

COLORADO HEALTH FACILITIES AUTHORITY

Financial Statements As Of
September 30, 2024 And 2023

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

COLORADO HEALTH FACILITIES AUTHORITY

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Colorado Health Facilities Authority:

Opinion

We have audited the accompanying financial statements of the business-type activities and the major enterprise fund of the Colorado Health Facilities Authority (the "Authority") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major enterprise fund of the Colorado Health Facilities Authority, as of September 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Report (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Independent Auditors' Report (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedule of the Authority's proportionate share of the net pension liability (asset) on page 33 and the schedule of the Authority's contributions on page 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financials 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financials statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of bonds outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reporting on Comparative Information

The financial statements of the Colorado Heath Facilities Authority as of September 30, 2023, were audited by other auditors, whose report dated December 20, 2023, expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

JDS Professional Group

January 22, 2025

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

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, 2024, 2023 and 2022. 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 statement of net position 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.

The Authority'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.

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

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

Condensed Financial Information

	2024	September 30, 2023	Variance
Assets			
Current assets	\$2,295,692	\$1,479,717	\$815,975
Non-current assets	9,500,704	9,454,252	46,452
Total assets	<u>11,796,396</u>	<u>10,933,969</u>	<u>862,427</u>
Deferred outflows of resources	355,620	291,784	63,836
Liabilities			
Current liabilities	871,702	884,690	(12,988)
Non-current liabilities	562,118	815,591	(253,473)
Total liabilities	<u>1,433,820</u>	<u>1,700,281</u>	<u>(266,461)</u>
Deferred inflows of resources	143,912	9,031	134,881
Total liabilities and deferred inflows of resources	<u>1,577,732</u>	<u>1,709,312</u>	<u>(131,580)</u>
Net position			
Net investment in capital assets	(31,846)	(36,473)	(4,627)
Restricted indemnification trust	2,268,424	2,154,430	113,994
Unrestricted	8,337,706	7,398,484	939,222
Total net position	<u>\$10,574,284</u>	<u>\$9,516,441</u>	<u>\$1,057,843</u>

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

Condensed Financial Information (continued)

	2023	September 30, 2022	Variance
Assets			
Current assets	\$1,479,717	\$1,631,059	(\$151,342)
Non-current assets	9,454,252	9,125,139	329,113
Total assets	10,933,969	10,756,198	177,771
Deferred outflows of resources	291,784	77,821	213,963
Liabilities			
Current liabilities	884,690	987,709	(103,019)
Non-current liabilities	815,591	314,686	500,905
Total liabilities	1,700,281	1,302,395	397,886
Deferred inflows of resources	9,031	467,494	(458,463)
Total liabilities and deferred inflows of resources	1,709,312	1,769,889	(60,577)
Net position			
Net investment in capital assets	(36,473)	(34,618)	(1,855)
Restricted indemnification trust	2,154,430	2,071,201	83,229
Unrestricted	7,398,484	7,027,547	370,937
Total net position	\$9,516,441	\$9,064,130	\$452,311

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

Condensed Financial Information (continued)

	For the Years Ended		
	September 30,		
	2024	2023	Variance
Operating revenue			
Annual service fees	\$2,008,386	\$1,964,563	\$43,823
Initial fees	719,666	449,764	269,902
Total operating revenue before refunds	2,728,052	2,414,327	313,725
Less refunds	(718,369)	(666,624)	(51,745)
Total operating revenue	2,009,683	1,747,703	261,980
Operating expenses			
Direct costs of financings	366,755	375,987	(9,232)
General and administrative expenses	1,128,877	1,134,831	(5,954)
Total operating expenses	1,495,632	1,510,818	(15,186)
Non-operating revenue (expense)	543,792	215,426	307,149
Change in net position	1,057,843	452,311	605,532
Net position - beginning of year	9,516,441	9,064,130	452,311
Net position - end of year	10,574,284	\$9,516,441	\$1,057,843

	For the Years Ended		
	September 30,		
	2023	2022	Variance
Operating revenue			
Annual service fees	\$1,964,563	\$1,762,402	\$202,161
Initial fees	449,764	678,317	(228,553)
Total operating revenue before refunds	2,414,327	2,440,719	(26,392)
Less refunds	(666,624)	(585,578)	(81,046)
Total operating revenue	1,747,703	1,855,141	(107,438)
Operating expenses			
Direct costs of financings	375,987	535,703	(159,716)
General and administrative expenses	1,134,831	892,218	242,613
Total operating expenses	1,510,818	1,427,921	82,897
Non-operating revenue (expense)	215,426	(239,272)	454,698
Change in net position	452,311	187,948	264,363
Net position - beginning of year	9,064,130	8,876,182	187,948
Net position - end of year	\$9,516,441	\$9,064,130	\$452,311

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

Financial Analysis

Net Position

Total assets of the Authority increased \$862,427 or 7.9%, from \$10,933,969 on September 30, 2023, to \$11,796,396 on September 30, 2024, and total liabilities decreased \$266,461 or 15.7%, from \$1,700,281 on September 30, 2023 to \$1,425,296 on September 30, 2024. The increase in total assets is primarily due to an increase in cash and cash equivalents related to operating activities and the purchase of 90-Day CD. The decrease in total liabilities is primarily due to the Authority's proportionate share of the net pension liability decreasing. Total assets of the Authority increased \$177,771 or 1.6%, from \$10,756,198 on September 30, 2022, to \$10,933,969 on September 30, 2023, and total liabilities increased \$397,886 or 30.5%, from \$1,302,395 on September 30, 2022 to \$1,700,281 on September 30, 2023. The increase in total assets is primarily due to an increase in the fair value of investments. The increase in total liabilities is primarily due to the Authority's proportionate share of the net pension liability increasing.

