



**COLORADO SPRINGS UTILITIES
FOUNDATION**

Financial Statements

For the Years Ended December 31, 2019 and 2018

And

Independent Auditors' Report

COLORADO SPRINGS UTILITIES FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colorado Springs Utilities Foundation

We have audited the accompanying financial statements of Colorado Springs Utilities Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Springs Utilities Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stockman Kast Ryan + Co. LLP

July 30, 2020

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,912,007	\$ 2,065,131
Pledges receivable	28,520	36,437
Pledge receivable from related party	<u>153,059</u>	<u>149,931</u>
TOTAL ASSETS	<u>\$ 2,093,586</u>	<u>\$ 2,251,499</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 15,390	\$ 11,725
Due to related party	<u>4,278</u>	<u>7,110</u>
Total liabilities	<u>19,668</u>	<u>18,835</u>
NET ASSETS		
Without donor restrictions	1,880,088	2,034,045
With donor restrictions	<u>193,830</u>	<u>198,619</u>
Total net assets	<u>2,073,918</u>	<u>2,232,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,093,586</u>	<u>\$ 2,251,499</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Program contributions	\$ 746,906	\$ 181,579	\$ 928,485	\$ 484,119	\$ 186,368	\$ 670,487
In-kind contributions	105,053	—	105,053	81,354	—	81,354
Grants	20,000	—	20,000	—	—	—
Investment income	16,181	—	16,181	11,281	—	11,281
Net assets released from restrictions	<u>186,368</u>	<u>(186,368)</u>	<u>—</u>	<u>519,675</u>	<u>(519,675)</u>	<u>—</u>
Total	<u>1,074,508</u>	<u>(4,789)</u>	<u>1,069,719</u>	<u>1,096,429</u>	<u>(333,307)</u>	<u>763,122</u>
EXPENSES						
Program	1,128,300	—	1,128,300	1,066,452	—	1,066,452
Fundraising	80,644	—	80,644	53,406	—	53,406
General and administrative	<u>19,521</u>	<u>—</u>	<u>19,521</u>	<u>24,472</u>	<u>—</u>	<u>24,472</u>
Total	<u>1,228,465</u>	<u>—</u>	<u>1,228,465</u>	<u>1,144,330</u>	<u>—</u>	<u>1,144,330</u>
CHANGE IN NET ASSETS	(153,957)	(4,789)	(158,746)	(47,901)	(333,307)	(381,208)
NET ASSETS, Beginning of year	<u>2,034,045</u>	<u>198,619</u>	<u>2,232,664</u>	<u>2,081,946</u>	<u>531,926</u>	<u>2,613,872</u>
NET ASSETS, End of year	<u>\$ 1,880,088</u>	<u>\$ 193,830</u>	<u>\$ 2,073,918</u>	<u>\$ 2,034,045</u>	<u>\$ 198,619</u>	<u>\$ 2,232,664</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
EXPENSES								
Project COPE	\$ 1,113,436	\$ —	\$ —	\$ 1,113,436	\$ 1,052,738	\$ —	\$ —	\$ 1,052,738
Donated services	—	80,644	—	80,644	—	53,406	—	53,406
Administrative	14,864	—	9,525	24,389	13,714	—	13,364	27,078
Professional services	—	—	9,102	9,102	—	—	9,670	9,670
Supplies	—	—	894	894	—	—	1,438	1,438
TOTAL	<u>\$ 1,128,300</u>	<u>\$ 80,644</u>	<u>\$ 19,521</u>	<u>\$ 1,228,465</u>	<u>\$ 1,066,452</u>	<u>\$ 53,406</u>	<u>\$ 24,472</u>	<u>\$ 1,144,330</u>
PERCENTAGE	92%	6%	2%	100%	93%	5%	2%	100%

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ (158,746)	\$ (381,208)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in operating assets and liabilities:		
Pledge receivable	7,917	(14,772)
Pledge receivable from related party	(3,128)	348,079
Accounts payable	3,665	3,237
Due to related party	<u>(2,832)</u>	<u>(543)</u>
Net cash used in operating activities	(153,124)	(45,207)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,065,131</u>	<u>2,110,338</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,912,007</u>	<u>\$ 2,065,131</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colorado Springs Utilities Foundation (Foundation) is a non-profit foundation that was established on March 14, 2007. The Foundation took over the operations of a pre-existing program that was established by a resolution of the Colorado Springs City Council for the purpose of administering the funds for Citizens Option to Provide Energy (Project COPE) customer assistance program. The Foundation receives contributions from individuals, businesses, foundations, and Colorado Springs Utilities (Utilities). These contributions are allocated to Utilities' customers who qualify for assistance through Project COPE. Various other non-profit organizations determine which customers qualify for assistance. Funds are paid by the Foundation to Utilities to be applied to designated customers' accounts. Utilities provides accounting, treasury, fundraising and administrative services for the Foundation that have been accounted for as in-kind contributions in the financial statements.

