

**COLORADO SPRINGS UTILITIES
FOUNDATION**

Financial Statements

For the Years Ended December 31, 2017 and 2016

And

Independent Auditors' Report

COLORADO SPRINGS UTILITIES FOUNDATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2017 and 2016, 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, 2017 and 2016, 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 27, 2018

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,110,338	\$ 1,381,173
Current portion of pledges receivable	21,665	319,840
Pledge receivable from related party	<u>498,010</u>	<u>130,790</u>
Total current assets	2,630,013	1,831,803
PLEDGES RECEIVABLE	<u>-</u>	<u>300,000</u>
TOTAL ASSETS	<u>\$ 2,630,013</u>	<u>\$ 2,131,803</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,488	\$ 5,641
Due to related party	<u>7,653</u>	<u>4,579</u>
Total liabilities	<u>16,141</u>	<u>10,220</u>
NET ASSETS		
Unrestricted	2,081,946	1,358,702
Temporarily restricted	<u>531,926</u>	<u>762,881</u>
Total net assets	<u>2,613,872</u>	<u>2,121,583</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,630,013</u>	<u>\$ 2,131,803</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Program contributions	\$ 909,885	\$ 519,675	\$ 1,429,560	\$ 631,034	\$ 750,630	\$ 1,381,664
In-kind contributions	123,130	-	123,130	87,164	-	87,164
Investment income	3,096	-	3,096	2,498	-	2,498
Net assets released from restrictions	750,630	(750,630)	-	137,684	(137,684)	-
Total	1,786,741	(230,955)	1,555,786	858,380	612,946	1,471,326
EXPENSES						
Program	944,530	-	944,530	919,351	-	919,351
Fundraising	78,801	-	78,801	72,443	-	72,443
General and administrative	40,166	-	40,166	12,297	-	12,297
Total	1,063,497	-	1,063,497	1,004,091	-	1,004,091
CHANGE IN NET ASSETS	723,244	(230,955)	492,289	(145,711)	612,946	467,235
NET ASSETS, Beginning of year	1,358,702	762,881	2,121,583	1,504,413	149,935	1,654,348
NET ASSETS, End of year	\$ 2,081,946	\$ 531,926	\$ 2,613,872	\$ 1,358,702	\$ 762,881	\$ 2,121,583

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
EXPENSES								
Project COPE	\$ 931,914	\$ -	\$ -	\$ 931,914	\$ 909,027	\$ -	\$ -	\$ 909,027
Donated services	-	78,801	112	78,913	-	72,443	-	72,443
Professional services	-	-	29,044	29,044	-	-	7,900	7,900
Administrative	12,616	-	10,850	23,466	10,324	-	4,377	14,701
Supplies	-	-	160	160	-	-	20	20
TOTAL	<u>\$ 944,530</u>	<u>\$ 78,801</u>	<u>\$ 40,166</u>	<u>\$ 1,063,497</u>	<u>\$ 919,351</u>	<u>\$ 72,443</u>	<u>\$ 12,297</u>	<u>\$ 1,004,091</u>
PERCENTAGE	89%	7%	4%	100%	92%	7%	1%	100%

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ 492,289	\$ 467,235
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Pledge receivable	598,175	(599,281)
Pledge receivable from related party	(367,220)	(13,665)
Accounts payable	2,847	968
Due to related party	<u>3,074</u>	<u>(8,991)</u>
Net cash provided by (used in) operating activities	729,165	(153,734)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,381,173</u>	<u>1,534,907</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,110,338</u>	<u>\$ 1,381,173</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 and administrative services for the Foundation that have been accounted for as in-kind contributions in the financial statements.

Basis of Presentation — The financial statements present information regarding the financial position and activities according to three classes of net assets as follows: Unrestricted net assets represent the expendable resources that are available for operations at management's discretion; temporarily restricted net assets represent resources restricted by donors as to purpose or the passage of time; and permanently restricted net assets represent 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. The Foundation does not have any permanently restricted net assets as of December 31, 2017 or 2016.

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, 2017 and 2016 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 unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted revenue and net assets.

COLORADO SPRINGS UTILITIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 fundraising services totaled \$28,118 and \$23,047, respectively, for the years ended December 31, 2017 and 2016, 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 \$95,012 and \$64,117, respectively, for the years ended December 31, 2017 and 2016, 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.

Functional Allocation of Expenses — Directly identifiable expenses are charged to programs and supporting services. 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.

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. Tax years that remain subject to examination include 2014 through the current period.

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. PLEDGES RECEIVABLE

Unconditional pledges receivable as of December 31, 2017 consist of \$21,665 in pledges from various donors. Unconditional pledges receivable as of December 31, 2016 consist of a \$600,000 pledge from one donor and \$19,840 in pledges from various donors.

COLORADO SPRINGS UTILITIES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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. Temporarily restricted net assets consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Time restricted pledges receivable	\$ 519,675	\$ 750,630
Community Focus Fund	<u>12,251</u>	<u>12,251</u>
Total	<u>\$ 531,926</u>	<u>\$ 762,881</u>

4. 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 year ended December 31, 2017, the Foundation received approximately 60% of its revenue through contributions from Colorado Springs Utilities. During the year ended December 31, 2016, the Foundation received approximately 28% of its revenue through contributions from Colorado Springs Utilities and 41% of its revenue from another donor.

5. 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, 2017, the Foundation had accounts payable due to Utilities for \$7,653 and had a pledge receivable due from Utilities for \$498,010. During the year ended December 31, 2017, Utilities made contributions totaling \$916,942 to the Foundation, and the Foundation made payments of \$879,116 to Utilities for Project COPE.

As of December 31, 2016, the Foundation had accounts payable due to Utilities for \$4,579 and had a pledge receivable due from Utilities for \$130,790. During the year ended December 31, 2016, Utilities made contributions totaling \$417,849 to the Foundation, and the Foundation made payments of \$865,740 to Utilities for Project COPE.