

## **Pinnacol Foundation**

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### **Financial Statements for the Twelve Month periods ended July 31, 2020 and July 31, 2019**

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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, 2020 and July 31, 2019, 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, 2020 and July 31, 2019, 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.

**Emphases of Matter**

We direct your attention to Note 8, Going Concern COVID-19 which addresses the uncertainty surrounding the COVID-19 pandemic. Our opinion was not modified because of this matter.

*Comprehensive Financial Management P.C.*

Comprehensive Financial Management P.C. Lakewood, CO.

December 3, 2020

**Pinnacol Foundation**  
**Statements of Financial Position**  
**At July 31, 2020 and 2019**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash and Cash Equivalents	\$ 725,188	\$ 843,903
Certificates of Deposit	514,455	500,000
Accounts Receivable	-	12,770
Accrued Interest Income	4,584	7,315
Prepaid Expense	5,130	3,630
<b>Total Assets</b>	<b>\$ 1,249,357</b>	<b>\$ 1,367,618</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 10	\$ 2,366
Deferred revenue	-	3,000
Net Assets Without Donor Restrictions	1,247,347	1,322,252
Net Assets With Donor Restrictions	2,000	40,000
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,249,357</b>	<b>\$ 1,367,618</b>

**The accompanying notes are an integral part of these financial statements**

**Pinnacol Foundation**  
**Statement of Activities**  
**For the Year Ended July 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Event Sponsorships	\$ -	\$ -	\$ -
Donations and Grants	316,998	2,000	318,998
Event Income	3,000	-	3,000
Silent Auction	-	-	-
Miscellaneous Event Income	-	-	-
In Kind Gifts	40,770	-	40,770
Net Assets Released from Restriction	40,000	(40,000)	-
<b>Total Public Support and Revenue</b>	<u>400,768</u>	<u>(38,000)</u>	<u>362,768</u>
<b>Other Income</b>			
Interest	11,724	-	11,724
Miscellaneous	-	-	-
<b>Total Other Income</b>	<u>11,724</u>	<u>-</u>	<u>-</u>
<b>Total Public Support and Other Income</b>	412,492	(38,000)	374,492
<b>Functional Expenses</b>			
Program Services	438,036	-	438,036
General and Administrative	8,116	-	8,116
Fund Raising	41,245	-	41,245
<b>Total Expenses</b>	<u>487,397</u>	<u>-</u>	<u>487,397</u>
<b>Change in Net Assets</b>	(74,905)	(38,000)	(112,905)
<b>Net Assets Beg. of the Year (Restated Note 8)</b>	<u>1,322,252</u>	<u>40,000</u>	<u>1,362,252</u>
<b>Net Assets End of the Year</b>	<u>\$ 1,247,347</u>	<u>\$ 2,000</u>	<u>\$ 1,249,347</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
<b>Public Support and Revenue</b>			
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)	-
<b>Total Public Support and Revenue</b>	<u>787,361</u>	<u>(13,675)</u>	<u>773,686</u>
<b>Other Income</b>			
Interest	10,791	-	10,791
Miscellaneous	500	-	500
<b>Total Other Income</b>	<u>11,291</u>	<u>-</u>	<u>11,291</u>
<b>Total Public Support and Other Income</b>	798,652	(13,675)	784,977
<b>Functional Expenses</b>			
Program Services	395,442	-	395,442
General and Administrative	10,140	-	10,140
Fund Raising	161,330	-	161,330
<b>Total Expenses</b>	<u>566,912</u>	<u>-</u>	<u>566,912</u>
<b>Change in Net Assets</b>	231,740	(13,675)	218,065
<b>Net Assets Beg. of the Year (Restated Note 8)</b>	<u>1,090,512</u>	<u>53,675</u>	<u>1,144,187</u>
<b>Net Assets End of the Year</b>	<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**  
**Statements of Cash Flows**  
**For the Years Ended July 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (112,905)	\$ 218,065
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	12,770	42,785
Decrease (Increase) in Accrued Interest Receivable	2,731	(1,792)
Decrease (Increase) in Prepaid Expense	(1,500)	-
(Decrease) Increase in Accounts Payable	(2,356)	2,219
(Decrease) Increase in Deferred Revenue	(3,000)	(675)
Net Cash Provided By Operating Activities	(104,260)	260,602
<b>Investment Activity</b>		
Realized Gain Certificate of Deposit	(14,455)	-
Net Increase (Decrease) in Cash	(118,715)	260,602
<b>Cash Beginning of the Year</b>	843,903	583,301
<b>Cash End of the Year</b>	\$ 725,188	\$ 843,903