Deferred outflows of resources increased \$63,836, or 21.9% from \$291,784 on September 30, 2023, to \$355,620 on September 30, 2024, and deferred inflows of resources increased \$134,881, or 1,493.5%, from \$9,031 on September 30, 2023, to \$143,912 on September 30, 2024. The increase in deferred outflows of resources and increase in deferred inflows of resources is primarily due to the changes in actuarial assumptions and expectations embedded in accounting for the pension plan. Deferred outflows of resources increased \$213,963, or 274.9% from \$77,821 on September 30, 2022, to \$291,784 on September 30, 2023, and deferred inflows of resources decreased \$458,463, or 98.1%, from \$467,494 on September 30, 2022, to \$9,031 on September 30, 2023. The increase in deferred outflows of resources and decrease in deferred inflows of resources is primarily due to the changes in actuarial assumptions and expectations embedded in accounting for the pension plan.

The net position of the Authority on September 30, 2024, 2023 and 2022 was \$10,574,284, \$9,516,441, and \$9,064,130, respectively. As of September 30, 2024, 2023 and 2022 approximately \$2,000,000 is set aside in an irrevocable indemnification trust. An additional \$8,237,706, \$7,298,484, and \$6,927,547, respectively, has been designated by the Board of Directors (the "Board") to satisfy certain obligations of the Authority, described as follows. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority has the responsibility of monitoring compliance with certain covenants in the financing documents and the ongoing financial and operating performance of its borrowers in accordance with such documents. The Authority is also involved in the remarketing of bonds, tax audits of bonds, workouts of bonds, and other post-issuance matters affecting its bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenues generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years. These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees, in addition to the Authority's share of the Public Employees' Retirement Association of Colorado's pension shortfall. Net position of \$8,305,860, \$7,362,011, and \$6,992,929, respectively, is classified as unrestricted according to accounting standards.

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 long term 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 2 to the accompanying financial statements.

Financial Analysis (continued)

Operating Activities (continued)

The total operating revenue for the year ended September 30, 2024, was \$2,009,683 an increase of \$261,980, or 15%, from the prior year. The total operating revenue for the year ended September 30, 2023, was \$1,747,703 a decrease of \$107,438, or 5.8%, 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, the type of issuance, and the time spent by legal professionals in connection with an issue. The initial fees increased \$269,902, or 60% in 2024 when compared to 2023. This is primarily due to the fact that the Authority closed seven bond issues, tow of them large, for the fiscal year 2024 compared to six for the fiscal year 2023. The initial fees decreased \$228,553, or 33.7% in 2023 when compared to 2022. This is primarily due to the fact that the Authority closed six bond issues for the fiscal year 2023 compared to nine for the fiscal year 2022. The annual fees cover the operating expenses of the Authority since it receives no funding from the State.

The gross annual service fees increased \$43,823, or 2.2%, in 2024 when compared to 2023, due to an increase in bond issuances that included new money financings. The gross annual service fees increased \$202,161, or 11.5%, in 2023 when compared to 2022, due to an increase in bond issuances that included new money financings.

Total operating expenses decreased \$15,186 or 1%, for the year ended September 30, 2024, when compared to the same period in 2023. This is primarily due to a decrease in legal counsel costs related to legal review and work related to COHFA's operations. Total operating expenses increased \$82,897 or 5.8%, for the year ended September 30, 2023, when compared to the same period in 2022. This is primarily due to an increase in legal counsel costs related to legal review and work related to COHFA's operations. Other general and administrative expenses decreased \$5,954 or 0.5%, for the year ended September 30, 2024, when compared to the same period in 2023. This is primarily due to a decrease in auditing and accounting expenses. Other general and administrative expenses increased \$242,613 or 27.2%, for the year ended September 30, 2023, when compared to the same period in 2022. This is primarily due to an increase in pension liability expense and an increase in auditing and accounting expenses.

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 increased \$328,366, or 152.4%, from 2023 to 2024 due to favorable fair value of current investments and an increase of 1.17% in interest rates related to the investments remaining outstanding as of fiscal year end 2024 in comparison to fiscal year end 2023. Investment income increased \$454,698, or 190%, from 2022 to 2023 due to favorable fair value of current investments and an increase of 0.79% in interest rates related to the investments remaining outstanding as of fiscal year end 2023 in comparison to fiscal year end 2022.

Debt Administration

For the year ended September 30, 2024, the Authority issued \$2,127,686,000 in bonds in seven bond issues. For the year ended September 30, 2023 the Authority issued \$835,320,000 in bonds in six bond issues. For the year ended September 30, 2022, the Authority issued \$1,881,232,704 in bonds in nine bond issues.

Colorado Health Facilities Authority

Management's Discussion and Analysis

Years Ended September 30, 2024, 2023, and 2022

Financial Analysis (continued)

Budget Analysis

The Authority had budgeted a surplus of \$862,415 for fiscal year 2024 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was \$1,776,212 for fiscal year 2024. After a refund to the borrowers of \$718,369 the remaining surplus was \$1,057,843. This was due to an increase in fair value of investments. The actual surplus was \$1,118,935 for fiscal year 2023. After a refund to borrowers of \$666,624 the remaining surplus was \$452,311. This is due to an increase in fair value of investments.

