

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

**BASIC FINANCIAL STATEMENTS
June 30, 2024 and 2023**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)	4
BASIC FINANCIAL STATEMENTS	
Statements of Fiduciary Net Position	8
Statements of Changes in Fiduciary Net Position.....	9
Notes to Financial Statements.....	10
SUPPLEMENTARY INFORMATION	
Ten-Year Loss Development Information (Not subjected to auditing procedures).....	18
SUPPLEMENTARY SCHEDULES (Subjected to auditing procedures)	
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	20
Schedule H, Line 4j - Schedule of Reportable Transactions.....	21

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of Colorado Health and Welfare Trust (the Trust), a component unit of the University of Colorado, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the University of Colorado Health and Welfare Trust as of June 30, 2024 and 2023, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information Required by ERISA (Subjected to Auditing Procedures)

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

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

Supplementary Information (Not Subjected to Auditing Procedures)

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The supplementary information (not subjected to auditing procedures) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Denver, Colorado
October 7, 2024**

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2024 and 2023

We are pleased to present this financial discussion and analysis of the University of Colorado Health and Welfare Trust (the Trust). It is intended to make the Trust's basic financial statements easier to understand and communicate its financial status in an open, transparent, and accountable manner. It provides an analysis of the Trust's fiduciary net position and changes in fiduciary net position as of and for the years ended June 30, 2024 and 2023, with comparative information as of and for the year ended June 30, 2022. Trust management is responsible for the completeness and fairness of this discussion and analysis and for the basic financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Fiduciary Net Position present the assets, liabilities, and net position of the Trust at a point in time (June 30, 2024 and 2023). Its purpose is to present a financial snapshot. It aids readers in determining the assets available to continue the Trust's operations, how much the Trust owes to pay claims and vendors, and the resulting fiduciary net position. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or will become due within twelve months of the statement date.

Statements of Changes in Fiduciary Net Position present the total additions and deductions of the Trust during the fiscal years ended June 30, 2024 and 2023. Its purpose is to assess the Trust's net increase or decrease in fiduciary net position. The major source of additions are member and participant contributions and the major sources of deductions are incurred claims and administrative and claims processing costs.

Notes to the Financial Statements present additional information to support the basic financial statements and are commonly referred to as "notes." Their purpose is to clarify and expand on the information in the financial statements.

Required Supplementary Information (RSI) presents additional information that is required by Governmental Accounting Standards Board to supplement the information in the basic financial statements. In this report, RSI includes this management discussion and analysis.

Supplementary Information and Schedules present additional information required by the Employee Retirement Income Security Act of 1974. This additional information provides more detail on the Trust's cash equivalents and investments and the 10-year loss development information.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2024 and 2023

FINANCIAL HIGHLIGHTS

Selected financial highlights for the fiscal year ended June 30, 2024 include:

- The Trust ended the year with \$90,775,313 in net position.
- Incurred but not reported claims, as estimated by an outside actuary, amounted to \$41,959,819.
- Total Trust premium additions were \$430,476,520.
- Incurred claims costs were \$386,950,364.
- Claims processing costs were \$21,907,473. Administrative costs were \$3,074,337.

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2024, approximately 61% of total assets are held in cash and cash equivalents and noncurrent investments. Another 39% represents short-term receivables. At June 30, 2023, approximately 64% of total assets are held in cash and cash equivalents and noncurrent investments. Another 35% represents short-term receivables. At June 30, 2022, approximately 63% of total assets are held in cash and cash equivalents and noncurrent investments. Another 37% represents short-term receivables. The ratios of total assets to cash and cash equivalents and noncurrent investments and short-term receivables were consistent from 2022 to 2023. The increase in receivables from 2023 to 2024 was due to the timing of the pharmacy rebates being received after year end.

