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***COLORADO MUNICIPAL LEAGUE***

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2018*

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## Independent Auditors' Report

Board of Directors  
Colorado Municipal League  
Denver, Colorado

### Report On The Financial Statements

We have audited the accompanying financial statements of the Colorado Municipal League, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 from 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 auditor's 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 the Colorado Municipal League as of December 31, 2018 and the changes in its net assets, functional expenses and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Report On Summarized Comparative Information***

We have previously audited the Colorado Municipal League's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis Of A Matter***

As discussed in Note 1, Colorado Municipal League adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion was not modified with respect to this matter.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages i - iv and budgetary comparison schedule on page 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the 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 financial statements and other knowledge we obtained during our audit of the 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.

*RubinBrown LLP*

March 29, 2019

# COLORADO MUNICIPAL LEAGUE MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis has been prepared by management and is designed to provide an analysis of the Colorado Municipal League's (CML) financial condition and operating results and to inform the reader on CML's financial issues and activities.

The CML Management Discussion and Analysis (MD&A) should be read in conjunction with the CML financial statements.

## Financial Highlights

- In 2018, total net assets increased by \$16,157.
- Total revenues and support were \$2,750,028 in 2018, an increase of \$74,266 or 2.8%, from 2017.
- During 2018, total expenses were \$2,733,871, an increase of \$179,510, or 7.0%, compared to 2017.

## Overview of the Financial Statements

The financial statements of CML are presented in its status as a nonprofit instrumentality of the cities and towns of the State of Colorado.

The *Statement of Financial Position* presents information on all of CML's assets and liabilities. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of CML is improving or deteriorating.

The *Statement of Activities* presents information which reflects how CML's net assets changed during the past year.

The *Statement of Cash Flows* reports CML's cash flows from operating, capital and investing activities.

The *Statement of Functional Expenses* presents information which reflects CML's program and supporting expenses by function.

The financial statements distinguish functions of CML that are principally supported by operating revenues, and non-operating revenues. The primary business of CML is providing services to our members in the areas of advocacy, information and training. The principal functions of CML include developing policy, advocacy of municipal interests, providing research, producing publications, conducting training, and providing information services and assistance to Colorado municipal officials.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis

<b>ASSETS</b>			
Years ending December 31,	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>CURRENT ASSETS</b>	\$1,597,046	\$1,951,143	-18.2%
<b>NONCURRENT ASSETS</b>	3,719,809	3,386,385	9.9%
<b>TOTAL ASSETS</b>	<b>\$5,316,855</b>	<b>\$5,337,528</b>	-4%

<b>LIABILITIES AND NET ASSETS</b>			
Years ending December 31,	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>CURRENT LIABILITIES</b>	\$449,446	\$486,276	-7.6%
<b>NET ASSETS</b>			
Unrestricted	4,867,409	4,851,252	.3%
<b>TOTAL NET ASSETS &amp; LIABILITIES</b>	<b>\$5,316,855</b>	<b>\$5,337,528</b>	-4%

As noted earlier, net assets may serve over time as a useful indicator of CML's financial position. As of December 31, 2018 CML's assets exceeded liabilities by \$4,867,409.

### Change in Net Assets

<b>Review of Revenue</b>			
Years ending December 31,	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>REVENUES AND SUPPORT</b>			
Membership Dues	\$2,010,389	\$1,976,432	1.7%
Publications	24,576	23,200	5.9%
Annual Conference	520,181	515,197	1.0%
Workshops and meetings	69,161	64,530	7.2%
Investment income	67,490	46,170	46.2%
Other	58,231	50,233	15.9%
<b>Total revenues and support</b>	<b>\$2,750,028</b>	<b>\$2,675,762</b>	2.8%

Total revenue increased 2.8% in comparison to 2017. In 2018, dues were increased 3.1% and a 4% rebate was provided for all municipal members whose dues were paid by January 31, 2018. CML provided a 3% rebate in 2017. Further, investment income and other partnership income increased in 2018.