	For the Year Ended			
	September 30,			
	2024	2024	2023	2023
	(Actual)	(Budget)	(Actual)	(Budget)
Gross Revenue	\$3,271,844	\$2,415,325	\$2,629,753	\$2,348,987
Expenses	1,495,632	1,552,910	1,510,818	1,538,571
Revenue Over Expenses	1,776,212	862,415	1,118,935	\$810,416
Refunds to Borrowers	(718,369)		(666,624)	
Net Position	\$1,057,843		\$452,311	

Requests for Information

This financial report is designed to provide a general overview of the Authority's financial results for all those with an interest in the Authority's finances. Questions concerning any of the information provide in this report or requests for information should be addressed to the Executive Director, 3033 E 1st Avenue Suite 301, Denver, CO 80206.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Net Position
As Of September 30, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,598,635	\$ 793,434
Accounts receivable	596,973	524,093
Prepaid expenses and other assets	100,084	162,190
Total current assets	<u>2,295,692</u>	<u>1,479,717</u>
Noncurrent Assets:		
Indemnification trust	2,268,424	2,154,430
Finance lease, right-of-use-asset, net	187,978	278,207
Assets limited as to use	7,044,302	7,021,615
Total noncurrent assets	<u>9,500,704</u>	<u>9,454,252</u>
TOTAL ASSETS	<u>11,796,396</u>	<u>10,933,969</u>
Deferred Outflows of Resources:		
Deferred amortization related to pension plan	<u>355,620</u>	<u>291,784</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	748,262	677,181
Accrued liabilities	21,774	41,251
Unearned revenue		71,408
Lease liability	101,666	94,850
Total current liabilities	<u>871,702</u>	<u>884,690</u>
Noncurrent Liabilities:		
Lease liability	118,158	219,830
Net pension liability	443,960	595,761
Total noncurrent liabilities	<u>562,118</u>	<u>815,591</u>
Total Liabilities	<u>1,433,820</u>	<u>1,700,281</u>
Deferred Inflows of Resources:		
Deferred amortization related to pension plan	<u>143,912</u>	<u>9,031</u>
Net Position:		
Net investment in capital assets	(31,846)	(36,473)
Restricted indemnification trust	2,268,424	2,154,430
Unrestricted	8,337,706	7,398,484
Total net position	<u>\$ 10,574,284</u>	<u>\$ 9,516,441</u>

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

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended September 30, 2024 and 2023

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	2024	2023
Operating Revenues:		
Annual service fees	\$ 2,008,386	\$ 1,964,563
Less refunds	(718,369)	(666,624)
Initial fees	719,666	449,764
Total operating revenues	<u>2,009,683</u>	<u>1,747,703</u>
Operating Expenses:		
Direct costs of financing:		
Financial consulting	238,126	210,585
Legal costs through closing	106,325	104,046
Post-closing legal costs	10,814	54,896
Multi-state fee expense	5,938	5,961
Other	5,552	499
General and administrative:		
Salaries and benefits	634,677	628,168
Office rent and expenses	150,926	130,978
Professional services	134,836	170,395
Insurance	78,575	81,108
Legislative relations	50,956	50,086
Council dues and meetings	38,956	19,224
Meetings	25,681	34,343
Public information/business development	13,270	19,529
Trust expenses	1,000	1,000
Total operating expenses	<u>1,495,632</u>	<u>1,510,818</u>
Net operating income	<u>514,051</u>	<u>236,885</u>
Nonoperating Revenue (Expense):		
Gain (loss) on investments	279,323	62,043
Net increase (decrease) in fair value of investments	276,014	168,809
Interest expense	(11,545)	(15,426)
Total nonoperating revenue (expense)	<u>543,792</u>	<u>215,426</u>
CHANGE IN NET POSITION	<u>1,057,843</u>	<u>452,311</u>
Net Position, Beginning Of Year	<u>9,516,441</u>	<u>9,064,130</u>
NET POSITION, END OF YEAR	<u>\$ 10,574,284</u>	<u>\$ 9,516,441</u>

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

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Cash Flows
For The Years Ended September 30, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,865,395	\$ 1,606,427
Cash payments to other suppliers of goods or services	(637,539)	(785,404)
Cash payments to employees for services	(734,910)	(659,047)
Net cash provided by operating activities	<u>492,946</u>	<u>161,976</u>
Cash flows from capital and related financing activities:		
Principal payments on leases	(94,856)	(88,373)
Payments of interest on leases	(11,545)	(15,426)
Net cash (used in) capital and related financing activities:	<u>(106,401)</u>	<u>(103,799)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	894,000	2,362,900
Purchase of investments	(659,880)	(2,653,315)
Interest and dividend income	279,323	62,043
Purchases of investments - Indemnification trust	(94,787)	(12,040)
Net cash (used in) investing activities	<u>418,656</u>	<u>(240,412)</u>
NET INCREASE (DECREASE) IN CASH AND CASH	805,201	(182,235)
Cash and Cash Equivalents, Beginning of Year	<u>793,434</u>	<u>975,669</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,598,635</u>	<u>\$ 793,434</u>
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 514,051	\$ 236,885
Adjustments to reconcile net operating income to net cash:		
Amortization	90,229	90,228
(Increase) decrease in accounts receivable	(72,880)	(88,548)
(Increase) decrease in prepaid expenses other current assets	62,106	57,655
Increase (decrease) in accounts payable	71,081	(50,637)
Increase (decrease) in accrued liabilities	(19,477)	(6,137)
Increase (decrease) in unearned revenue	(71,408)	(52,728)
Increase (decrease) in net pension asset/liability and pension-related deferred outflows/inflows of resources	(80,756)	(24,742)
Net cash provided by operating activities	<u>\$ 492,946</u>	<u>\$ 161,976</u>
NONCASH INVESTING ACTIVITIES:		
Increase (decrease) in fair value of investments	<u>\$ 276,014</u>	<u>\$ 168,809</u>

