

Pinnacol Foundation

Financial Statements for the Twelve Month periods ended July 31, 2019 and July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Pinnacol Foundation
Denver, CO

We have audited the accompanying financial statements of Pinnacol Foundation (a nonprofit organization) which comprise the statements of financial position as of July 31, 2019 and July 31, 2018, and the related statements of activities, cash flows and statements of functional expense 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.

Auditor's 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 audits 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 Pinnacol Foundation as of July 31, 2019 and July 31, 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.

Emphasis of Matter: Early Adoption Accounting Standards Updates

As explained in Note 8 Pinnacol Foundation elected the early adoption of two Accounting Standards Updates, (ASU), *ASU 2016-14 and ASU 2018-08*. The adoption of these updates was applied retrospectively for the years presented but did not modify our opinion.

Comprehensive Financial Management P.C.

Comprehensive Financial Management P.C. Lakewood, CO.
November 26, 2019

Pinnacol Foundation
Statements of Financial Position
At July 31, 2019 and 2018

Assets	2019	2018
Cash and Cash Equivalents	\$ 843,903	\$ 583,301
Certificates of Deposit	500,000	500,000
Accounts Receivable	12,770	55,555
Accrued Interest Income	7,315	5,523
Prepaid Expense	<u>3,630</u>	<u>3,630</u>
Total Assets	<u>\$ 1,367,618</u>	<u>\$ 1,148,009</u>
Liabilities and Net Assets		
Accounts payable	\$ 2,366	\$ 147
Deferred revenue	3,000	3,675
Net Assets Without Donor Restrictions (Restated Note 8)	1,322,252	1,090,512
Net Assets With Donor Restrictions (Restated Note 8)	<u>40,000</u>	<u>53,675</u>
Total Liabilities and Net Assets	<u>\$ 1,367,618</u>	<u>\$ 1,148,009</u>

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Statement of Activities
For the Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Event Sponsorships	\$ 212,850	\$ 40,000	\$ 252,850
Donations and Grants	359,841	-	359,841
Event Income	103,575	-	103,575
Silent Auction	10,065	-	10,065
Miscellaneous Event Income	5,735	-	5,735
In Kind Gifts	41,620	-	41,620
Net Assets Released from Restriction	53,675	(53,675)	-
Total Public Support and Revenue	<u>787,361</u>	<u>(13,675)</u>	<u>773,686</u>
Other Income			
Interest	10,791	-	10,791
Miscellaneous	500	-	500
Total Other Income	<u>11,291</u>	<u>-</u>	<u>11,291</u>
Total Public Support and Other Income	798,652	(13,675)	784,977
Functional Expenses			
Program Services	395,442	-	395,442
General and Administrative	10,140	-	10,140
Fund Raising	161,330	-	161,330
Total Expenses	<u>566,912</u>	<u>-</u>	<u>566,912</u>
Change in Net Assets	231,740	(13,675)	218,065
Net Assets Beg. of the Year (Restated Note 8)	<u>1,090,512</u>	<u>53,675</u>	<u>1,144,187</u>
Net Assets End of the Year	<u>\$ 1,322,252</u>	<u>\$ 40,000</u>	<u>\$ 1,362,252</u>

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Statement of Activities
For the Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Event Sponsorships	\$ 246,275	\$ 53,675	\$ 299,950
Donations and Grants	245,162	-	245,162
Event Income	91,800	-	91,800
Silent Auction	5,515	-	5,515
Miscellaneous Event Income	6,900	-	6,900
In Kind Gifts	36,170	-	36,170
Net Assets Released from Restriction	43,300	(43,300)	-
Total Public Support and Revenue	<u>675,122</u>	<u>10,375</u>	<u>685,497</u>
Other Income			
Interest Income	5,523	-	5,523
Total Other Income	<u>5,523</u>	<u>-</u>	<u>5,523</u>
Total Public Support and Other Income	680,645	10,375	691,020
Functional Expenses			
Program Services	370,270	-	370,270
General and Administrative	887	-	887
Fund Raising	139,337	-	139,337
Total Expenses	<u>510,494</u>	<u>-</u>	<u>510,494</u>
Change in Net Assets	170,151	10,375	180,526
Net assets Beginning of the Year	920,361	43,300	963,661
Net Assets End of the Year (Restated Note 8)	<u>\$ 1,090,512</u>	<u>\$ 53,675</u>	<u>\$ 1,144,187</u>

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Statements of Cash Flows
For the Years Ended July 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 218,065	\$ 180,526
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	42,785	24,945
Decrease (Increase) in Accrued Interest Receivable	(1,792)	(5,523)
Decrease (Increase) in Prepaid Expense	-	750
(Decrease) Increase in Accounts Payable	2,219	(102,949)
(Decrease) Increase in Deferred Revenue	(675)	(35,950)
Net Cash Provided By Operating Activities	260,602	61,799
Investment Activity		
Certificate of Deposit	-	(500,000)
Net Cash Used by Investment Activity	-	(500,000)
Net Increase (Decrease) in Cash	260,602	(438,201)
Cash Beginning of the Year	583,301	1,021,502
Cash End of the Year	\$ 843,903	\$ 583,301