At June 30, 2024, approximately 90% of total liabilities represent the estimate of claims payable. At June 30, 2023, approximately 89% of total liabilities represent the estimate of claims payable. At June 30, 2022, approximately 88% of total liabilities represent the estimate of claims payable. The estimate of incurred but not reported claims amounts have been actuarially determined by an outside party and are included in claims payable. The decrease in claims payable from 2022 to 2023 is a result of the timing of claims payments. The increase in claims payable from 2023 to 2024 was from an increase in participation and the timing of claims payments.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2024 and 2023

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

Figure 1. Summary of Assets, Liabilities, and Fiduciary Net Position as of June 30, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets			
Cash and cash equivalents	\$ 49,091,526	\$ 39,271,077	\$ 33,620,412
Receivables	54,107,041	39,171,866	35,054,443
Prepaid expenses	158,318	164,491	146,871
Total current assets	<u>103,356,885</u>	<u>78,607,434</u>	<u>68,821,726</u>
Noncurrent assets			
Investments	34,225,690	32,282,006	26,778,042
IT subscription, net	63,599	132,980	202,361
Total noncurrent assets	<u>34,289,289</u>	<u>32,414,986</u>	<u>26,980,403</u>
Total assets	<u>\$ 137,646,174</u>	<u>\$ 111,022,420</u>	<u>\$ 95,802,129</u>
Current liabilities			
Claims payable	\$ 41,959,819	\$ 37,588,807	\$ 38,226,729
Other current liabilities	4,911,042	4,784,131	5,019,051
Total current liabilities	<u>46,870,861</u>	<u>42,372,938</u>	<u>43,245,780</u>
Noncurrent liabilities	<u>-</u>	<u>55,996</u>	<u>125,573</u>
Total liabilities	46,870,861	42,428,934	43,371,353
Restricted for health and welfare benefits	90,775,313	68,593,486	52,430,776
Total liabilities and net position	<u>\$ 137,646,174</u>	<u>\$ 111,022,420</u>	<u>\$ 95,802,129</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the years ended June 30, 2024, 2023 and 2022, premium additions for the Trust totaled \$430,476,520, \$399,099,266, and \$375,109,766, respectively.

For the year ended June 30, 2024, incurred claims (including incurred but not paid claims) were \$386,950,364 while claims processing and administrative costs were \$24,981,810. For the year ended June 30, 2023, incurred claims (including incurred but not paid claims) were \$359,059,624 while claims processing and administrative costs were \$24,811,652. For the year ended June 30, 2022, incurred claims (including incurred but not paid claims) were \$329,847,961 while claims processing and administrative costs were \$21,925,860.

The increase in additions from fiscal year 2022 to 2023 was due an increase in both premium contribution amounts and employees. The increase in deductions from fiscal year 2022 to 2023 was a result of an increase in claim utilization, an increase in the cost of care, and an increase in participants. The increase in additions from fiscal year 2023 to 2024 was due to an increase in premiums and an increase in employees. The increase in deductions from fiscal year 2023 to 2024 was a result of an increase in claim utilization and an increase in the cost of care.

As of June 30, 2024, 2023, and 2022, there were approximately 26,000, 25,000, and 24,000 employees and retirees, respectively, participating in the Trust which amounted to approximately 53,000, 52,000, and 50,000 lives covered during those years, respectively.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Not subjected to auditing procedures)
June 30, 2024 and 2023

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

Figure 2. Summary of Changes in Fiduciary Net Position for the Years Ended June 30, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Additions	\$ 435,863,939	\$ 401,529,935	\$ 373,577,653
Deductions	<u>413,682,112</u>	<u>385,367,225</u>	<u>353,240,620</u>
Net increase in fiduciary net position restricted for health and welfare benefits	22,181,827	16,162,710	20,337,033
Net position, beginning of year	<u>68,593,486</u>	<u>52,430,776</u>	<u>32,093,743</u>
Net position, end of year	<u><u>\$ 90,775,313</u></u>	<u><u>\$ 68,593,486</u></u>	<u><u>\$ 52,430,776</u></u>