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

COLORADO HEALTH FACILITIES AUTHORITY

Notes To Financial Statements
For the Years Ended September 30, 2024 and 2023

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(1) 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 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 for nonprofit public and private health care institutions and senior housing facilities in order 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 (the “Board”) approved the creation of the Colorado Health Facilities Authority Trust (the “Trust”). Since the Trust’s governing body is the same as that of the Authority, the Trust is reported as a blended component unit.

(2) Summary Of Significant Accounting Policies

Basis Of Accounting

The Authority reports its financial activities on the basis of the governmental proprietary fund accounting concept using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recognized when earned, and expenses are recognized when a liability is incurred on the accrual basis. The focus of proprietary funds is on the measurement of net income and allows for the reporting of all assets and liabilities of the Authority. The Authority does not have any fiduciary funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense result from providing services and producing and delivering goods in connection with a proprietary fund’s ongoing operations. The revenues and expenses related to continuing operations of the Authority are reported as operating income. The nonoperating revenues and expenses in these financial statements result from investment activity.

(2) **Summary Of Significant Accounting Policies** (Continued)

Cash And Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

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 performances when 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, 2024 and 2023, no allowance was considered necessary.

Investments

Investments are recorded at fair value. Interest, dividends, and realized and unrealized gains and losses are included in nonoperating income and expenses when incurred. It is the Authority's intention to hold the investment portfolio on a long-term basis even though the underlying investments may have a short-term maturity.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Assets Limited As To Use

The Board maintains a policy on the accumulation and maintenance of reserves whereby it 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. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority is also involved in the remarketing of bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenue generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years.

(2) Summary Of Significant Accounting Policies (Continued)

These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees in addition to the Authority's share of the Public Employees' Retirement Association of Colorado (PERA) pension shortfall. This designated reserve of \$7,044,302 and \$7,021,615 for the years ended September 30, 2024 and 2023, respectively, is maintained in cash and investments; it is classified as assets limited as to use in the accompanying statement of net position and is to be updated annually by the Board. These funds may be expended only upon specific action by the Board.

Net Position And Related Reserves

Net position results from the accumulation of net earnings from operating income and nonoperating revenues and expenses, and are classified in the financial statements as follows:

Net investment in capital assets - Consists of lease right-of-use asset net of accumulated amortization reduced by the amount of lease liability to finance the asset.

Restricted indemnification trust - Consists of Trust assets.

Unrestricted - This classification includes the residual net position that does not meet the classification of "investment in capital assets" or "restricted."

Restricted Indemnification Trust

The Trust assets and interest accrued thereon of \$2,268,242 and \$2,154,430 for the year ended September 30, 2024 and 2023, respectively, are currently maintained in U.S. Treasury bills and a money market fund and are classified as restricted indemnification trust in the accompanying statements of net position.

Revenue And Expenses

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

(2) **Summary Of Significant Accounting Policies** (Continued)

Revenue And Expenses (Continued)

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 are based on the Authority’s fiscal year end for issuances of borrowers with bond outstanding of more than \$100,000,000 on a cumulative basis. During the year ended September 30, 2024 and 2023, the Authority determined to refund \$718,369 and \$666,624, respectively, of its annual fees to the borrowers.

Leases

The Authority is a lessee for a noncancellable lease of office space. The Authority recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the accompanying financial statements.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

(2) **Summary Of Significant Accounting Policies** (Continued)

Leases (Continued)

- Lease payments included in the measurement of the lease liability are comprised of fixed payments, variable payments fixed in substance or that depend on an index, price or a rate and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The Authority monitors changes in circumstances that would require a re-measurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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. There were no insurance losses that exceeded insurance coverage in each of the past three fiscal years. 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 \$2,300,000.

Pension

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

General Budget Policies And Procedures

The Authority adopts its budget annually on a basis consistent with generally accepted accounting principles (GAAP). Revenues are forecasted by source and expenses are forecasted by object of expenditure. The Board approves modifications to the budget during the fiscal year.

(2) **Summary Of Significant Accounting Policies** (Continued)

Subsequent Events

Management has performed an evaluation of subsequent events through January 22, 2025, which is the date the financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements.

(3) **Cash And Investments**

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government, and entities such as the Authority, deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Investments

The Authority's investment policy specifies investment instruments meeting defined rating, maturity and risk criteria, which includes the following:

- U.S. Treasury
- U.S. agency obligations
- Obligations issued by any state or any of its political subdivisions
- Written repurchase agreements secured by U.S. Treasury or U.S. agency obligations
- Qualified certificates of deposit or time deposits insured by the FDIC
- Certain money market funds

Deposits and investments of the Authority are made in accordance with deposit and investment guidelines authorized by State statute and pursuant to an investment policy adopted by the Board.