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Statement of Functional Expenses
For the Year Ended July 31, 2019

	Program Services	General & Admin.	Fund Raising	Total
Bank charges	\$ -	\$ 4,175	\$ -	\$ 4,175
Dues and Subscriptions	-	-	-	-
Event Costs	-	-	103,364	103,364
In Kind	-	-	41,620	41,620
Insurance	-	687	-	687
Meals and Entertainment	248	-	-	248
Memberships	1,175	-	-	1,175
Miscellaneous Expense	371	-	-	371
Office Supplies	-	68	-	68
Other	-	-	-	-
Postage	-	10	-	10
Printing	-	-	1,724	1,724
Professional Fees	-	5,200	8,052	13,252
Scholarships Awarded	393,648	-	-	393,648
Software	-	-	6,570	6,570
Total	<u>\$ 395,442</u>	<u>\$ 10,140</u>	<u>\$ 161,330</u>	<u>\$ 566,912</u>

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Statement of Functional Expenses
For the Year Ended July 31, 2018

	Program Services	General & Admin.	Fund Raising	Total
Bank charges	\$ 2,863	\$ -	\$ 1,079	\$ 3,942
Board Training	-	700	-	700
Dues and Subscriptions	1,750	-	-	1,750
Event Costs	-	-	93,428	93,428
In Kind	-	-	36,170	36,170
Insurance	687	-	-	687
Meals and Entertainment	329	-	-	329
Memberships	795	-	-	795
Miscellaneous	155	-	59	214
Office Supplies	-	187	-	187
Printing	-	-	2,080	2,080
Professional Fees	3,486	-	6,521	10,007
Scholarships Awarded	359,360	-	-	359,360
Travel	845	-	-	845
Total	<u>\$ 370,270</u>	<u>\$ 887</u>	<u>\$ 139,337</u>	<u>\$ 510,494</u>

The accompanying notes are an integral part of these financial statements

Pinnacol Foundation
Notes to Financial Statements
July 31, 2019 and July 31, 2018

Note 1 Organization and Purpose

Pinnacol Foundation (The Organization) is a Colorado non-profit corporation that was formed in January of 2001 to provide educational scholarships to the children of Colorado workers who are fatally or permanently injured in a compensable work-related accident or illness.

Note 2 Summary of Significant Accounting Policies

Financial statement presentation and contributions The Organization follows the requirements of Accounting Standards Codification Section (ASCS) Section 958, “Accounting for Contributions Received and Contributions Made” and “Financial Statements for Non-Profit Organizations”

Financial statement presentation Under ASCS 958, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restriction. A definition of each class of net assets follows.

Net assets without donor restriction represent net assets not subject to donor-imposed stipulations.

Net assets with donor restriction represent net assets subject to donor-imposed stipulations that may be met through the actions of the Organization or the passage of time.

Contributions under ASCS 958 are recognized as without donor restrictions or without donor restricted support depending upon the existence and /or nature of donor restrictions.

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received to support a future event are treated as a contribution restricted by the passage of time and released upon the occurrence of the event. The fair market value of goods or activities received at an event are reflected on the Statement of Activities as *Event Income*. Event income received for future events is shown on the Statement of Financial Position as *Deferred Revenue*. Amounts restricted by the donor for specific purposes are reported as with donor restriction that increases those net asset classes. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restriction.

Contributions of goods and services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would be purchased if not provided by donation. In kind services recorded during the years ended July 31, 2019 and July 31, 2018 totaled \$41,620 and \$36,170 respectively.

In kind gifts received were as follows:

	2019	2018
Food and Beverage	\$ 20,164	\$ 14,555
Event cost various	15,629	15,059
Photography	2,100	2,544
Professional Fees	1,029	2,594
Printing	757	561
Giveaways	1,941	857
Total	\$ 41,620	\$ 36,170

Pinnacol Foundation
Notes to Financial Statements
July 31, 2019 and July 31, 2018

Accounting Methods: The financial statements are prepared using the accrual basis of accounting whereby revenues and expenses are identified for the period and recorded as earned or incurred.

Allowance for Doubtful Accounts: In the opinion of management, all accounts receivable at July 31, 2019 are considered collectable. Therefore, the financial statements have no provision for uncollectable accounts.

Revenue Recognition and Accounts Receivable: Contributions are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a 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 restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

The Organization is supported mainly by individual and corporate contributions as well as annual fundraisers.

Expenses are reported when incurred as decreases in unrestricted net assets.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all cash deposits and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments: The Organization has certificates of deposit in two different financial institutions. The first, a deposit amount of \$250,000 carries an interest rate of 2.70% matures on January 18, 2020. The second, a deposit amount of \$250,000 carries an interest rate of 3.00% and matures on February 4, 2020.

Concentration of Risk: For the years ended July 31, 2019 and 2018, the Organization's revenue from one source was 30.95% and 37.45% respectively. For the year ended July 31, 2019 the Organization's bank balance was above the federally insured limit of \$250,000. In the opinion of management, the risk associated with this is minimal.