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash, noninterest bearing	\$ 1,292	\$ 1,499
Restricted cash - flexible spending accounts	899,570	1,279,225
Cash equivalents	<u>48,190,664</u>	<u>37,990,353</u>
Total cash and cash equivalents	<u>49,091,526</u>	<u>39,271,077</u>
Receivables:		
Premiums, net	35,524,726	32,948,585
Pharmacy rebates	18,310,082	5,985,467
Claims run out	-	30,000
Interest receivable	<u>272,233</u>	<u>207,814</u>
Total receivables	<u>54,107,041</u>	<u>39,171,866</u>
Prepaid expenses	<u>158,318</u>	<u>164,491</u>
Total current assets	<u>103,356,885</u>	<u>78,607,434</u>
Noncurrent assets:		
Investments	34,225,690	32,282,006
IT subscription, net	<u>63,599</u>	<u>132,980</u>
Total noncurrent assets	<u>34,289,289</u>	<u>32,414,986</u>
Total assets	<u>137,646,174</u>	<u>111,022,420</u>
LIABILITIES:		
Current liabilities:		
Claims payable	41,959,819	37,588,807
Accrued liabilities	1,808,566	1,169,619
Accounts payable	2,450,681	2,659,321
Current subscription liability	55,996	69,577
Flexible spending accounts payable	<u>595,799</u>	<u>885,614</u>
Total current liabilities	<u>46,870,861</u>	<u>42,372,938</u>
Noncurrent liabilities:		
Subscription liability, noncurrent	<u>-</u>	<u>55,996</u>
Total liabilities	<u>46,870,861</u>	<u>42,428,934</u>
Total net position restricted for health and welfare benefits	<u>\$ 90,775,313</u>	<u>\$ 68,593,486</u>

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years ended June 30, 2024 and 2023

	2024	2023
ADDITIONS		
Premiums	\$ 430,476,520	\$ 399,099,266
Miscellaneous	-	96,858
Investment earnings	<u>5,387,419</u>	<u>2,333,811</u>
Total additions	<u>435,863,939</u>	<u>401,529,935</u>
DEDUCTIONS		
Incurred claims - net	386,950,364	359,059,624
Claims processing	21,907,473	21,298,914
Administrative	3,074,337	3,512,738
Wellness initiatives	<u>1,749,938</u>	<u>1,495,949</u>
Total deductions	<u>413,682,112</u>	<u>385,367,225</u>
Net increase in fiduciary net position	22,181,827	16,162,710
NET POSITION		
Beginning of year	<u>68,593,486</u>	<u>52,430,776</u>
End of year	<u><u>\$ 90,775,313</u></u>	<u><u>\$ 68,593,486</u></u>

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 - DESCRIPTION OF THE TRUST

The University of Colorado Health and Welfare Trust (the Trust) was established June 28, 2010 to administer and manage certain health and welfare benefits for participating employees and retirees. The University of Colorado (the University) and University of Colorado Medicine (CU Med) were the Members of the Trust at June 30, 2024 and 2023. It is intended that the Trust shall qualify as a “voluntary employees’ beneficiary association” (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

The Trust is self-insured and is financed through premiums collected from the employer members and their participants. Participant eligibility is determined pursuant to the terms of each Component Plan.

In the years ended June 30, 2024 and 2023, insurance coverage was provided through the following Component Plans:

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

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

Participants and Members share the cost of coverage, based on actuarially determined premium rates. Each Member determines the amount that will be paid by the Member and its participants. Participants are responsible for copayments, deductibles, coinsurance amounts, if applicable, and are dependent on the level of coverage selected, as further described in each Component Plan document. The flexible spending plans noted above are funded with employee pre-tax dollars.

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

The Trust is administered by a Trust Committee, consisting of five members; four designated by the President of the University and one designated by CU Med. Based upon the application of the above criteria, and the requirement for a supermajority vote of the trustees on key operating and fiduciary decisions, the Trust has no component units and is a component unit of the University.

Basis of Accounting

The accounting policies of the Trust conform to GAAP as applicable to governmental entities. For financial reporting purposes, the Trust is considered a fiduciary fund. Accordingly, the Trust's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, additions are recognized when earned, and deductions are recorded when an obligation has been incurred.

Classification of Additions and Deductions

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as amounts held in a money market account with a weighted average maturity date of less than approximately 30 days.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Allowance for Doubtful Accounts

Premiums receivable are presented on the statement of fiduciary net position net of estimated uncollectible amounts. The Trust records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Trust recorded an allowance for doubtful accounts of \$0 as of June 30, 2024 and 2023.

