

**PINNACOL FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**PINNACOL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JULY 31, 2023**

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November 29, 2023

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pinnacol Foundation  
Denver, Colorado

### *Opinion*

We have audited the accompanying financial statements of **Pinnacol Foundation** which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Pinnacol Foundation as of July 31, 2023, and the changes in its net assets and its cash flows for the year 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 State of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pinnacol 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 Pinnacol Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities 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 auditor's 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Pinnacol 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 Pinnacol 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.

***Report on Summarized Comparative Information***

The Pinnacol Foundation's 2022 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated December 6, 2022. With the exceptions discussed in Note 10, in our opinion the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
DENVER, COLORADO

**PINNACOL FOUNDATION**  
STATEMENT OF FINANCIAL POSITION  
JULY 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>(restated)</u> <u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 916,180	\$ 837,683
Certificates of deposit (Note 4)	527,562	525,437
Contributions receivable	7,500	17,500
Interest receivable	11,657	1,550
Prepaid expenses	7,306	7,806
Total assets	<u>\$ 1,470,205</u>	<u>\$ 1,389,976</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 103,212	\$ 100,938
Scholarships payable (Note 5)	433,080	404,120
Deferred revenue	-	4,680
Total liabilities	<u>536,292</u>	<u>509,738</u>
<u>Net assets</u>		
Without donor restrictions	933,913	854,808
With donor restrictions	-	25,430
Total net assets	<u>933,913</u>	<u>880,238</u>
Total liabilities and net assets	<u>\$ 1,470,205</u>	<u>\$ 1,389,976</u>

The accompanying notes are an integral part of these financial statements

**PINNACOL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JULY 31, 2023**  
**(WITH COMPARATIVE TOTALS FOR 2022)**

	2023			(restated) 2022
	Without donor Restrictions	With donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Special events (Note 6)	\$ 408,631	\$ -	\$ 408,631	\$ 437,475
less direct expense	(165,557)	-	(165,557)	(203,012)
Direct support - Pinnacol Assurance	100,000	-	100,000	50,000
Board contributions	36,698	-	36,698	5,398
Employee/employer match	28,474	-	28,474	30,879
General donations	26,429	-	26,429	41,413
Interest	12,232	-	12,232	1,570
Equipment sales	2,670	-	2,670	4,095
In-kind (Note 7)	145,413	-	145,413	128,958
Net assets released from restriction (Note 8)	25,430	(25,430)	-	-
Total revenue and other support	<u>620,420</u>	<u>(25,430)</u>	<u>594,990</u>	<u>496,776</u>
<u>Expense</u>				
Program Services	423,934	-	423,934	432,974
Forfeited scholarships	(27,675)	-	(27,675)	(41,826)
	396,259	-	396,259	391,148
<u>Supporting services</u>				
Management and general	75,558	-	75,558	62,172
Fund-raising	69,498	-	69,498	57,183
Total expense	<u>541,315</u>	<u>-</u>	<u>541,315</u>	<u>510,503</u>
Change in net assets	79,105	(25,430)	53,675	(13,727)
Net assets, beginning of year	<u>854,808</u>	<u>25,430</u>	<u>880,238</u>	<u>893,965</u>
Net assets, end of year	<u>\$ 933,913</u>	<u>\$ -</u>	<u>\$ 933,913</u>	<u>\$ 880,238</u>

The accompanying notes are an integral part of these financial statements

**PINNACOL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JULY 31, 2023**  
**(WITH COMPARATIVE TOTALS FOR 2022)**

	2023				(restated) 2022
	Supporting Services				
	Program Services	Manage- ment and General	Fund-raising	Total	Total
Salaries	\$ 13,444	\$ 45,334	\$ 46,677	\$ 105,455	\$ 94,041
Payroll taxes and benefits	5,187	17,420	17,351	39,958	34,917
Scholarships (less amounts forfeited)	373,850	-	-	373,850	360,645
Professional services	662	5,425	5,420	11,507	9,612
Bank fees	-	4,313	-	4,313	6,543
Software	2,616	-	-	2,616	2,515
Insurance	-	757	-	757	736
Meals and entertainment	-	94	-	94	76
Office supplies	-	14	50	64	432
Postage	-	15	-	15	-
All other	500	2,186	-	2,686	986
Total	\$ 396,259	\$ 75,558	\$ 69,498	\$ 541,315	\$ 510,503

The accompanying notes are an integral part of these financial statements

**PINNACOL FOUNDATION**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>(restated)</u> <u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 53,675	\$ (13,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
<u>Changes in operating assets and liabilities</u>		
Decrease in contributions receivable	10,000	115,000
(Increase) in interest receivable	(10,107)	(1,321)
(Increase)decrease in prepaid expenses	500	(2,175)
Increase in accounts payable	2,274	100,693
Increase in scholarships payable	28,960	56,230
(Decrease) in deferred revenue	(4,680)	(76,770)
Net cash provided by operating activities	<u>80,622</u>	<u>177,930</u>
<u>Cash flows from investing activities</u>		
Reinvestment of interest earnings	<u>(2,125)</u>	<u>(249)</u>
Net increase in cash and cash equivalents	78,497	177,681
Cash and cash equivalents, beginning of year	<u>837,683</u>	<u>660,002</u>
Cash and cash equivalents, end of year	<u>\$ 916,180</u>	<u>\$ 837,683</u>