<b>Review of Expenses</b>			
<b>Years Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>EXPENSES</b>			
<b>Program Expenses</b>			
Publications	\$203,150	\$226,886	-10.5%
Annual Conference	443,106	399,014	11.1%
Workshops & Meetings	174,459	169,103	3.2%
Federal Issues/NLC	79,648	82,290	-3.2%
State Advocacy	48,492	27,661	75.3%
State-Municipal Government Issues	583,695	560,125	4.2%
Cities and Towns Make it Possible	56,092	54,427	3.1%
Newsletter/Statehouse Report	98,652	100,229	-1.6%
Inquiry/Legal Services	67,846	62,651	8.3%
Other	41,377	47,375	-12.7%
<b>Support Services</b>			
Administrative	667,357	596,772	11.8%
Building Occupancy Costs	164,421	124,009	32.6%
Depreciation & Amortization	105,576	103,819	1.7%
<b>TOTAL EXPENSES</b>	<b>\$2,733,881</b>	<b>\$2,554,361</b>	<b>7.0%</b>
<b>CHANGE IN NET ASSETS</b>			
	<b>\$16,157</b>	<b>\$121,401</b>	<b>-86.7%</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>			
	<b>\$4,851,252</b>	<b>\$4,729,851</b>	<b>2.6%</b>
<b>NET ASSETS, END OF YEAR</b>			
	<b>\$4,867,409</b>	<b>\$4,851,252</b>	<b>.3%</b>

CML's expenses increased by 7%, primarily due to increased expenses for annual conference, administration, building occupancy costs, state government issues and advocacy. Net assets increased by \$16,157 in 2018, to a total of \$4,867,409.

### Budgetary Highlights

CML prepares its budget on a non-GAAP budgetary basis of accounting to recognize the fiscal impact of debt repayments as well as capital outlay. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect funds available. As shown on page 16, actual 2018 change in budgetary basis net assets of \$21,733 exceeded the budget of (\$321,814) by \$343,547.

Actual revenues were \$115,857 greater than budget and actual expenditures were \$227,690 less than budget.

### Long-Term Debt

CML currently has no long term debt.

### Capital Assets

During 2018 CML purchased capital assets totaling \$100,000. Additional detail on capital assets can be found in Note 4 to the Financial Statements.

### **Economic Factors and Next Year's Budget**

The 2019 dues revenue budget reflects dues calculated based on the municipal dues schedule adopted by the Board and announced to the membership at the June 2016 Annual Business Meeting, and projects continuation of the current membership roster of cities and towns. Total membership revenue is budgeted to increase 3.9% over 2018 actual revenue.

### **Requests for Information**

This report is designed to provide a general overview of CML's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director or Finance & Administration Manager, Colorado Municipal League, 1144 Sherman St., Denver CO 80203.

# COLORADO MUNICIPAL LEAGUE

## STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Information At December 31, 2017)

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 938,413	\$ 1,000,773
Investments	572,000	869,000
Accounts receivable	17,281	13,312
Prepaid expenses	69,352	68,058
<b>Total Current Assets</b>	<b>1,597,046</b>	<b>1,951,143</b>
<b>Noncurrent Assets</b>		
Investments	2,140,000	1,801,000
Capital assets, not being depreciated	300,000	300,000
Capital assets, net of accumulated depreciation	1,279,809	1,285,385
<b>Total Noncurrent Assets</b>	<b>3,719,809</b>	<b>3,386,385</b>
<b>Total Assets</b>	<b>\$ 5,316,855</b>	<b>\$ 5,337,528</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 45,088	\$ 19,978
Accrued liabilities	4,702	930
Deferred revenue	347,897	412,339
Accrued vacation payable	51,759	53,029
<b>Total Current Liabilities</b>	<b>449,446</b>	<b>486,276</b>
<b>Net Assets</b>		
<b>Net Assets Without Donor Restrictions</b>		
Board designated	1,979,051	1,960,906
Undesignated	2,888,358	2,890,346
<b>Total Net Assets</b>	<b>4,867,409</b>	<b>4,851,252</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 5,316,855</b>	<b>\$ 5,337,528</b>

# COLORADO MUNICIPAL LEAGUE

## STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2018

(With Comparative Information For The Year Ended December 31, 2017)