COLORADO HEALTH FACILITIES AUTHORITY

(3) **Cash And Investments** (Continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure the Authority’s deposits might not be returned. Each of the Authority’s accounts are either insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized in accordance with the State of Colorado Public Deposit Protection Act. The cash demand deposits are held at financial institutions where deposits are insured up to \$250,000 per institution by the FDIC.

As of September 30, 2024 and 2023, the Authority’s deposits and investments consisted of the following:

	2024		
	Deposits	Investments	Total
Cash and cash equivalents	\$ 1,598,635	\$	\$ 1,598,635
Assets limited as to use		7,044,302	7,044,302
Indemnification trust		2,268,424	2,268,424
Total deposits and investments	<u>\$ 1,598,635</u>	<u>\$ 9,312,726</u>	<u>\$ 10,911,361</u>

	2023		
	Deposits	Investments	Total
Cash and cash equivalents	\$ 793,434	\$	\$ 793,434
Assets limited as to use		7,021,615	7,021,615
Indemnification		2,154,430	2,154,430
Total deposits and investments	<u>\$ 793,434</u>	<u>\$ 9,176,045</u>	<u>\$ 9,969,479</u>

For the year ended September 30, 2024 the Authority had the following investments:

	2024	
	Fair Value	Weighted-average Maturity in Years
U.S. Treasury obligations	\$ 9,309,824	1.6
MSILF Treasury Money market fund	2,902	N/A
Total investments	<u>\$ 9,312,726</u>	

(3) **Cash And Investments** (Continued)

For the year ended September 30, 2023 the Authority had the following investments:

	2023	
	Fair Value	Weighted- average Maturity in Years
U.S. Treasury obligations	\$ 8,275,804	1.19
Federated Treasury Obligation Fund	3,166	N/A
U.S. government agency securities	396,900	0.16
Total investments	8,675,870	
Cash	500,175	
Total deposits and investments	\$ 9,176,045	

Interest Rate Risk

In accordance with its investment policy, the Authority manages credit risk by investing surplus funds, in accordance with Colorado 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

As of September 30, 2024 and 2023, the Authority’s investments in U.S. Treasury obligations were rated A-1+ by Standard & Poor’s and P-1 by Moody’s. As of September 30, 2024 and 2023, the Authority’s investment in the MSILF Treasury Money Market Fund and the Federated Treasury Obligation Fund were both rated A-1+ by Standard & Poor’s and P-1 by Moody’s. As of September 30, 2023, the Authority’s U.S. government agency securities were rated A-1+ to AA+ by Standard & Poor’s and P-1 to AA1 by Moody’s.

(4) **Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

(4) **Fair Value Measurements** (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Authority has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Authority’s assets measured at fair value on a recurring basis for the years ended September 30, 2024 and 2023 and the valuation techniques used by the Authority to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at
September 30, 2024

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance September 30, 2024
U.S. Treasury obligations	\$ 9,309,824	\$	\$	\$ 9,309,824
Money market fund	2,902			2,902
Total	<u>\$ 9,312,726</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,312,726</u>

(4) **Fair Value Measurements** (Continued)

Assets Measured at Fair Value on a Recurring Basis at
September 30, 2023

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance September 30, 2023
U.S. Treasury obligations	\$ 8,775,979			\$ 8,775,979
U.S. government agency securities		396,900		396,900
Federated Treasury Obligation Fund	3,166			3,166
Total	\$ 8,779,145	\$ 396,900	\$	\$ 9,176,045

U.S. Treasury bills and the Federated Treasury Obligation Fund classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for the securities. U.S. government agency securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model.

There were no changes to the valuation methodologies used for the years ended September 30, 2024 and 2023.

(5) **Lease Right-of-use Assets**

Lease right-of-use asset activity for the year ended September 30, 2024, was as follows:

	Balance September 30, 2023	Additions	(Deletions)	Balance September 30, 2024
Lease right-of-use asset	\$ 473,702	\$	\$	\$ 473,702
Accumulated amortization	(195,495)	(90,229)		(285,724)
Lease right-of-use asset, net	\$ 278,207	\$ (90,229)	\$	\$ 187,978

COLORADO HEALTH FACILITIES AUTHORITY

(5) **Lease Right-of-use Assets** (Continued)

Lease right-of-use asset activity for the year ended September 30, 2023, was as follows:

	Balance September 30, 2022	Additions	(Deletions)	Balance September 30, 2023
Lease right-of-use asset	\$ 473,702	\$	\$	\$ 473,702
Accumulated amortization	(105,267)	(90,228)		(195,495)
Lease right-of-use asset, net	<u>\$ 368,435</u>	<u>\$ (90,228)</u>	<u>\$</u>	<u>\$ 278,207</u>

(6) **Leases**

The Authority leases office space from a third party. Payments are generally fixed monthly, and the noncancellable term of the leasing arrangement matures in 2026. The discount rate applicable to this leasing arrangement is 4.25 percent.