Premiums

Premiums are recognized in the period when the insurance coverage is provided. Premiums are due monthly from the Members and participants based on the rates adopted by the Members.

Members may pay additional premiums or amounts to make up for any shortfall caused by adverse claims experience of their participants.

Flexible Spending Account Forfeitures

Federal regulations require that participants use the entire amount in their health care flexible spending account by the end of each plan year or during the following 75-day grace period. After the close of the grace period, an additional 60-day claims run-out period is provided for participants to submit claims for services performed during the previous plan year or grace period. At the end of the appeals process related to the plan year-end, participants' unused balances are permanently forfeited. The Trust uses these forfeitures to offset reasonable administrative costs incurred during the plan year. These forfeitures are recorded as miscellaneous additions on the statement of changes in fiduciary net position.

Pharmacy Rebates

The Trust receives rebates from its prescription drug programs. Pharmacy rebates are recognized in the period corresponding to the period that the participant fills the prescription. Rebates are recorded as a reduction of incurred claims in the statement of changes in fiduciary net position. In fiscal years 2024 and 2023, rebates totaled \$36,966,866 and \$23,558,412, respectively.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance Guarantee

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

Fiduciary Net Position

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

Administrative Costs/Deductions

All third-party costs, including significant trustee's fees and costs, are paid by the Trust.

Income Tax Status

The Trust is operating under the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The VEBA Trust was established pursuant to Section 501 (c)(9) of the Internal Revenue Code of 1986, as amended (IRC), and accordingly, the VEBA Trust's net investment income is exempt from income taxes. The Trust obtained an exemption letter from the Internal Revenue Service (IRS) on August 29, 2011, in which the IRS stated that the VEBA Trust was in compliance with applicable requirements of the IRC and Trust management believes that the VEBA Trust continues to qualify and to operate in accordance with applicable provisions of the IRC.

Use of Estimates

The preparation of the Trust's financial statements in conformity with GAAP requires Trust management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Trust's financial assets are authorized for investment primarily in cash equivalents and fixed-income securities using internal resources as well as external managers and commingled and mutual funds, where appropriate, in accordance with the Trust Investment Policy as adopted by the Trust Committee.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

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

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

Cash and restricted cash consist of amounts held in two noninterest bearing demand deposit accounts at Wells Fargo Bank, N.A. The Federal Deposit Insurance Corporation's limit of \$250,000 applies to the Trust's balances held at this bank. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioner for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2024 and 2023, cash equivalents consist of shares of a 2a-7-money market fund held in the Allspring Government Money Market Fund, formerly Wells Fargo Government Money Market Fund (ticker symbol GVIXX), which has a S&P credit rating of Aaam and a weighted average maturity of approximately 37 days. The Allspring Government Money Market Fund is reported at fair value and as an open-ended mutual fund, is not exposed to custodial credit risk.

At June 30, 2024 and 2023, noncurrent investments consist of the Vanguard Admiral Fund (ticker symbol VFSUX) which invests in short term bonds and is an unrated mutual fund with an average duration of 2.6 years for the underlying investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2024 and 2023, the Trust did not identify any investments subject to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Trust. The Trust has no formal policy for credit risk. At June 30, 2024 and 2023, the Trust believes the credit risk is minimal.

Interest rate risk is the risk that an investment's value will change due to a change in interest rates. The Trust has no formal policy for interest rate risk. At June 30, 2024 and 2023, the Trust believes the interest rate risk is minimal.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. At June 30, 2024 and 2023, the Trust's investments consist of a single short-term duration bond fund.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 – FAIR VALUE

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

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

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

Level 3: Unobservable inputs for an asset.

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
At June 30, 2024				
Cash equivalents				
Money Market Fund	\$ 48,190,664	\$ 48,190,664	\$ -	\$ -
Investments				
Mutual Fund	\$ 34,225,690	\$ 34,225,690	\$ -	\$ -
At June 30, 2023				
Cash equivalents				
Money Market Fund	\$ 37,990,353	\$ 37,990,353	\$ -	\$ -
Investments				
Mutual Fund	\$ 32,282,006	\$ 32,282,006	\$ -	\$ -

NOTE 5 - CLAIMS PAYABLE

The Trust establishes a liability based on the ultimate estimated cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet paid. This liability is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and is reviewed by the Trust's independent consulting actuary. This includes a liability for claim processing costs associated with paying claims, which have been incurred, but not yet paid.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 - CLAIMS PAYABLE (CONTINUED)

Unpaid claims are not discounted. Payments of claims under the Trust are made according to a schedule of benefits, upon submission of a proof of claim by an independent claims processor.