	Without Donor Restrictions	
	2018	2017
<b>Revenues And Other Support</b>		
Membership dues	\$ 2,010,389	\$ 1,976,432
Publications	24,576	23,200
Annual conference	520,181	515,197
Meetings	69,161	64,530
Investment income	67,490	46,170
Other	58,231	50,233
<b>Total Revenues And Other Support</b>	<b>2,750,028</b>	<b>2,675,762</b>
<b>Expenses</b>		
Program services:		
Publications	203,150	226,886
Annual conference	443,106	399,014
Other meetings	174,459	169,103
Federal government issues and National League of Cities	79,648	82,290
State advocacy	48,492	27,661
State government issues	583,695	560,125
Colorado Cities and Towns Week	56,092	54,427
<i>Statehouse Report</i> and newsletter	98,652	100,229
Inquiries and legal service	67,846	62,651
Other	41,377	47,375
<b>Total Program Services</b>	<b>1,796,517</b>	<b>1,729,761</b>
Support services:		
Administrative	667,357	596,772
Building occupancy costs	164,421	124,009
Depreciation and amortization	105,576	103,819
<b>Total Support Services</b>	<b>937,354</b>	<b>824,600</b>
<b>Total Expenses</b>	<b>2,733,871</b>	<b>2,554,361</b>
<b>Change In Net Assets</b>	<b>16,157</b>	<b>121,401</b>
<b>Net Assets - Beginning Of Year</b>	<b>4,851,252</b>	<b>4,729,851</b>
<b>Net Assets - End Of Year</b>	<b>\$ 4,867,409</b>	<b>\$ 4,851,252</b>

# COLORADO MUNICIPAL LEAGUE

## STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2018

(With Comparative Information For The Year Ended December 31, 2017)

	2018	2017
<b>Cash Flows From Operating Activities</b>		
Cash received from members	\$ 1,941,978	\$ 2,142,466
Cash received from publications, annual conference and meetings	613,918	602,927
Cash received from others	125,721	96,455
Cash payments to employees	(1,097,445)	(1,104,293)
Cash payments to suppliers	(1,504,532)	(1,378,763)
<b>Net Cash Provided By Operating Activities</b>	<b>79,640</b>	<b>358,792</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of capital assets	(100,000)	(143,134)
Purchases of investment securities	(911,000)	(871,000)
Redemption of investment securities	869,000	740,000
<b>Net Cash Used In Investing Activities</b>	<b>(142,000)</b>	<b>(274,134)</b>
<b>Net Increase (Decrease) In Cash</b>	<b>(62,360)</b>	<b>84,658</b>
<b>Cash - Beginning Of Year</b>	<b>1,000,773</b>	<b>916,115</b>
<b>Cash - Ending Of Year</b>	<b>\$ 938,413</b>	<b>\$ 1,000,773</b>
<b>Reconciliation Of Change In Net Assets To</b>		
<b>Net Cash Provided By Operating Activities</b>		
Change in net assets	\$ 16,157	\$ 121,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,576	103,819
Change in unamortized premium	—	52
Changes in assets and liabilities:		
Accounts receivable	(3,969)	(3,513)
Prepaid expenses	(1,294)	(11,116)
Accounts payable	25,110	(13,319)
Accrued liabilities	3,772	39
Deferred revenue	(64,442)	169,547
Accrued vacation payable	(1,270)	(8,118)
<b>Total Adjustments</b>	<b>63,483</b>	<b>237,391</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 79,640</b>	<b>\$ 358,792</b>

**COLORADO MUNICIPAL LEAGUE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended December 31, 2018**

	Program Services							Total Programs	Management And General	Building Occupancy	Total
	Annual Conference And Events	Advocacy And Legal Service	State And Federal Issues	Publications And Periodicals	Cities And Towns Program	Lessons On Local Government	Total				
<b>Expenses</b>											
Salaries and benefits	\$ 253,088	\$ 59,151	\$ 496,404	\$ 102,662	\$ 21,531	\$ 10,099	\$ 942,935	\$ 491,142	\$ 7,291	\$ 1,441,368	
Building occupancy	—	—	—	—	—	—	—	—	156,579	156,579	
Depreciation	—	—	—	—	—	—	—	105,576	—	105,576	
Professional services	15,149	32,409	30,568	41,941	11,529	427	132,023	38,412	138	170,573	
Office expense and information technology	33,044	16,425	88,241	15,271	2,871	1,154	157,006	83,529	332	240,867	
Printing and postage	19,786	7,334	4,224	138,555	1,066	41	171,006	6,952	8	177,966	
Meetings and travel and entertainment	22,609	1,021	43,913	3,367	614	220	71,744	41,201	73	113,018	
Annual conference, workshops, meetings and outreach	284,900	—	—	—	—	—	284,900	—	—	284,900	
Direct program expenses	—	—	—	—	18,480	18,423	36,903	6,121	—	43,024	
<b>Total Expenses</b>	<b>\$ 628,576</b>	<b>\$ 116,340</b>	<b>\$ 663,350</b>	<b>\$ 301,796</b>	<b>\$ 56,091</b>	<b>\$ 30,364</b>	<b>\$ 1,796,517</b>	<b>\$ 772,933</b>	<b>\$ 164,421</b>	<b>\$ 2,733,871</b>	