Future principal and interest payments requirements related to the Authority's lease liability for the years ended September 30, 2024 are as follows:

Year Ending	Principal	Interest	Total
2025	\$ 101,666	\$ 7,382	\$ 109,048
2026	108,856	2,922	111,778
2027	9,302	32	9,334
Total	<u>\$ 219,824</u>	<u>\$ 10,336</u>	<u>\$ 230,160</u>

Lease liability activity for the Authority is as follows for the years ended September 30:

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	<u>\$ 314,680</u>		<u>\$ (94,856)</u>	<u>\$ 219,824</u>	<u>\$ 101,666</u>
	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	<u>\$ 403,053</u>	<u>\$</u>	<u>\$ (88,373)</u>	<u>\$ 314,680</u>	<u>\$ 94,850</u>

(7) **Pension Plan**

Plan Description

The Authority’s employees are provided with pensions through the Local Government Division Trust Fund, a cost-sharing, multiple-employer defined benefit pension plan (the “Plan”) administered by PERA. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by PERA. Title 24, Article 51, Part 4 of the Colorado Revised Statutes (CRS) grants the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available financial report that can be obtained 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 800-759-PERA (7372).

Benefits Provided

The Local Government Division Trust Fund provides retirement, disability, and death benefits for members or their beneficiaries. Retirement benefits are based upon a defined or fixed multiplier, age, years of credited services, and highest average salary (HAS). For most employees, HAS is one-twentieth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals 2.5 percent times HAS times years of service. Employees with 25 years of continuous service are eligible to retire at age 50. Employees are eligible for service-related disability benefits with five or more years of service. Disability benefits are divided into a two-tier disability program consisting of a short-term disability program and a disability retirement benefit. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree’s death to a named beneficiary and for which the benefit amount is appropriately adjusted.

Contributions

Plan members and the Authority are required to contribute to the Plan at a rate set by Colorado Statute. The contribution requirements are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8 percent; for the Authority, it is 10.75 percent of covered salary. A portion of the Authority’s contribution, 1.02 percent for the years ended September 30, 2024 and 2023, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 2.2 percent of the total payroll for calendar year 2024 and 2023. The total contribution rate to the pension plan was 13.74 and 13.46 percent for calendar years 2024 and 2023, respectively. The Authority’s employer contributions to PERA for the years ended September 30, 2024 and 2023 were \$83,051 and \$76,869, respectively, equal to its required contributions for the year.

Net Pension Liability (Asset)

For the years ended September 30, 2024 and 2023, the Authority reported a liability (asset) of \$443,960 and \$595,761, respectively, for its proportionate share of the net pension liability (asset) measured for the years ended December 31, 2023 and 2022. The total pension liability used to calculate the net pension liability (asset) was determined for the years ended December 31, 2023 and 2022 using standard roll-forward techniques on an actuarial valuation for the years ended December 31, 2022 and 2021, respectively. The Authority's proportion of the net pension liability (asset) was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. For year ended December 31, 2023, the Authority's proportion was 0.0605 percent, which was a decrease of 0.0010 percent from its proportion measured for the year ended December 31, 2022. For the year ended December 31, 2022, the Authority's proportion was 0.0594 percent, which was a decrease of 0.0012 percent from its proportion measures for the year ended December 31, 2021.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2024 and 2023, the Authority recognized pension expense of \$2,295 and \$52,126, respectively.

(7) **Pension Plan** (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of September 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 262,546	\$ 142,841	\$ 228,456	\$
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	3,590		5,658	6,226
Changes in proportion between Authority contributions	3,165			
Difference between expected and actual experience	24,026	1,071		2,805
The Authority's contributions to the plan subsequent to the measurement date	62,293		57,670	
Lease right-of-use asset, net	<u>\$ 355,620</u>	<u>\$ 143,912</u>	<u>\$ 291,784</u>	<u>\$ 9,031</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$62,293 will be recognized as a reduction of the net pension liability (asset) in the year ending September 30, 2025.

(7) **Pension Plan** (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability (asset) and, therefore, will not be included in future pension expense):

<u>Year Ending</u>	<u>Total</u>
2025	\$ 26,032
2026	52,296
2027	106,798
2027	(35,710)
Total	<u>\$ 149,416</u>

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Local Government Division Trust</u>
Inflation	3.0%
Salary increases (including inflation)	3.20-12.40%
Investment rate of return (net of investment expenses)	7.25%

Mortality rates were based on PubG-2010 Employee Table with generational projection using scale MP-2019.

The Plan's total pension liability was determined by actuarial valuations as of December 31, 2022, and accepted actuarial procedures were applied to roll forward the pension liability (asset) to December 31, 2023. The actuarial assumptions used in the December 31, 2022 valuations were based on the results of the 2020 actuarial experience analysis for the period from January 1, 2016 through December 31, 2019.

(7) **Pension Plan** (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for the plan years ended December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments or current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate or return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	54.00%	5.60%
Fixed income	23.00	1.30
Private equity	8.50	7.10
Real estate	8.50	4.40
Alternatives	6.00	4.70

(7) **Pension Plan** (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or percentage point higher than the current rate:

	<u>1 Percentage Point Decrease</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Increase</u>
The Authority’s proportionate share of the net pension liability as of September 30, 2024	\$ 870,211	\$ 443,960	\$ 86,905
The Authority’s proportionate share of the net pension liability as of September 30, 2023	1,000,133	595,761	257,235

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERA plan financial report.

(8) **Defeased Bond Issues**

A number of the conduit debt bond issues facilitated by the Authority have been defeased with the proceeds of 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 trustees in an irrevocable escrow account to be used solely to retire the bonds being refunded at a future date. This escrow deposit must be a sufficient 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 for the years ended September 30, 2024 and 2023, as applicable, in the schedule of bonds outstanding and the balance in Note 10.

(9) **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 can incur costs to assist in the resolution of the defaults. The Authority has been informed that several bond issues for long-term care facilities are currently in default. These borrowers are in negotiations with their lenders to resolve these matters.