The Trust is fully self-insured and is subject to increased claims costs due to higher than anticipated utilization or a higher than anticipated number of catastrophic claims. Amounts receivable from claims runout at June 30, 2023 totaled \$30,000 as a result of adverse claims experience during the year ended June 30, 2020 from a member that terminated.

The following represents changes in the claims payable liability during the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Claims payable, beginning of year	\$ 37,588,807	\$ 38,226,729
Provision for claims costs		
Provision for covered events of the current year	385,827,417	357,818,378
Increase in provisions for covered events of prior years	<u>1,122,947</u>	<u>1,241,246</u>
Total provision for claims costs	<u>386,950,364</u>	<u>359,059,624</u>
Payments		
Claims costs attributable to covered events of the current year	344,363,108	320,555,992
Claims costs attributable to covered events of prior years	<u>38,216,244</u>	<u>39,141,554</u>
Total payments	<u>382,579,352</u>	<u>359,697,546</u>
Claims payable, end of year	<u>\$ 41,959,819</u>	<u>\$ 37,588,807</u>

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 - IT SUBSCRIPTION

The Trust has a subscription based information technology arrangement with a company that holds the data warehouse and provides data analytics that started June 2021 and will end in May 2025. The IT subscription asset totaled \$277,524 for years ended June 30 2024 and 2023 and accumulated amortization totaled \$213,925 and \$144,544 for years ended June 30, 2024 and 2023, respectively. The corresponding subscription liability was originally recorded at \$277,524, with a balance at June 30, 2024 and 2023 of \$55,996 and \$125,573, respectively. Future principal and interest payments for year ending June 30, 2025 are \$55,996 and \$143, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

The University provides certain accounting and administrative services to the Trust for which fees are charged at cost, \$2,216,867 and \$1,449,000 for the years ended June 30, 2024 and 2023, respectively. The Trust's cash and investments are maintained in wholly separate accounts.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Trust is exposed to various risks of loss related to torts and errors and omissions. The Trust has in place errors and omissions insurance coverage. Any losses related to torts are self-insured by the Trust. As a governmental trust, the Trust is immune from suit in tort, though the Trust's status as a governmental entity has not been finally determined. Under any circumstances, tort claims would be covered by the errors and omissions and the fiduciary policy. No claims against the Trust have been filed.

NOTE 9 - RECONCILIATION OF SCHEDULE H OF FORM 5500

There are no differences between the balances contained in the Trust's financial statements and those reported in Schedule H of Form 5500.

SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (Not subjected to auditing procedures)
June 30, 2024

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1) Net earned required contribution and investment earnings	\$ 316,481,456	\$ 365,546,362	\$ 402,990,316	\$ 471,944,505	\$ 524,319,587
2) Unallocated claims adjustment costs and reported other costs	26,995,891	28,689,606	28,396,292	31,406,145	31,761,681
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	285,422,019	324,928,970	364,311,674	429,744,903	490,876,600
4) Net paid (cumulative) claims as of					
End of incurred year	261,646,107	293,611,962	362,890,120	387,623,927	437,548,938
One year later	290,252,967	328,062,766	363,020,197	432,077,791	487,666,814
Two years later	290,048,207	327,923,421	365,799,156	429,643,216	486,945,060
Three years later	290,040,253	328,421,994	365,110,916	429,637,197	486,724,022
Four years later	290,040,253	328,221,155	365,073,298	429,361,467	486,724,022
Five years later	290,178,405	328,221,155	365,049,022	429,361,467	486,724,022
Six years later	290,178,405	328,221,155	365,049,022	429,361,467	-
Seven years later	290,178,405	328,221,155	365,049,022	-	-
Eight years later	290,178,405	328,221,155	-	-	-
Nine years later	290,178,405	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	285,422,019	324,928,970	364,311,674	429,744,903	490,876,600
One year later	290,252,967	327,866,104	364,441,751	432,077,791	487,666,814
Two years later	290,048,207	327,976,541	365,799,156	429,643,216	486,945,060
Three years later	290,040,253	328,421,994	365,110,916	429,637,197	486,724,022
Four years later	290,040,253	328,221,155	365,073,298	429,361,467	486,724,022
Five years later	290,178,405	328,221,155	365,049,022	429,361,467	486,724,022
Six years later	290,178,405	328,221,155	365,049,022	429,361,467	-
Seven years later	290,178,405	328,221,155	365,049,022	-	-
Eight years later	290,178,405	328,221,155	-	-	-
Nine years later	290,178,405	-	-	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	4,756,386	3,292,185	737,348	(383,436)	(4,152,578)
7) Net claim reserve (5 less 4)	-	-	-	-	-