**For The Year Ended December 31, 2017**

	Program Services							Total Programs	Management And General	Building Occupancy	Total
	Annual Conference And Events	Advocacy And Legal Service	State And Federal Issues	Publications And Periodicals	Cities And Towns Program	Lessons On Local Government	Total				
<b>Expenses</b>											
Salaries and benefits	\$ 261,385	\$ 59,493	\$ 494,733	\$ 126,934	\$ 17,208	\$ 10,515	\$ 970,268	\$ 457,765	\$ 6,049	\$ 1,434,082	
Building occupancy	—	—	—	—	—	—	—	—	117,960	117,960	
Depreciation	—	—	—	—	—	—	—	103,819	—	103,819	
Professional services	7,934	14,200	12,889	33,386	10,845	354	79,608	24,296	—	103,904	
Office expense and information technology	33,606	15,978	87,002	19,476	2,187	1,533	159,782	74,154	—	233,936	
Printing and postage	18,439	62	3,633	144,377	1,309	38	167,858	7,851	—	175,709	
Meetings and travel and entertainment	14,549	577	44,171	2,940	461	692	63,390	30,682	—	94,072	
Annual conference, workshops, meetings and outreach	245,827	—	—	—	—	—	245,827	—	—	245,827	
Direct program expenses	—	—	—	—	22,414	20,614	43,028	2,024	—	45,052	
<b>Total Expenses</b>	<b>\$ 581,740</b>	<b>\$ 90,310</b>	<b>\$ 642,428</b>	<b>\$ 327,113</b>	<b>\$ 54,424</b>	<b>\$ 33,746</b>	<b>\$ 1,729,761</b>	<b>\$ 700,591</b>	<b>\$ 124,009</b>	<b>\$ 2,554,361</b>	

# COLORADO MUNICIPAL LEAGUE

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 1. Summary Of Significant Accounting Policies

The Colorado Municipal League (CML) was formed in 1923 and incorporated as a nonprofit organization in 1944. CML is an advocate of municipal interests on state and federal policies affecting municipalities and functions as a source of information for municipal officials. CML is supported primarily by membership dues and conference revenue.

CML has elected to follow generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

CML operates as an instrumentality of its member municipalities under the provisions of Colorado Revised Statutes, Section 29-1-401.

CML's membership is voluntary and included 270 municipalities during 2018.

#### **Measurement Focus, Basis Of Accounting And Financial Statement Presentation**

The financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### **Net Assets**

The accompanying financial statements are presented in accordance with GAAP, which requires CML to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CML's management and executive board.

# COLORADO MUNICIPAL LEAGUE

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## Notes To Financial Statements (*Continued*)

*Net Assets With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

As of December 31, 2018, CML reported only net assets without donor restrictions.

### **Functional Allocation Of Expenses**

The accompanying financial statements report certain categories of expenses that are attributable to more than one program or support function. Those expenses include staff salaries and benefits, office supplies, insurance, bank charges, phone, equipment maintenance, postage, printing, technology, meetings, staff development and travel, professional services, other administrative expenses and certain consulting fees. These costs are allocated on the basis of time reported to programs and expense categories on staff timesheets.

### **Use Of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates. CML believes that the techniques and assumptions used in establishing these estimates are appropriate.

### **Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

### **Cash**

CML continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of December 31, 2018, and periodically throughout the year, CML had balances in various operating accounts in excess of federally insured limits.

# COLORADO MUNICIPAL LEAGUE

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## Notes To Financial Statements *(Continued)*

### **Prepaid Expenses**

Payments made to vendors for services which will benefit subsequent periods are recorded as prepaid expenses.

### **Capital Assets**

Capital assets include land, buildings and improvements, equipment, furniture and vehicles. Capital assets are defined by CML as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of CML are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	15 - 40 years
Equipment, furniture and vehicles	3 - 7 years

### **Revenue Recognition**

Program services revenue from nonrefundable annual qualified membership dues and sponsorship payments are deemed to be earned throughout the membership year. Membership dues received prior to the first day of the membership year are deferred. Program and event revenue is recognized as revenue once related services are performed or the event is held. Other revenues are recognized when earned. Amounts received before they are earned are recorded as deferred revenue and presented as a liability on the statement of financial position.