(10) **Conduit Debt Obligations**

The Authority issues tax-exempt revenue bonds on behalf of nonprofit public and private health care institutions and senior housing facilities in order to refund or refinance outstanding indebtedness and to finance additional facilities and other capital expenditures. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the institutions and facilities on the underlying mortgage and promissory notes. In addition, no commitments beyond the collateral, the payments from the institutions and facilities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for any of the bonds. The aggregate outstanding principal of the bonds for the years ended September 30, 2024 and 2023, was \$11,572,396,835 and \$9,910,675,074, respectively.

(11) **Recent Accounting Pronouncements**

In June, 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ended September 30, 2025.

COLORADO HEALTH FACILITIES AUTHORITY

Required Supplementary Information - Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)
 Local Government Division Trust Pension Plan - Last Ten Plan Years
 Plan Years Ended December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.06048%	0.05942%	0.06056%	0.06290%	0.06476%	0.07305%	0.06682%	0.06819%	0.07081%	0.07125%
Authority's proportionate share of the net pension liability (asset)	443,960	\$ 595,761	\$ (51,923)	\$ 327,954	\$ 473,673	\$ 918,348	\$ 744,009	\$ 920,864	\$ 780,019	\$ 638,632
Authority's covered payroll	531,342	487,994	428,440	440,500	446,050	479,106	421,538	413,346	402,141	390,429
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	83.55%	122.08%	-12.12%	74.45%	106.19%	191.68%	176.50%	222.78%	193.97%	163.57%
Plan fiduciary net position as a percentage of total pension liability	88.03%	82.99%	101.49%	90.80%	86.26%	75.96%	79.37%	73.65%	76.87%	80.72%

Note: The amounts presented for each fiscal year were determined as of December 31.

COLORADO HEALTH FACILITIES AUTHORITY

Required Supplementary Information - Schedule of Authority's Contributions
 Local Government Division Trust Pension Plan - Last Ten Plan Years
 Years Ended September 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 83,051	\$ 76,869	\$ 68,022	\$ 63,055	\$ 62,268	\$ 66,915	\$ 58,383	\$ 57,540	\$ 56,325	\$ 54,683
Contributions in relation to the										
statutorily required contribution	83,051	76,869	68,022	63,055	62,268	66,915	58,383	57,540	56,325	54,683
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 531,342	\$ 487,994	\$ 428,440	\$ 400,500	\$ 446,050	\$ 463,656	\$ 421,538	\$ 436,450	\$ 416,129	\$ 399,145
Contributions as a percentage	15.63%	15.75%	15.88%	15.74%	13.96%	14.43%	13.85%	13.18%	13.54%	13.70%
of covered payroll										

Note: The amounts presented for each fiscal year were determined as of September 30.

COLORADO HEALTH FACILITIES AUTHORITY

Supplementary Information - Schedule of Bonds Outstanding
Years Ended September 30

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Bond Issue	Amount Outstanding as of September 30,	
	2024	2023
Aberdeen Ridge, Series 2021	140,020,000	140,020,000
AdventHealth, Series 2014 E	42,200,000	72,200,000
AdventHealth, Series 2016 ABC	265,880,000	271,155,000
AdventHealth, Series 2018 AB	343,395,000	343,395,000
AdventHealth, Series 2019 AB	437,075,000	437,075,000
AdventHealth, Series 2021 A	461,785,000	461,785,000
AdventHealth, Series 2023 A	227,075,000	227,075,000
AdventHealth, Series 2023 B	58,210,000	58,210,000
AdventHealth, Series 2024 AB	210,860,000	-
AlloSource, Series 2010 AB	6,538,000	7,840,000
AlloSource, Series 2015 C	3,637,777	4,379,312
American Baptist Homes, Series 2013	47,565,000	47,715,000
American Baptist Homes, Series 2016	5,960,000	6,090,000
American Eagle, Series 2022 ABC	218,992,704	218,992,704
Bethesda Living Centers, Series 2018 AB	114,490,000	116,365,000
Boulder Community Hospital Project, Series 2000	5,630,000	6,640,000
Boulder Community Hospital Project, Series 2014	25,000,000	26,000,000
Boulder Community Hospital Project, Series 2020	48,045,000	49,170,000
Boulder Community Hospital Project, Series 2022	23,080,000	23,825,000
Boulder Mental Health Partners/Clinica Family Health, Series 2021	9,442,889	9,907,326
Children's Hospital Colorado, Series 2013 A	-	73,045,000
Children's Hospital Colorado, Series 2016 ABC	196,015,000	203,075,000
Children's Hospital Colorado, Series 2019 A	5,676,880	8,405,179
Children's Hospital Colorado, Series 2019, Series BCD	235,360,000	235,360,000
Children's Hospital Colorado, Series 2020 AB	102,275,000	103,440,000
Children's Hospital Colorado, Series 2023	72,815,000	-
Children's Hospital Colorado, Equipment Lease, Series 2020 A	12,232,433	14,843,604
Children's Hospital Colorado, Equipment Lease, Series 2022 A	13,117,515	15,857,465
Christian Living Communities, Series 2016	52,165,000	54,420,000
Christian Living Communities, Series 2019	20,925,000	22,265,000
Christian Living Communities, Series 2021	31,210,000	31,870,000
Christian Living Communities Cappella, Series 2019	21,495,000	21,495,000
Colorado Senior Residences - Casey's Pond, Series 2012	44,705,000	44,705,000
CommonSpirit Health, Series 2013 C	90,000,000	90,000,000
CommonSpirit Health, Series 2019 AB	2,042,625,000	2,043,210,000
CommonSpirit Health, Series 2022 A	489,355,000	496,500,000
CommonSpirit Health, Series 2024 A	718,200,000	-
Covenant Living Communities and Services, Series 2015 A	1,265,000	2,535,000
Covenant Living Communities and Services, Series 2015 B	70,910,000	74,775,000
Covenant Living Communities and Services, Series 2018 A	59,780,000	59,780,000
Covenant Living Communities and Services, Series 2020 AB	239,750,000	241,390,000
Craig Hospital, Series 2022 A	12,595,000	12,595,000