The accompanying notes are an integral part of these financial statements

**PINNACOL FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2023

NOTE 1 - NATURE OF ACTIVITIES

The Pinnacol Foundation (the Organization) is a Colorado not-for-profit corporation with IRS 501(c)(3) status, launched in 2001 to award scholarships to children of Colorado workers seriously injured or killed in a compensable work-related accident or illness. Scholarships average \$4,700 per year per student and may only be used for the costs of attending school at accredited colleges, universities, community colleges and vocational schools. The Organization is primarily supported from the proceeds of an annual golf tournament, and the support of its affiliate, Pinnacol Assurance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

The Organization is required 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 Pinnacol Foundation's management and the board of directors.

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 of Pinnacol Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

c. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

d. Concentration of Credit Risk

Balances in bank accounts may, from time to time, exceed federally insured limits. The Organization believes that its loss exposure is limited.

e. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

f. Capitalization and Depreciation

The Organization currently has no property and equipment of its own.

g. Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an 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 or the donor has explicitly released the restriction.

h. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

j. Functional Reporting of Expenses

For the year ended July 31, 2023, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated on the basis of time and effort. Other major expenses are allocated based on the program directly benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

k. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended July 31, 2022, from which the summarized information was derived.

l. Subsequent Events

Management has evaluated subsequent events through November 29, 2023 the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents Pinnacol Foundation's financial assets as of July 31, 2023.

<u>Financial assets at year-end</u>	<u>Amount</u>
Cash and cash equivalents	\$916,180
Certificates of deposit	527,562
Contributions receivable	7,500
Interest receivable	<u>11,657</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 1,462,899</u>

Pinnacol Foundation's goal is to maintain available financial assets sufficient to meet 2 years of general operating expenses.

NOTE 4 - CERTIFICATES OF DEPOSIT

At year-end, certificates of deposit are reported on the basis of quoted market prices (level one inputs) and consist of an 11-month deposit with an interest rate of 4.02% and a 12-month deposit with an interest rate of 3.194%. Maturity dates are 11/4/23 and 1/18/24 respectively. Interest earnings on both deposits were \$12,232. Subsequent to year end the 11-month CD was reinvested in a money market account.

NOTE 5 - SCHOLARSHIPS

Forfeited scholarships represent amounts returned from institutions for students who did not enroll, meet credit hour requirements, or maintain academic standing. Awards not issued represent scholarship amounts declared but not paid that were awarded to students who did not attend school or failed to provide their school information to the Organization.

<u>Description</u>	<u>2022</u>	<u>2023</u>
Scholarships payable as of 7/31	\$ 404,119	\$ 433,080
Awards not issued	<u>(1,650)</u>	<u>(31,555)</u>
Scholarship expense	404,469	401,525
Less: Forfeited scholarships	<u>(41,826)</u>	<u>(27,675)</u>
Total scholarship expense less forfeited scholarships	<u>\$ 362,643</u>	<u>\$ 373,850</u>

NOTE 6 - SPECIAL EVENTS

Special events consist mainly of the annual golf tournament and a scholars award dinner. Direct event expenses are those that directly benefit attendees on the day of the event. Included in event income and direct expense is \$46,516 in payments to vendors made by Pinnacol Assurance.

NOTE 7 - IN-KIND CONTRIBUTIONS

For the fiscal year ended 2023, in-kind contributions consisted of personnel services received from the Organization's affiliate, Pinnacol Assurance. These are based on employees' time estimates.

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions as follows:

<u>Description</u>	<u>Amount</u>
Passage of time – golf tournament	<u>\$ 25,430</u>

NOTE 9 - CONCENTRATION OF REVENUE

For the year ended July 31, 2023, 40% of the Organization's support came from the annual golf tournament and 41% was provided by Pinnacol Assurance in the form of cash, donated personnel, and surplus property given to the Organization for resale. The loss of either of these sources could force the Organization to draw on its liquid assets to continue providing scholarships at the current level.

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

In 2023, the Organization began recognizing a liability for scholarships payable in the next academic year, due to the timing of the award notifications to the scholarship recipients. Previously, the liability and corresponding expense were not recognized until the student's tuition was due. This resulted in the recognition of scholarships payable of \$404,120, and an increase to scholarship expense of \$98,055 for the fiscal year 2022. Prior year ending net assets was also reduced by \$404,120. The 2022 change in net assets was reduced by \$56,230.

The Organization is affiliated with Pinnacol Assurance through common officers and employees. The comparative financial statements for the prior year were restated to account for staff time contributed to the Organization valued at \$128,958. This was recognized as salaries and benefit expense and in-kind contributions. This restatement had no effect on the 2022 change in net assets.