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# **Colorado Springs Health Foundation**

## **Independent Auditor's Report and Financial Statements**

December 31, 2023 and 2022

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**Colorado Springs Health Foundation**  
**December 31, 2023 and 2022**

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## Independent Auditor's Report

Board of Trustees  
Colorado Springs Health Foundation  
Colorado Springs, Colorado

### **Opinion**

We have audited the financial statements of Colorado Springs Health Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Foundation's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Trustees  
Colorado Springs Health Foundation

### ***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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 the 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 the 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.

**FORVIS, LLP**

Colorado Springs, Colorado  
March 20, 2024

**Colorado Springs Health Foundation**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022</b>
Cash	\$ 2,606,437	\$ 5,045,156
Investments	175,944,159	150,135,597
Prepaid expense and other	48,798	7,933
Total assets	<b>\$ 178,599,394</b>	<b>\$ 155,188,686</b>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 29,262	\$ 2,523
Grants payable	314,573	1,262,791
Total liabilities	343,835	1,265,314
Net assets		
Without donor restrictions		
Undesignated	178,255,559	153,923,372
Total liabilities and net assets	<b>\$ 178,599,394</b>	<b>\$ 155,188,686</b>

**Colorado Springs Health Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Revenues, Gains and Other Support</b>		
Contributions, without donor restrictions, from the City of Colorado Springs	\$ 4,566,812	\$ 7,204,600
Investment return, net	25,884,678	(37,159,197)
Total revenues, gains and other support	30,451,490	(29,954,597)
<b>Expenses</b>		
Program services	5,824,202	6,765,878
Support services	295,101	251,378
Total expenses	6,119,303	7,017,256
<b>Change in Net Assets, Without Donor Restrictions</b>	24,332,187	(36,971,853)
<b>Net Assets, Without Donor Restrictions, Beginning of Year</b>	153,923,372	190,895,225
<b>Net Assets, Without Donor Restrictions, End of Year</b>	\$ 178,255,559	\$ 153,923,372

**Colorado Springs Health Foundation**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>		
	<b>Program</b>	<b>Support Services</b>	<b>Total</b>
	<b>Services</b>	<b>General and</b>	<b>Expenses</b>
		<b>Administrative</b>	
Grants approved	\$ 5,454,859	\$ -	\$ 5,454,859
Salaries and benefits	296,681	74,170	370,851
Professional services	-	198,541	198,541
Professional development and training	26,714	-	26,714
Utilities and occupancy	1,064	18,512	19,576
Equipment and supplies	15,512	3,878	19,390
Community education and outreach	29,372	-	29,372
	<u>\$ 5,824,202</u>	<u>\$ 295,101</u>	<u>\$ 6,119,303</u>
Total expenses	<u>\$ 5,824,202</u>	<u>\$ 295,101</u>	<u>\$ 6,119,303</u>
	<b>2022</b>		
	<b>Program</b>	<b>Support Services</b>	<b>Total</b>
	<b>Services</b>	<b>General and</b>	<b>Expenses</b>
		<b>Administrative</b>	
Grants approved	\$ 6,460,147	\$ -	\$ 6,460,147
Salaries and benefits	254,875	63,719	318,594
Professional services	-	161,814	161,814
Utilities and occupancy	26,716	-	26,716
Professional development and training	1,064	22,406	23,470
Equipment and supplies	13,755	3,439	17,194
Community education and outreach	9,321	-	9,321
	<u>\$ 6,765,878</u>	<u>\$ 251,378</u>	<u>\$ 7,017,256</u>
Total expenses	<u>\$ 6,765,878</u>	<u>\$ 251,378</u>	<u>\$ 7,017,256</u>

**Colorado Springs Health Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Change in net assets	\$ 24,332,187	\$ (36,971,853)
Items not providing (requiring) operating activities cash flows		
Net realized and unrealized gain (loss) on investments	(23,284,910)	38,919,127
Changes in		
Prepaid expense and other	(40,865)	6,312
Accounts payable and accrued expenses	26,739	(20,404)
Grants payable	(948,218)	(580,840)
Net cash provided by operating activities	84,933	1,352,342
<b>Investing Activities</b>		
Purchases of investments	(5,699,366)	(17,055,742)
Proceeds from sales of investments	3,175,714	15,304,551
Net cash used in investing activities	(2,523,652)	(1,751,191)
<b>Change in Cash</b>	(2,438,719)	(398,849)
<b>Cash, Beginning of Year</b>	5,045,156	5,444,005
<b>Cash, End of Year</b>	\$ 2,606,437	\$ 5,045,156



# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Colorado Springs Health Foundation (the Foundation) was established in 2012 under the provisions of the City of Colorado Springs' City Council (City Council) resolution 121-12, resulting from the lease of the City of Colorado Springs-owned Memorial Health System (Health System) to UCH-MHS (UCH), a Colorado nonprofit corporation, of which the University of Colorado Hospital Authority is the sole member. As further provided in the City Council resolution, and subject to any obligations payable by the Foundation under the Guaranty and Indemnification Agreement (see Note 8), the Foundation receives distributions of the funds related to the lease payments for the purpose of making grants or distributions to address health issues in the Health System's service area. On September 27, 2012, the Foundation was incorporated in the state of Colorado as a not-for-profit organization. The Foundation is a component unit of the City of Colorado Springs as it is a separate legal entity for which the City of Colorado Springs is financially accountable.

#### ***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***

At December 31, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$2.3 million. Cash equivalents held in the investment portfolio are classified as investments for financial reporting purposes.

#### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

### Contributions

Contributions are provided to the Foundation without restrictions placed on the gift by the donor. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Should gifts or investment income be received having donor stipulations, such revenues would be recorded as revenue and net assets with donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and general and administrative categories benefited based on the relative efforts expended on each activity.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor- imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The Foundation currently holds no net assets with donor restrictions.

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

### ***Income Taxes***

The Foundation is exempt from income taxes under Sections 501(c)(3) and 509 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.

### ***Subsequent Events***

Subsequent events have been evaluated through March 20, 2024, which is the date the financial statements were available to be issued.

## **Note 2: Liquidity and Availability**

The Foundation regularly monitors liquidity required to meet its operating needs and grant commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash, receivables, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its role of Grantmaker, including board-approved grant commitments and operating expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates receiving a consistent level of contributions from the City of Colorado Springs through 2052 pursuant to the terms of the City of Colorado Springs – UCHealth lease described in Note 1. These funds are invested and, along with the other investments, used to cover general expenditures and grants committed. The Foundation also operates within the Colorado Springs City Council-approved parameter that limits the annual payout (grants paid and total operating expenses) to no more than 5% of the average 12-quarter total rolling asset value.

The following table shows financial assets held at December 31, 2023 and 2022 that could be made available during the following years to meet general expenditures:

	<b>2023</b>	<b>2022</b>
<b>Financial Assets Available to be Used Within One Year</b>		
Cash	\$ 2,606,437	\$ 5,045,156
Investments	<u>175,944,159</u>	<u>150,135,597</u>
	<u>\$ 178,550,596</u>	<u>\$ 155,180,753</u>

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 3: Disclosures About Fair Value of Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	<b>2023</b>			
	<b>Total Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments</b>				
Money Market	\$ 6,281,635	\$ 6,281,635	\$ -	\$ -
Domestic Mutual Funds				
Large Cap	58,995,659	58,995,659	-	-
Small Cap	6,963,513	6,963,513	-	-
International Mutual Funds				
Large Cap	48,382,796	48,382,796	-	-
Emerging Market	6,473,382	6,473,382	-	-
Fixed Income Mutual Funds	29,042,543	29,042,543	-	-
Alternative Strategy				
Mutual Funds	3,479,556	3,479,556	-	-
Alternative Investments, measured at net asset value	<u>16,325,075</u>	<u>(A)</u>	<u>(A)</u>	<u>(A)</u>
	<u>\$ 175,944,159</u>	<u>\$ 159,619,084</u>	<u>\$ -</u>	<u>\$ -</u>

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

	2022			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Money Market	\$ 6,400,566	\$ 6,400,566	\$ -	\$ -
Domestic Mutual Funds				
Large Cap	71,789,451	71,789,451	-	-
Small Cap	6,107,497	6,107,497	-	-
International Mutual Funds				
Large Cap	12,895,420	12,895,420	-	-
Emerging Market	5,589,969	5,589,969	-	-
Fixed Income Mutual Funds	27,283,513	27,283,513	-	-
Alternative Strategy				
Mutual Funds	3,224,139	3,224,139	-	-
Alternative Investments, measured at net asset value	<u>16,845,042</u>	<u>(A)</u>	<u>(A)</u>	<u>(A)</u>
	<u>\$ 150,135,597</u>	<u>\$ 133,290,555</u>	<u>\$ -</u>	<u>\$ -</u>

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023. The Foundation has reported no liabilities recorded at fair market value on a recurring basis or assets and liabilities recorded at fair market value on a non-recurring basis.

### Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At December 31, 2023 and 2022, the Foundation held no investments classified as Level 2 or Level 3 in the hierarchy.

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

### Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	<b>2023</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnership	\$ 8,142,898	\$ -	Quarterly	45 days
Multi-strategy hedge fund	<u>8,182,177</u>	<u>\$ -</u>	Quarterly	60 days
	<u>\$ 16,325,075</u>			
	<b>2022</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnership	\$ 9,128,873	\$ -	Quarterly	45 days
Multi-strategy hedge fund	<u>7,716,169</u>	<u>\$ -</u>	Quarterly	60 days
	<u>\$ 16,845,042</u>			

### Note 4: Grants Approved

The Trustees of the Foundation follow a City Council-approved policy whereby annual distributions of grants must not exceed 5% of the Foundation's average total assets over 12 fiscal quarters. During 2023 and 2022, the Trustees approved grants in the amount of \$5,454,859 and \$6,460,147, respectively.

Various Trustees or their family members are related parties to other organizations that received grants from the Foundation during 2023 and 2022. The Foundation follows a policy which requires individual Trustees to recuse themselves from any grant-related discussions and decisions associated with the related organization. The Board approved grants of approximately \$925,000 and \$1,660,000 during 2023 and 2022, respectively, to organizations to which members of the Board of Trustees are related and are included in the grant totals above. Of these amounts, \$0 and \$400,000 are payable at December 31, 2023 and 2022, respectively.

# Colorado Springs Health Foundation

## Notes to Financial Statements

**December 31, 2023 and 2022**

Certain grants approved during 2023 and 2022 include payments subsequent to the fiscal year. 2023 and 2022 grants approved, paid, and payable as of the end of the year consist of the following:

	<b>Grants Approved</b>	<b>Grants Paid/Payable</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
2019	\$ 4,184,920	\$ 480,000	\$ 25,000	\$ -
2020	4,648,716	361,008	-	-
2021	6,339,681	1,176,373	306,250	-
2022	6,460,147	5,528,607	866,967	64,573
2023	5,454,859	-	5,204,859	250,000
		\$ 7,545,988	\$ 6,403,076	\$ 314,573

### Note 5: Related-party Transactions

The Foundation and the City of Colorado Springs are related parties that are financially interrelated organizations. The Foundation recognized the following contributions without donor restrictions from the City of Colorado Springs:

	<b>2023</b>	<b>2022</b>
<b>Contributions Received from Colorado Springs</b>		
Monthly contributions	\$ 4,566,812	\$ 7,204,600

### Note 6: Retirement Plan

The Foundation has a defined contribution 403(b) plan covering all employees who meet certain eligibility requirements. The Foundation matches employee contributions of up to 5%. The employer contribution expense for 2023 and 2022 was \$14,502 and \$13,750, respectively.

### Note 7: Commitments and Contingencies

#### **Guaranty**

As described in Note 1, during 2012, the City of Colorado Springs entered into a certain lease agreement with UCH. Pursuant to the lease agreement, the City of Colorado Springs leased facilities and transferred operations along with acquired assets and assumed liabilities to the lessee. The term of the lease is through September 2052 and stipulates monthly lease payments to the City of Colorado Springs, which will be transferred to the Foundation, net of any administrative expenses, upon approval by City Council.

# Colorado Springs Health Foundation

## Notes to Financial Statements

December 31, 2023 and 2022

As a result of the lease agreement, certain contingencies exist. Pursuant to the Guaranty and Indemnification Agreement, dated October 1, 2012, the Foundation was named as guarantor on certain claims as defined in the lease agreement until termination of the lease agreement. UCH can make claims for indemnifiable losses or obligations of the City of Colorado Springs or the Foundation pursuant to the lease agreement. Such claims are subject to a dispute resolution process.

Should any claims be approved through the dispute resolution process and in excess of amounts paid directly by the City of Colorado Springs, the Foundation would be required to fund these contingencies and record a corresponding expense in the statements of activities.

### **Note 8: Significant Estimates and Concentrations**

#### ***Contributions***

100% of contributions were received from the City of Colorado Springs during 2023 and 2022.

#### ***Investments***

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of financial position.