COLORADO HEALTH FACILITIES AUTHORITY

Supplementary Information - Schedule of Bonds Outstanding (Continued)
 Years Ended September 30

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	Amount Outstanding as of September 30,	
	2024	2023
Craig Hospital, Series 2022 B	10,205,000	11,080,000
Crossroads, Series 2022	2,944,791	3,004,600
The Denver Hospice Project, Series 2019	6,804,342	6,980,186
Devereux Foundation, Series 2012	-	1,305,425
Frasier Meadows Manor Inc. Project, Series 2017 A	39,705,000	41,395,000
Frasier Meadows Manor Inc. Project, Series 2020 A	39,100,000	39,100,000
Frasier Meadows Manor Inc. Project, Series 2020 B	5,659,844	7,026,148
Fraiser Meadows Manor Inc. Project, Series 2023 A	35,380,000	35,440,000
Goodwill of Colorado, Series 2019	25,354,741	26,332,167
HopeWest, Series 2024	9,833,674	-
Intermountain Health, Series 2022 ABCDEF	1,366,575,000	1,369,600,000
Intermountain Health, Series 2024 ABCDE	1,101,875,000	-
Mental Health Center of Denver/WellPower, Series 2014 A	19,775,000	20,320,000
Montrose Memorial Hospital, Series 2020	15,105,000	16,470,000
Montrose Memorial Hospital, Series 2023	14,735,000	15,000,000
Montrose Memorial Hospital, Series 2024	10,000,000	-
National Jewish Medical and Research Center Project, Series 2005	6,900,000	7,400,000
National Jewish Medical and Research Center Project, Series 2012	7,675,000	7,675,000
National Jewish Medical and Research Center Project, Series 2019	69,355,000	70,735,000
Parkview Medical Center, Series 2012	-	18,355,000
Parkview Medical Center, Series 2014	-	2,350,000
Parkview Medical Center, Series 2015 AB	-	37,745,000
Parkview Medical Center, Series 2016	-	70,590,000
Parkview Medical Center, Series 2017	-	10,965,000
Parkview Medical Center, Series 2020 AB	-	80,320,000
Pathways Hospice, Series 2021	9,097,051	8,175,773
Peak Vista Community Health, Series 2020	18,653,358	19,264,920
Plan De Salud del Valle/Salud Family Health, Series 2020	9,653,727	10,724,042
Ralston Creek, Series 2017 AB	46,730,000	46,730,000
Rocky Mountain Human Services/Denver Options, Series 2012	3,717,234	4,228,989
Rocky Mountain Youth Clinic/Every Child Pediatrics, Series 2010	700,179	762,828
Sanford Health, Series 2019 AB	660,850,000	680,295,000
SummitStone, Series 2024	3,973,842	-
Sisters of Charity Leavenworth Health Systems, Series 2016 BD	110,980,000	110,980,000
Sisters of Charity Leavenworth Health Systems, Series 2019 AB	422,465,000	466,085,000
Sunny Vista, Series 2015 AB	40,995,000	41,505,000
Volunteers of America Care Facilities Obligated Group Projects, Series 2007 AB	5,600,000	12,305,000
Vail Valley Medical Center, Series 2012	2,490,853	4,629,407
Vail Valley Medical Center, Series 2015	97,650,000	98,260,000
Valley View Hospital, Series 2015	41,810,000	42,440,000
Valley View Hospital, Series 2017 A	33,630,000	35,790,000
Valley View Hospital, Series 2022	49,065,000	51,905,000
	<u>\$ 11,572,396,835</u>	<u>\$ 9,910,675,074</u>

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 of
Colorado Health Facilities Authority:

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 Colorado Health Facility (the "Authority"), which comprise the statement of net position as of September 30, 2024, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audits 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 a 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report, Continued

Report on 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, 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.

Purpose of this Report

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

JDS Professional Group

January 22, 2025

COLORADO HEALTH FACILITIES AUTHORITY

Schedule Of Findings And Prior Audit Findings
For The Year Ended September 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(s) identified
that are not considered to be material
weakness(es)? ___ yes X none reported

Noncompliance material to financial
statements noted? ___ yes X no

Section II - Financial Statement Findings

No matters were reported.

Prior Audit Findings

Finding 2023-001: Significant deficiency

Condition: Year-end audit procedures identified several reconciliation and data input errors that were not identified as part of the Authority's year-end close processes. Audit procedures identified variances in supporting documentation compared to the general ledger related to cash, investments and accounts payable. Some variances were the result of dates of various transactions being entered incorrectly into the accounting system. Management corrected all errors and/or provided updated supporting documentation that agree to the general ledger.

Status: Corrective action has been taken and there is no such finding in 2024.