### **Income Tax Status**

CML is exempt from federal income taxes as a wholly owned instrumentality of its member municipalities, which are political subdivisions of the State of Colorado.

# COLORADO MUNICIPAL LEAGUE

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## Notes To Financial Statements (Continued)

### Prior-Year Summarized Comparative Information

The accompanying basic financial statements include certain prior-year comparative information for which the corresponding disclosures are omitted from the notes to financial statements. Because these disclosures are not presented, the prior-year information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the entity's financial statements as of and for the year ended December 31, 2017, from which the information was derived.

### New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-For-Profit Entities* (ASU 2016-14). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. CML adopted ASU 2016-14 in 2018, on a retrospective basis, and has adjusted the presentation of these statements accordingly.

## 2. Liquidity And Availability

The following represents CML's financial assets at December 31, 2018:

	<u>2018</u>
Financial assets at year end:	
Cash	\$ 938,413
Investments - short term	572,000
Investments - long term	<u>2,140,000</u>
Total financial assets	3,650,413
Less amounts not available to be used within one year:	
Board designated net assets	<u>1,979,051</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 1,671,362</u></u>

As of December 31, 2018, CML had \$1,671,362 in financial assets available to meet operating cash needs for general expenditures within one year of the statement of financial position date.

# COLORADO MUNICIPAL LEAGUE

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## Notes To Financial Statements (*Continued*)

CML's goal is to maintain financial assets to meet at least six months of operating expenses (approximately \$1.3 million at December 31, 2018). As part of its liquidity plan, excess cash is invested in certificates of deposit with varying maturity dates.

### **3. Cash And Investments**

CML investments in Colorado Local Government Liquid Asset Trust (COLOTRUST) are rated AAAM by Standard & Poor's, Fitch's and Moody's Investor Service. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements for creating and operating the pool. The pool operates similar to a money market fund with each share equal in value to \$1.00. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by participants.

COLOTRUST is valued using the net asset value per share (or its equivalent) of the investments and does not have any unfunded commitments, redemption restrictions or redemption notice periods. As of December 31, 2018, CML had \$567,987 invested in COLOTRUST, with a rating of AAAM. Separately issued financial statements for COLOTRUST may be obtained at their website at [www.colotrust.com](http://www.colotrust.com).

#### **Investments**

As of December 31, 2018, CML's investment portfolio had a maturity value of \$2,712,000 with a book yield of 2.19%. The portfolio is invested in certificates of deposit across several banks in individual amounts equal to or less than \$250,000 to provide for full FDIC insurance per instrument. CML intends to hold these certificates to maturity; and therefore, the certificates are reported at amortized cost.

# COLORADO MUNICIPAL LEAGUE

## Notes To Financial Statements (Continued)

Investment maturities at December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 572,000
2020	737,000
2021	913,000
2022	245,000
2023	245,000
	<u>\$ 2,712,000</u>

### 4. Capital Assets

Capital assets activity for the year ended December 31, 2018 is summarized below:

	<u>December 31,</u>			<u>December 31,</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 300,000	\$ —	\$ —	\$ 300,000
<b>Capital Assets Being Depreciated</b>				
Building and improvements	2,209,811	—	—	2,209,811
Equipment and furniture	593,220	100,000	(4,137)	689,083
Vehicles	52,544	—	—	52,544
<b>Total Capital Assets Being Depreciated</b>	<b>2,855,575</b>	<b>100,000</b>	<b>(4,137)</b>	<b>2,951,438</b>
<b>Less Accumulated Depreciation For</b>				
Building and improvements	(1,010,798)	(61,909)	—	(1,072,707)
Equipment and furniture	(517,190)	(38,026)	4,137	(551,079)
Vehicles	(42,202)	(5,641)	—	(47,843)
<b>Total Accumulated Depreciation</b>	<b>(1,570,190)</b>	<b>(105,576)</b>	<b>4,137</b>	<b>(1,671,629)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,285,385</b>	<b>(5,576)</b>	<b>—</b>	<b>1,279,809</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,585,385</b>	<b>\$ (5,576)</b>	<b>\$ —</b>	<b>\$ 1,579,809</b>

# COLORADO MUNICIPAL LEAGUE

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Notes To Financial Statements (Continued)

## 5. Net Assets

The CML Executive Board has internally designated net assets at December 31, 2018 as follows:

<b>Board-Designated Net Assets</b>	
Building and capital reserve	\$ 327,135
Ballot issues	124,829
Capacity building fund	211,710
Designated operating reserve	<u>1,315,377</u>
<b>Total Board-Designated Net Assets</b>	<b><u>\$ 1,979,051</u></b>

The board-designated funds are available for the following purposes:

*Building and capital reserve:* to provide a source of funds for the repair of the CML building and fixtures and for the acquisition of building improvements and fixtures

*Ballot issues:* to provide funds for ballot issue participation. This reserve fund is made up of private sector funds and does not include any public moneys.

