project, Series 2008	2,160,000	4,500,000
Evangelical Lutheran Good Samaritan Society Project, Series 2009	25,200,000	25,200,000
Evangelical Lutheran Good Samaritan Society Project, Series 2011	57,210,000	58,635,000
Evangelical Lutheran Good Samaritan Society Project, Series 2012	168,725,000	169,185,000
Evangelical Lutheran Good Samaritan Society Project, Series 2013	63,675,000	-
Frasier Meadows Manor Inc. Project, Series 1999	11,225,000	12,550,000
Frasier Meadows Manor Inc. Project, Series 2008	30,000,000	30,000,000
Golden West Manor, Series 2005	7,480,132	7,677,539
Golden West Manor, Series 2006	6,240,000	6,370,000
Goodwill Industries of Denver, Series 2004	-	3,565,000
Goodwill Industries of Denver, Series 2013	7,000,000	-
Kentucky Circle Village, Series 2005	3,875,228	3,955,297
Longmont United Hospital Project, Series 2003	-	8,255,000
Longmont United Hospital Project, Series 2006	64,970,000	78,330,000
Longmont United Hospital Project, Series 2013	17,225,000	-
Maranatha Volunteers International, Inc., Series 2004A & B	-	8,765,000
Maranatha Volunteers International, Inc., Series 2008	-	5,600,000
Mental Health Center of Denver, Series 2010	-	13,371,927
Mental Health Center of Denver, Series 2014	23,865,000	-
National Jewish Medical and Research Center Project, Series 2005	11,100,000	11,400,000
National Jewish Medical and Research Center Project, Series 2012	24,145,000	25,595,000
North Colorado Medical Center Inc. Project, Series 2003	80,780,000	82,660,000
North Colorado Medical Center Inc. Project, Series 2012	53,240,000	56,670,000
North Colorado Medical Center Inc. Project, Series 2013	75,378,135	80,930,700
Parkview Medical Center, Series 2004	-	14,145,000
Parkview Medical Center, Series 2005	6,370,000	6,800,000
Parkview Medical Center, Series 2007	63,590,000	64,555,000
Parkview Medical Center, Series 2012	28,380,000	29,310,000
Parkview Medical Center, Series 2014	11,820,000	-
Peak Vista Community Health Centers, Series 2012	8,459,949	8,813,422
Peak Vista Community Health Centers, Series 2013	8,300,000	-
Plan De Salud del Valle, Series 2010	14,335,000	14,845,000
Poudre Valley Health Care, Inc., Series 2005	270,000,000	270,000,000
Project Cure, Series 2008	7,630,000	7,905,000
Rocky Mountain Youth Clinic, Series 2010	1,205,565	1,243,484
Sisters of Charity of Leavenworth Health System, Series 2002	49,500,000	51,350,000
Sisters of Charity of Leavenworth Health System, Series 2003A	62,675,000	65,110,000

(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, 2014	2013
Sisters of Charity of Leavenworth Health System, Series 2010	543,355,000	556,270,000
Sisters of Charity of Leavenworth Health System, Series 2011	59,625,000	60,630,000
Sisters of Charity of Leavenworth Health System, Series 2013A	300,000,000	-
Sunnyrest Villa Project, Series 2004	1,974,301	2,028,645
Sunny Vista, Series 2010	15,009,019	15,374,641
Total Longterm Care, Series 2010	26,770,000	27,195,000
Total Longterm Care, Series 2011	6,785,000	6,900,000
Vail Valley Medical Center, Series 2004	5,350,000	7,065,000
Vail Valley Medical Center, Series 2012	15,285,094	17,240,749
Valley View Hospital, Series 2006	2,615,000	3,830,000
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	330,000	440,000
Visiting Nurse Corporation of Colorado, Inc., Series 2001A & B	125,000	225,000
Volunteers of America Care Facilities Obligated Group Projects, Series 2007	27,670,000	28,290,000
Yampa Valley, Series 2007	33,800,000	35,285,000
	$ 6,407,891,408	$ 5,706,014,601

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INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the business-type activities of Colorado Health Facilities Authority (the "Authority") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

December 18, 2014
Denver, Colorado