



**COLORADO SPRINGS UTILITIES
FOUNDATION**

Financial Statements

For the Years Ended December 31, 2022 and 2021

And

Independent Auditors' Report

COLORADO SPRINGS UTILITIES FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colorado Springs Utilities Foundation

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 these 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 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 generally accepted 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 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 Foundation'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 Foundation'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.

Stockman Kast Ryan + Co. LLP

September 13, 2023

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,302,999	\$ 2,476,954
Pledges receivable	24,164	23,660
Pledge receivable from related party	<u>150,776</u>	<u>251,011</u>
Total current assets	<u>\$ 3,477,939</u>	<u>\$ 2,751,625</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,466	\$ 11,584
Due to related party	<u>6,713</u>	<u>5,962</u>
Total liabilities	<u>12,179</u>	<u>17,546</u>
NET ASSETS		
Without donor restrictions	3,290,820	2,459,157
With donor restrictions	<u>174,940</u>	<u>274,922</u>
Total net assets	<u>3,465,760</u>	<u>2,734,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,477,939</u>	<u>\$ 2,751,625</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Program contributions	\$ 961,781	\$ 174,940	\$ 1,136,721	\$ 872,344	\$ 274,671	\$ 1,147,015
In-kind contributions	186,590	—	186,590	155,128	—	155,128
Investment income	16,974	—	16,974	409	—	409
Net assets released from restrictions	<u>274,922</u>	<u>(274,922)</u>	<u>—</u>	<u>245,339</u>	<u>(245,339)</u>	<u>—</u>
Total	<u>1,440,267</u>	<u>(99,982)</u>	<u>1,340,285</u>	<u>1,273,220</u>	<u>29,332</u>	<u>1,302,552</u>
EXPENSES						
Program	419,720	—	419,720	1,154,850	—	1,154,850
Fundraising	137,058	—	137,058	130,174	—	130,174
General and administrative	<u>51,826</u>	<u>—</u>	<u>51,826</u>	<u>26,699</u>	<u>—</u>	<u>26,699</u>
Total	<u>608,604</u>	<u>—</u>	<u>608,604</u>	<u>1,311,723</u>	<u>—</u>	<u>1,311,723</u>
CHANGE IN NET ASSETS	831,663	(99,982)	731,681	(38,503)	29,332	(9,171)
NET ASSETS, Beginning of year	<u>2,459,157</u>	<u>274,922</u>	<u>2,734,079</u>	<u>2,497,660</u>	<u>245,590</u>	<u>2,743,250</u>
NET ASSETS, End of year	<u>\$ 3,290,820</u>	<u>\$ 174,940</u>	<u>\$ 3,465,760</u>	<u>\$ 2,459,157</u>	<u>\$ 274,922</u>	<u>\$ 2,734,079</u>

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	2022				2021			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
EXPENSES								
Project COPE	\$ 410,106	\$ —	\$ —	\$ 410,106	\$ 1,145,281	\$ —	\$ —	\$ 1,145,281
Donated services	—	137,058	—	137,058	—	130,174	—	130,174
Administrative	9,614	—	34,433	44,047	9,569	—	15,365	24,934
Professional services	—	—	10,200	10,200	—	—	9,910	9,910
Supplies	—	—	7,193	7,193	—	—	1,424	1,424
TOTAL	<u>\$ 419,720</u>	<u>\$ 137,058</u>	<u>\$ 51,826</u>	<u>\$ 608,604</u>	<u>\$ 1,154,850</u>	<u>\$ 130,174</u>	<u>\$ 26,699</u>	<u>\$ 1,311,723</u>
PERCENTAGE	69%	23%	8%	100%	88%	10%	2%	100%

See notes to financial statements.

COLORADO SPRINGS UTILITIES FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 731,681	\$ (9,171)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Pledge receivable	(504)	10,122
Pledge receivable from related party	100,235	(51,454)
Accounts payable	(6,118)	4,405
Due to related party	<u>751</u>	<u>(1,141)</u>
Net cash provided by (used in) operating activities	826,045	(47,239)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,476,954</u>	<u>2,524,193</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,302,999</u>	<u>\$ 2,476,954</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 represent 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, 2022 and 2021 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 \$49,532 and \$24,954 for the years ended December 31, 2022 and 2021, respectively, 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 \$137,058 and \$130,174 for the years ended December 31, 2022 and 2021, respectively, 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.

Expenses — The Foundation has expenses for administrative and professional services, along with supplies. These are paid for by in-kind donations from Utilities. Project COPE Program expenses (amounts paid by the Foundation to be applied to customers' Utilities accounts) vary based on the use and availability of Federal funding. The policy of the Foundation is to first utilize monies from other sources that are available for assistance and then use assets. During 2022, funds were available and utilized from the federally funded Colorado Low-Income Energy Assistance Program (LEAP) and from the federal Coronavirus Aid, Relief and Economic Security Act ("Cares Act").

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.

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, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	\$ 3,302,999	\$ 2,476,954
Pledges receivable	24,164	23,660
Pledge receivable from a related party	<u>150,776</u>	<u>251,011</u>
Total financial assets	<u>3,477,939</u>	<u>2,751,625</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	174,940	274,671
Restricted by donors with purpose restrictions	<u> </u>	<u>251</u>
Total amounts unavailable for general expenditures within one year	<u>174,940</u>	<u>274,922</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 3,302,999</u>	<u>\$ 2,476,703</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, 2022 and 2021 consist of \$24,164 and \$23,660, 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:

	2022	2021
Time restricted pledges receivable	\$ 174,940	\$ 274,671
Community Focus Fund	<u> </u>	<u>251</u>
Total	<u>\$ 174,940</u>	<u>\$ 274,922</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, 2022 and 2021, the Foundation received approximately 39% and 44%, respectively, of its revenue through contributions from 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, 2022, the Foundation had accounts payable due to Utilities for \$6,713 and had a pledge receivable due from Utilities for \$150,776. During the year ended December 31, 2022, Utilities made contributions totaling \$526,921 to the Foundation, and the Foundation made payments of \$383,973 to Utilities for Project COPE.

As of December 31, 2021, the Foundation had accounts payable due to Utilities for \$5,962 and had a pledge receivable due from Utilities for \$251,011. During the year ended December 31, 2021, Utilities made contributions totaling \$574,144 to the Foundation, and the Foundation made payments of \$1,059,556 to Utilities for Project COPE.