

Caring for Denver Foundation

Financial Statements and Independent Auditor's Report

December 31, 2019

Caring for Denver Foundation
December 31, 2019

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Independent Auditor's Report

Board of Directors
Caring for Denver Foundation
Denver, Colorado

We have audited the accompanying financial statements of Caring for Denver Foundation, which comprise the statement of financial position as of December 31, 2019, 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.

Auditor's 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.

Board of Directors
Caring for Denver Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caring for Denver Foundation as of December 31, 2019, 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.

BKD, LLP

Denver, Colorado
March 16, 2020

Caring for Denver Foundation
Statement of Financial Position
December 31, 2019

Assets

Cash and cash equivalents	\$ 31,673,583
Contributions receivable from the City and County of Denver	569,416
Prepaid expense and other	<u>81,468</u>
Total assets	<u><u>\$ 32,324,467</u></u>

Liabilities and Net Assets

Accounts payable	\$ 41,979
Accrued expenses	<u>165,573</u>
Total liabilities	<u>207,552</u>

Net Assets

Without donor restrictions	867,680
With donor restrictions	<u>31,249,235</u>
Total net assets	<u>32,116,915</u>
Total liabilities and net assets	<u><u>\$ 32,324,467</u></u>

Caring for Denver Foundation
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions from the City and County of Denver	\$ 1,841,131	\$ 34,981,498	\$ 36,822,629
Interest income, net	118,811	-	118,811
Net assets released from restrictions	3,732,263	(3,732,263)	-
	5,692,205	31,249,235	36,941,440
Expenses			
Program services	3,682,263	-	3,682,263
Support services	1,142,262	-	1,142,262
	4,824,525	-	4,824,525
Change in Net Assets	867,680	31,249,235	32,116,915
Net Assets, Beginning of Year	-	-	-
Net Assets, End of Year	\$ 867,680	\$ 31,249,235	\$ 32,116,915

Caring for Denver Foundation
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Support Services - General and Administrative	Total Expenses
Grants approved to the City and County of Denver	\$ 3,682,263	\$ -	\$ 3,682,263
Personnel - salaries, benefits and taxes	-	477,422	477,422
Consultants	-	373,054	373,054
Professional fees	-	216,095	216,095
Noncapitalized equipment and software	-	29,152	29,152
Rent	-	23,460	23,460
Other	-	23,079	23,079
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,682,263</u>	<u>\$ 1,142,262</u>	<u>\$ 4,824,525</u>

Caring for Denver Foundation
Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities	
Change in net assets	\$ 32,116,915
Changes in	
Contributions receivable from the City and County of Denver	(569,416)
Prepaid expenses and other	(81,468)
Accounts payable and accrued expenses	<u>207,552</u>
Net cash provided by operating activities	<u>31,673,583</u>
Increase in Cash and Cash Equivalents	31,673,583
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 31,673,583</u></u>

Caring for Denver Foundation

Notes to Financial Statements

December 31, 2019

Note 1: Organization and Summary of Significant Accounting Policies

Nature of Operations

Caring for Denver Foundation (the Foundation) is a not-for-profit organization whose mission and principal activities are to address Denver's mental health and substance misuse needs by growing community-informed solutions, dismantling stigma, and turning the community's desire to help into action. The Foundation's revenues are derived principally from contributions from the City and County of Denver (the City) and its activities are conducted principally in the Denver, Colorado area.

Nature of Relationship with the City and County of Denver

The Foundation is a component unit of the City as it is a separate legal entity for which the City is financially accountable. Contributions are received exclusively from the City, which are derived from certain sales taxes levied and collected by the City. In accordance with a City ordinance, and a related agreement between the Foundation and the City effective August 2019 thru December 2023, certain requirements are placed on the use of funds received from the City:

- A minimum of 10% of the Foundation's contribution revenues shall be directed to the City for a facility and staffing to create alternatives to jail, funding a co-responder ride along program, and first responder training
- Effective for 2019 and 2020, 10% of the Foundation's contribution revenues shall be directed to the City for alternative to jail facility construction
- The Foundation shall provide the necessary funding for a Foundation/City Liaison
- No more than 5% of a fiscal year's City contributions received can fund administrative expenses (though any unspent amounts, up to the 5%, can be used as a reserve for future years' administrative expenses) and are defined as salaries and office expenses related to any staff or employees of the non-profit corporation; any expenses reimbursed to members of the board of directors; expenses related to conducting mental health and substance use disorder needs assessments for people in the City and County of Denver; expenses related to program evaluation, development and updating of the strategic plan, and annual report; routine business expenses such as insurance, accounting, an independent audit, and legal expenses; and any similar overhead expenses incurred by the non-profit corporation.

The Foundation has adopted this definition of administrative expenses in the presentation of support services – general and administrative expenses on the statements of activities and functional expenses.

During 2019, 100% of contributions received and 100% of grants approved by the Foundation's Board of Directors were related to the City.

Caring for Denver Foundation

Notes to Financial Statements

December 31, 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019, cash equivalents consisted primarily of an insured sweep account.

At December 31, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,900,000.

Contributions Receivable

Contributions receivable consist of certain amounts receivable from the City, which resulted from the City's final reconciliation of sales taxes received for the 2019 calendar year.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of restrictions from the City (the donor).

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Foundation's net assets without donor restrictions are limited to the unspent portion of the 5% maximum on administrative expenses, described above.

Net assets with donor restrictions contain restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the City.

Contributions from the City and County of Denver

Contributions from the City and County of Denver are derived from certain sales tax proceeds received by the City and are provided to the Foundation either with or without restrictions. Revenues and net assets are separately reported to reflect the nature of those contributions – with or without donor restrictions. Contributions consist of cash and are valued at fair value.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions that are originally restricted and for which the restriction is met in the same time period the contribution is received are recorded as revenue with donor restrictions and then released from restriction.

Caring for Denver Foundation

Notes to Financial Statements

December 31, 2019

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Given the Foundation's adopted definition of administrative expenses, described above, no costs have not been allocated between program and support services.

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 comprise the following:

Financial Assets Available	
Cash and cash equivalents	\$ 31,673,583
Contributions receivable	569,416
	<hr/>
	32,242,999
Less Amounts Not Available to be Used Within One Year	
Net assets with donor restrictions	31,249,235
	<hr/>
Financial Assets Available to be Used Within One Year	<u><u>\$ 993,764</u></u>

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the year ended December 31, 2019 the level of liquidity and reserves was managed within the guidelines outlined above.

Caring for Denver Foundation

Notes to Financial Statements

December 31, 2019

Note 3: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Facility and staffing to create alternatives to jail, funding a co-responder ride along program, and first responder training	\$ 3,682,263
Specified mental health and substance use disorder needs to be disbursed as grants	<u>27,566,972</u>
	<u>\$ 31,249,235</u>

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	
Grants approved to City and County of Denver for alternatives to jail facility construction	\$ 3,682,263
Grants approved to City and County of Denver for Foundation/City liaison	<u>50,000</u>
	<u>\$ 3,732,263</u>

Note 4: Retirement Plan

The Foundation has a defined contribution plan (the Plan) under Internal Revenue Code Section 403(b). The Plan covers substantially all employees. The Plan allows for employee contributions with discretionary contributions by The Foundation. The Foundation contributed approximately \$4,500 to the Plan for the year ended December 31, 2019.

Note 5: Subsequent Events

Subsequent events have been evaluated through March 16, 2020, which is the date the financial statements were available to be issued.