*Capacity-building fund:* to provide funds for opportunities that further the mission of CML and as a source of internal funds for organizational capacity building or investment in technology that builds long-term capacity

*Designated operating reserve:* to provide a cushion against unexpected events and expenses, uninsured losses and losses of income

## 6. Employee Benefit Plans

### Money Purchase Plan

CML contributes to a single-employer defined contribution money purchase pension plan (the Plan) on behalf of its employees. CML is required to contribute 5% of each participating employee's compensation, and each employee must contribute 1% to 5% of his/her compensation, depending on length of employment. The contribution requirements of CML and eligible employees are established and may be amended by the CML Executive Board.

# **COLORADO MUNICIPAL LEAGUE**

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## Notes To Financial Statements (*Continued*)

Employees are eligible to participate in the Plan the first of the month following employment and become fully vested after five years of service.

For the year ended December 31, 2018, CML made the required contributions, totaling \$53,292, to the Plan. All of the Plan investments are managed by the International City Management Association Retirement Corporation, an outside administrator.

### **Deferred Compensation Plan**

CML offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. CML contributes 1% of compensation for each employee who has at least 5 years of service, increasing to 2% and 3% after 10 and 15 years of service, respectively. This deferred compensation plan permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. For the year ended December 31, 2018, CML made contributions totaling \$38,296 to the deferred compensation plan.

## **7. Risk Management**

CML is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. CML maintains commercial insurance for these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **8. Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

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## **Supplementary Information**

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# COLORADO MUNICIPAL LEAGUE

## BUDGETARY COMPARISON SCHEDULE - NON-GAAP BUDGETARY BASIS For The Year Ended December 31, 2018 (With Summarized Comparative Actual Amounts For The Year Ended December 31, 2017)

	2018			2017
	Actual	Budget	Variance	Actual
<b>Revenues</b>				
Membership dues	\$ 2,010,389	\$ 2,010,671	\$ (282)	\$ 1,976,432
Publications	24,576	20,150	4,426	23,200
Annual conference	520,181	444,900	75,281	515,197
Workshops and meetings	69,161	74,950	(5,789)	64,530
Investment income	67,490	34,000	33,490	46,170
Other	58,231	49,500	8,731	50,233
<b>Total Revenues</b>	<b>2,750,028</b>	<b>2,634,171</b>	<b>115,857</b>	<b>2,675,762</b>
<b>Expenditures</b>				
Salaries and related costs	1,441,379	1,498,220	56,841	1,434,094
Professional services	170,573	186,640	16,067	103,903
Books and publications	10,904	11,000	96	10,819
Memberships	39,641	43,500	3,859	37,758
Postage and mailing costs	52,218	63,485	11,267	49,744
Repairs and maintenance	10,935	6,000	(4,935)	7,563
Building and equipment purchases	100,000	133,500	33,500	143,133
Other administrative	179,377	211,700	32,323	177,778
Direct program expenses	43,024	57,800	14,776	45,052
Printing	125,746	138,125	12,379	125,966
Travel and entertainment	72,960	74,200	1,240	55,448
Staff development	4,669	10,400	5,731	3,168
Meetings and outreach	40,114	43,600	3,486	40,482
Annual conference	246,251	259,450	13,199	205,707
Workshops	33,924	59,575	25,651	35,101
Building occupancy costs	156,580	158,790	2,210	117,960
<b>Total Expenditures</b>	<b>2,728,295</b>	<b>2,955,985</b>	<b>227,690</b>	<b>2,593,676</b>
<b>Change In Net Assets - Budgetary</b>	<b>21,733</b>	<b>\$ (321,814)</b>	<b>\$ 343,547</b>	<b>82,086</b>
<b>Reconciliation To GAAP Basis</b>				
Add: Capital outlay	100,000			143,134
Less: Depreciation and amortization	(105,576)			(103,819)
<b>Change In Net Assets - GAAP Basis</b>	<b>\$ 16,157</b>			<b>\$ 121,401</b>

Note: A positive variance is favorable, a negative variance is unfavorable.