Net Assets — The Foundation reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets available for use in general operations which represents the expendable resources that are available for operations at management's discretion - not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions represents resources restricted by donors as to purpose or by the passage of time and resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Use of Estimates — Preparation of the Foundation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash and cash equivalents consists of cash held in a checking account and short-term investments held in a money market account. For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Pledges Receivable — Management believes that all pledges receivable recorded at December 31, 2019 and 2018 are collectible and no allowance for doubtful contributions is deemed necessary.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restriction. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Contributed Goods and Services — A number of Utilities employees have made significant contributions of time to provide services to the Foundation. The Foundation recognizes contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These services are an integral part of Foundation's existence. These administrative and professional services totaled \$24,410 and \$27,948, respectively, for the years ended December 31, 2019 and 2018, and have been reflected as revenues and expenses in the accompanying statements of activities.

The Foundation received additional in-kind revenue for fundraising services and materials totaling \$80,643 and \$53,406, respectively, for the years ended December 31, 2019 and 2018, which have been reflected as revenues and expenses in the accompanying statements of activities.

Investment Income — Investment income consists primarily of interest income derived from the money market account held by the Foundation and is recognized as it is earned.

Tax Exempt Status — The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction.

The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Changes in Accounting Principle — In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers.

The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. During the year ended December 31, 2019, management implemented ASU 2014-09 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified retrospective approach during the year ended December 31, 2019. The implementation of the ASU had no effect on the financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarity related to determination of contributions, including conditional contributions, and exchange transactions.

During the year ended December 31, 2019, management implemented ASU 2018-08 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified-prospective approach during the year ended December 31, 2019 and had no effect on the financial statements.

Subsequent Events — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

	2019	2018
Cash and cash equivalents	\$ 1,912,007	\$ 2,065,131
Pledges receivable	28,520	36,437
Pledge receivable from a related party	<u>153,059</u>	<u>149,931</u>
Total financial assets	<u>2,093,586</u>	<u>2,251,499</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	181,579	186,368
Restricted by donors with purpose restrictions	<u>12,251</u>	<u>12,251</u>
Total amounts unavailable for general expenditures within one year	<u>193,830</u>	<u>198,619</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 1,899,756</u>	<u>\$ 2,052,880</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation operates with a board approved budget and anticipates sufficient revenue to cover general expenditures, liabilities, and other obligations.

3. PLEDGES RECEIVABLE

Unconditional pledges receivable as of December 31, 2019 and 2018 consist of \$28,520 and \$36,437, respectively, in pledges from various donors and are expected to be collected in the subsequent year.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent amounts contributed to the Foundation in support of the Community Focus Fund, and amounts pledged to, but not yet collected by, the Foundation in support of Project COPE and for general operating expenses. Net assets with donor restrictions consist of the following as of December 31:

	2019	2018
Time restricted pledges receivable	\$ 181,579	\$ 186,368
Community Focus Fund	<u>12,251</u>	<u>12,251</u>
Total	<u>\$ 193,830</u>	<u>\$ 198,619</u>

5. FUNCTIONAL EXPENSES ALLOCATION METHODS

The Foundation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program purpose or support services are allocated directly, according to their natural expenditure classification. Fundraising expenses are charged to fundraising. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Substantially all general and administrative expenses are paid by Utilities. Expenses are recorded when costs are incurred. Costs that are common to several functions are allocated among the program and supporting services on the basis of percentage of total expense incurred and estimates made by management.

6. CONCENTRATIONS

The Foundation maintains cash in bank accounts that frequently exceed FDIC insurance limits. The Foundation has not experienced any losses in such accounts.

During the years ended December 31, 2019 and 2018, the Foundation received approximately 48% and 69%, respectively, of its revenue through contributions from Colorado Springs Utilities.

7. RELATED PARTIES

The Foundation and Utilities are related parties due to the Foundation's Board members being comprised of Utilities employees.

As of December 31, 2019, the Foundation had accounts payable due to Utilities for \$4,278 and had a pledge receivable due from Utilities for \$153,059. During the year ended December 31, 2019, Utilities made contributions totaling \$514,622 to the Foundation, and the Foundation made payments of \$1,040,598 to Utilities for Project COPE.

As of December 31, 2018, the Foundation had accounts payable due to Utilities for \$7,110 and had a pledge receivable due from Utilities for \$149,931. During the year ended December 31, 2018, Utilities made contributions totaling \$524,519 to the Foundation, and the Foundation made payments of \$983,867 to Utilities for Project COPE.

8. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.