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
SUPPLEMENTARY INFORMATION
TEN-YEAR LOSS DEVELOPMENT INFORMATION (Not subjected to auditing procedures) (CONTINUED)
June 30, 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1) Net earned required contribution and investment earnings	\$ 561,714,589	\$ 284,935,640	\$ 373,577,653	\$ 401,529,935	\$ 435,863,939
2) Unallocated claims adjustment costs and reported other costs	31,682,058	23,872,371	23,390,577	26,307,601	26,731,748
3) Estimated incurred claims as of end of report year and allocated claim adjustment costs	514,203,848	292,860,531	323,743,701	357,818,378	385,827,417
4) Net paid (cumulative) claims as of					
End of incurred year	456,724,222	262,925,767	286,392,661	320,555,992	344,363,108
One year later	510,020,262	296,370,448	324,361,199	352,230,133	-
Two years later	512,259,959	297,129,781	325,614,955	-	-
Three years later	512,673,642	297,325,393	-	-	-
Four years later	512,673,642	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5) Reestimated incurred claims					
End of incurred year	514,203,848	292,860,531	323,743,701	357,818,378	385,827,417
One year later	510,020,262	297,246,137	324,687,620	352,725,643	-
Two years later	512,259,959	297,129,781	325,614,955	-	-
Three years later	512,673,642	297,325,393	-	-	-
Four years later	512,673,642	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
6) Increase (decrease) in estimated incurred claims (5 less 3)	(1,530,206)	4,464,862	1,871,254	(5,092,735)	-
7) Net claim reserve (5 less 4)	-	-	-	495,510	41,464,309

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
June 30, 2024

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity	(d) Cost	(e) Current Value
	Allspring: Government	Money Market Fund	\$ 48,190,664	\$ 48,190,664
	Vanguard: Vanguard Admiral Fund Short Duration Bond Fund	Defensive Fixed-Income Mutual Fund	35,790,477	34,225,690
	Total		<u>\$ 83,981,141</u>	<u>\$ 82,416,354</u>

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST
A COMPONENT UNIT OF THE UNIVERSITY OF COLORADO
EIN: 27-6690619, PLAN #501
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Year Ended June 30, 2024

(a) <u>Identity of Party Involved</u>	(b) <u>Description of Assets</u>	(c) <u>Purchase Price</u>	(d) <u>Selling Price</u>	(g) <u>Cost of Asset</u>	(h) <u>Current Value of Asset on Transaction Date</u>	(i) <u>Net Gain or (Loss)</u>
Category (iii) - A series of transactions which exceed 5% of plan assets:						
Vanguard	Vanguard Admiral Fund Short Duration Bond Fund	\$ 1,221,821	\$ -	\$ 1,221,821	\$ 1,221,821	\$ -
Allspring	Government Money Market Fund	\$ 425,690,760	\$ -	\$ 425,690,760	\$ 425,690,760	\$ -
Allspring	Government Money Market Fund	\$ -	\$ 415,490,448	\$ 415,490,448	\$ 415,490,448	\$ -

There were no Category (i), (ii) or (iv) reportable transactions during the year ended June 30, 2024. Columns (e) and (f) have not been presented, as this information is not applicable.