**The accompanying notes are an integral part of these financial statements**

**Pinnacol Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended July 31, 2020**

	<b>Program Services</b>	<b>General &amp; Admin.</b>	<b>Fund Raising</b>	<b>Total</b>
Bank charges	\$ -	\$ 2,966	\$ -	\$ 2,966
Dues and Subscriptions	-	-	-	-
Event Costs	-	-	-	-
In Kind	-	-	40,770	40,770
Insurance	687	-	-	687
Meals and Entertainment	-	-	-	-
Memberships	795	-	-	795
Miscellaneous Expense	-	20	-	20
Office Supplies	-	-	-	-
Other	-	-	-	-
Postage	-	-	-	-
Printing	-	-	-	-
Professional Fees	-	5,130	475	5,605
Scholarships Awarded	436,554	-	-	436,554
Software	-	-	-	-
<b>Total</b>	<u>\$ 438,036</u>	<u>\$ 8,116</u>	<u>\$ 41,245</u>	<u>\$ 487,397</u>

**The accompanying notes are an integral part of these financial statements**

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

	<b>Program Services</b>	<b>General &amp; Admin.</b>	<b>Fund Raising</b>	<b>Total</b>
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
<b>Total</b>	<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**  
**Notes to Financial Statements**  
**July 31, 2020 and July 31, 2019**

**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, 2020 and July 31, 2019 totaled \$40,770 and \$41,620 respectively.

In kind gifts received were as follows:

	<b>2020</b>	<b>2019</b>
Food and Beverage	\$ 26,080	\$ 20,164
Event cost various	5,586	15,629
Photography	2,100	2,100
Professional Fees	5,327	1,029
Printing	317	757
Giveaways	1,360	1,941
<b>Total</b>	<b>\$ 40,770</b>	<b>\$ 41,620</b>

**Pinnacol Foundation**  
**Notes to Financial Statements**  
**July 31, 2020 and July 31, 2019**

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.

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.

Normally the Organization is supported mainly by individual and corporate contributions as well as two annual fundraisers. Due to the effects and restrictions of COVID 19, one major fund-raising event scheduled in fiscal year 2020 and one scheduled for fiscal 2021 were canceled. Most of the attendees were willing to convert their sponsorships to unrestricted contributions. Due to the uncertainty caused by the pandemic, future events have yet to be scheduled.

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 \$256,842 carries an interest rate of 1.88% matures on January 18, 2021. The second, a deposit amount of \$257,613 carries an interest rate of 1.59% and matures on July 4, 2021.

Concentration of Risk: For the years ended July 31, 2020 and 2019, the Organization's revenue from one source was 39.69% and 30.95% respectively. For the year ended July 31, 2020 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, 2020 or 2019. For the years ended July 31, 2020 and 2019, in the opinion of management, the Organization has not taken any uncertain tax positions, however tax years 2019 and 2018 are still open to audit by the Internal Revenue Service.

**Pinnacol Foundation**  
**Notes to Financial Statements**  
**July 31, 2020 and July 31, 2019**

Functional Reporting of Expenses: For the years ended July 31, 2020 and 2019 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 December 2, 2020, 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, 2020 and 2019, Pinnacol Assurance and its employees donated a total of \$161,212 and \$242,991 to the Organization respectively.

**Note 5 Net Assets with Donor Restriction**

	2020	2019
Passage of time .....	\$2,000	\$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, 2020 and July 31, 2019**

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.

	<b>2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Certificate of Deposit Matures 1/18/2021	\$ 256,842		
Certificate of Deposit Matures 7/4/2021	257,613		
<b>Total</b>	<b>\$ 514,455</b>		

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

**Note 7 Liquidity**

	<b>2020</b>	<b>2019</b>
Financial assets at year end	\$ 1,239,643	\$ 1,356,673
Less: Those assets unavailable for general expenditures due to Restriction by donor	(-)	(-)
Financial assets available to meet cash needs for general expenditures in one year	\$ 1,239,643	\$ 1,356,673

At July 31, 2020 the Organization has financial assets totaling \$1,239,643 made up of cash, certificates of deposit maturing prior to one year from the date of the Statement of Financial Position.

**Pinnacol Foundation**  
**Notes to Financial Statements**  
**July 31, 2020 and July 31, 2019**

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 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 terms of one year to seventeen months.

**Note 9 Going Concern COVID-19**

The Organization has been adversely affected by health epidemics including the recent Coronavirus outbreak.

In December of 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan China and spread to other countries, including the U.S. On March 10, 2020, the World Health Organization characterized COVID-19 as a pandemic. In response to the severe health impact, the U.S. implemented social and economic restrictions, coined as "Stay at Home", to limit the spread of the virus. Impacts to Pinnacol Foundation include disruptions in the volunteer staff's normal workplace, workflow and travel. The effects of the economic shutdown resulted in cancellations of the Foundation's two fundraising events, and continued restrictions may limit the resources of donors or create a reluctance to contribute. The Governing Board continues to monitor the effects of the COVID-19 pandemic on the Organization as a whole.

The Foundation has committed to fund scholarships for the 2021 academic year, and has received the traditional contribution in the amount of \$150,000 from the affiliated organization, Pinnacol Assurance. The Foundation has sufficient liquidity to service cash requirements for two full years from the date the financial statements became available (Note 8), even if no other revenue is received. There are no plans to delay expenditures. The Governing Board remains optimistic about the Foundation's ability to raise revenue and has no doubt that the Foundation will continue as a going concern. However, the ultimate impact of the COVID-19 outbreak is still highly uncertain and subject to change.