Income Taxes: The Organization is exempt from federal income tax under section 501c(3) of the Internal Revenue Code. Accordingly, no provision or liability for income tax has been provided in the accompanying financial statements. The Organization is treated as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the years ended July 31, 2019 or 2018. For the years ended July 31, 2019 and 2018, in the opinion of management, the Organization has not taken any uncertain tax positions, however tax years 2018 and 2017 are still open to audit by the Internal Revenue Service.

Pinnacol Foundation
Notes to Financial Statements
July 31, 2019 and July 31, 2018

Functional Reporting of Expenses: For the years ended July 31, 2019 and 2018 the costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. All costs are readily assignable to their respective function and are directly charged and not allocated among functional activities.

Estimates by Management: The preparation of financial statements in conformity with generally accepted accounting principles sometimes require the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Subsequent Events: Management has evaluated subsequent events through November 26, 2019, the date the financial statements were available to be issued and determined that there are no other items requiring disclosure.

Note 3 Volunteer Services

The Organization is extremely appreciative of the volunteer time and effort, which is dedicated to the pursuit of Pinnacol Foundation's mission. These financial statements do not reflect the value of those services. Although there is a great deal of time donated by volunteers to the Organization, the value of these services do not meet the requirements for being recorded in the financial statements.

Note 4 Related Party Transactions

The Organization is affiliated with Pinnacol Assurance through common officers and employees. The Organization shares facilities, equipment, office supplies and staff time with Pinnacol Assurance. For the years ended July 31, 2019 and 2018, Pinnacol Assurance and its employees donated a total of \$242,991 and \$240,088 to the Organization respectively.

Note 5 Net Assets with Donor Restriction

Passage of time: Scholars dinner.....\$40,000

Note 6 Investments Fair Value

The Organization measures the fair value of assets and liabilities at the price that would be received if the asset were sold or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Pinnacol Foundation
Notes to Financial Statements
July 31, 2019 and July 31, 2018

Level 3: Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

	2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposit Matures 1/18/2020	\$ 250,000		
Certificate of Deposit Matures 2/4/2020	250,000		
Total	\$ 500,000		

	2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposit Matured 12/19/2018	\$ 500,000		
Total	\$ 500,000		

Note 7 Liquidity

	<u>2019</u>	<u>2018</u>
Financial assets at year end	\$ 1,356,673	\$ 1,138,856
Less: Those assets unavailable for general expenditures due to Restriction by donor	<u>(-)</u>	<u>(-)</u>
Financial assets available to meet cash needs for general expenditures in one year	\$ 1,356,673	\$ 1,138,856

At July 31, 2019 the Organization has financial assets totaling \$1,356,673 made up of cash, certificates of deposit maturing prior to one year from the date of the Statement of Financial Position and accounts receivable.

Pinnacol Foundation is primarily supported by unrestricted contributions and only a small amount are restricted by the passage of time, however assets restricted by the passage of time would be available

Pinnacol Foundation
Notes to Financial Statements
July 31, 2019 and July 31, 2018

prior to one year from the date of Statement of Financial Position. Thus, the Organization is well positioned to meet normal obligations as well as any unanticipated liquidity needs arising from events outside normal operations. As part of Pinnacol'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. In addition, Pinnacol Foundation invests cash in excess of daily requirements in Certificates of deposit with a one year term.

Note 8 Early Adoption of an Accounting Standards Update

For the year ended July 31, 2018 the Foundation adopted *Accounting Standards Update 2016-14*. This update changed the three classes of net assets to two, net assets with donor restriction and net assets without donor restriction and added a requirement for a liquidity disclosure. This update applies to fiscal years beginning after December 15, 2017.

For the year ended July 31, 2019 Pinnacol Foundation adjusted its revenue recognition policy in accordance with *Accounting Standards Board Update (ASU) 2018-08*. Prior to fiscal year 2019, the Foundation classified event sponsorships received in an accounting period prior to the actual event as Deferred Income on the Statement of Financial Position. According to the guidance provided by ASU 2018-08, sponsorships received in the fiscal year prior to the event are to be classified as contributions restricted by the passage of time, unless the sponsorship is refundable if the event were not to take place, and that refundability was communicated to the donor. Only the portion of the sponsorship that represents the fair market value of what the donor receives in exchange for the sponsorship will be deferred until the event takes place. This update applies to fiscal years beginning after December 15, 2018.

Net asset balances for 2018 have been reclassified to reflect this change.

	Per 2018 Audit	Adjusted ASU 2018-08
Total Assets	<u>\$ 1,148,009</u>	<u>\$ 1,148,009</u>
Accounts Payable	\$ 147	\$ 147
Deferred Revenue	57,350	3,675
Time Restricted Net Assets	-	53,675
Unrestricted Net Assets	<u>1,090,512</u>	<u>1,090,512</u>
Total Fund Balance	<u>1,090,512</u>	<u>1,144,187</u>
Total Liabilities and Net Assets	<u>\$ 1,148,009</u>	<u>\$ 1,148,009</u>

Both adoptions were applied retrospectively for all years presented but did not modify our opinion.