



COLORADO SPRINGS HEALTH FOUNDATION

Financial Statements

For the Years Ended December 31, 2024 and 2023

And

Independent Auditors' Report

COLORADO SPRINGS HEALTH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Colorado Springs Health Foundation
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Colorado Springs Health Foundation (the Foundation) which comprise the financial position as of December 31, 2024, 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 the Foundation as of December 31, 2024 and the results of its operations 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 States of America. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Foundation as of December 31, 2023 were audited by other auditors whose report dated March 20, 2024, expressed an unmodified opinion on those statements.

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 the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 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 generally accepted auditing standards 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.

Stockman Kast Ryan & Co., LLP

March 19, 2025

COLORADO SPRINGS HEALTH FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 3,859,262	\$ 2,606,437
Investments	196,651,951	175,944,159
Prepaid expenses	<u>13,500</u>	<u>48,798</u>
TOTAL ASSETS	<u>\$ 200,524,713</u>	<u>\$ 178,599,394</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 34,939	\$ 29,262
Grants payable	<u>250,000</u>	<u>314,573</u>
Total liabilities	<u>284,939</u>	<u>343,835</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	<u>200,239,774</u>	<u>178,255,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 200,524,713</u>	<u>\$ 178,599,394</u>

See notes to financial statements.

COLORADO SPRINGS HEALTH FOUNDATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUES, GAINS AND OTHER SUPPORT		
Contributions, without donor restrictions, from the City of Colorado Springs	\$ 5,008,387	\$ 4,566,812
Investment return, net	<u>24,114,028</u>	<u>25,884,678</u>
Total revenues, gains and other support	<u>29,122,415</u>	<u>30,451,490</u>
EXPENSES		
Program services	6,818,438	5,838,799
Support services	<u>319,762</u>	<u>280,504</u>
Total expenses	<u>7,138,200</u>	<u>6,119,303</u>
Change in net assets, without donor restrictions	21,984,215	24,332,187
NET ASSETS, Without donor restrictions, Beginning of year	<u>178,255,559</u>	<u>153,923,372</u>
NET ASSETS, Without donor restrictions, End of year	<u>\$ 200,239,774</u>	<u>\$ 178,255,559</u>

See notes to financial statements.

COLORADO SPRINGS HEALTH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Program Services	Support Services General and Administrative	Total Expenses	Program Services	Support Services General and Administrative	Total Expenses
Grants approved	\$ 6,379,813		\$ 6,379,813	\$ 5,454,859		\$ 5,454,859
Salaries and benefits	353,098	\$ 88,275	441,373	296,681	\$ 74,170	370,851
Professional services		221,593	221,593		198,541	198,541
Professional development and training	35,410		35,410	26,714		26,714
Utilities and occupancy	21,654	5,414	27,068	15,661	3,915	19,576
Equipment and supplies	17,926	4,480	22,406	15,512	3,878	19,390
Community education and outreach	10,537		10,537	29,372		29,372
Total expenses	<u>\$ 6,818,438</u>	<u>\$ 319,762</u>	<u>\$ 7,138,200</u>	<u>\$ 5,838,799</u>	<u>\$ 280,504</u>	<u>\$ 6,119,303</u>

See notes to financial statements.

COLORADO SPRINGS HEALTH FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	\$ 21,984,215	\$ 24,332,187
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains on investment	(23,648,108)	(23,284,910)
Changes in operating assets and liabilities:		
Prepaid expenses	35,298	(40,865)
Accounts payable and accrued expenses	5,677	26,739
Grants payable	(64,573)	(948,218)
Net cash provided by (used in) operating activities	<u>(1,687,491)</u>	<u>84,933</u>
INVESTING ACTIVITIES		
Purchases of investments	(4,092,973)	(5,699,366)
Proceeds from sales of investments	<u>7,033,289</u>	<u>3,175,714</u>
Net cash provided by (used in) investing activities	<u>2,940,316</u>	<u>(2,523,652)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,252,825	(2,438,719)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,606,437</u>	<u>5,045,156</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,859,262</u>	<u>\$ 2,606,437</u>

See notes to financial statements.

COLORADO SPRINGS HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 UCHMHS (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 7), 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.

Basis of Accounting and Presentation — The Foundation's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates — Preparation of the Foundation's 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — At December 31, 2024 and 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$3.6 million and \$2.3 million, respectively. Cash equivalents held in the investment portfolio are classified as investments for financial reporting purposes. The Foundation considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents.

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.

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:

Nature of the Gift	Value Recognized
<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.e., 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.

Income Tax Status — 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. The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Reclassification — Certain amounts in the 2023 financial statements have been reclassified to conform with the current year format.

Subsequent Events — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

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 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 that could be made available during the following years to meet general expenditures:

	2024	2023
Cash and cash equivalents	\$ 3,859,262	\$ 2,606,437
Investments	<u>196,651,951</u>	<u>175,944,159</u>
Total	<u>\$ 200,511,213</u>	<u>\$ 178,550,596</u>

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

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.

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:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024:				
Investments:				
Money market	\$ 7,092,453	\$ 7,092,453		
Domestic mutual funds:				
Large cap	106,317,159	106,317,159		
Small cap	7,821,146	7,821,146		
International mutual funds:				
Large cap	15,495,603	15,495,603		
Emerging market	7,194,439	7,194,439		
Fixed income mutual funds	31,814,512	31,814,512		
Alternative strategy mutual funds	3,739,517	3,739,517		
Alternative investments, measured at net asset value	<u>17,177,122</u>	<u>(A)</u>	<u>(A)</u>	<u>(A)</u>
Total	<u>\$ 196,651,951</u>	<u>\$ 179,474,829</u>	<u>\$ —</u>	<u>\$ —</u>
2023:				
Investments:				
Money market	\$ 6,281,635	\$ 6,281,635		
Domestic mutual funds:				
Large cap	92,325,808	92,325,808		
Small cap	6,963,513	6,963,513		
International mutual funds:				
Large cap	15,052,647	15,052,647		
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>
Total	<u>\$ 175,944,159</u>	<u>\$ 159,619,084</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, 2024. 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, 2024 and 2023, the Foundation held no investments classified as Level 2 or Level 3 in the hierarchy.

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:

	Fair Value, at December 30,	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2024:				
Limited partnership	\$ 8,198,512	None	Quarterly	45 days
Multi-strategy hedge fund	<u>8,978,610</u>	None	Quarterly	60 days
Total	<u>\$ 17,177,122</u>			
2023:				
Limited partnership	\$ 8,142,898	None	Quarterly	45 days
Multi-strategy hedge fund	<u>8,182,177</u>	None	Quarterly	60 days
Total	<u>\$ 16,325,075</u>			

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 2024 and 2023, the Trustees approved grants in the amount of \$6,379,813 and \$5,454,859, respectively. Various Trustees or their family members are related parties to other organizations that received grants from the Foundation during 2024 and 2023. 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 \$858,600 and \$925,000 during 2024 and 2023, respectively, to organizations to which members of the Board of Trustees are related and are included in the grant totals above. Of these amounts, no amounts are payable at December 31, 2024 and 2023.

Certain grants approved during 2024 and 2023 include payments subsequent to the fiscal year. Similarly, certain grants paid in 2024 and 2023 were approved in prior years. 2024 and 2023 grants paid and payable as of the end of the year consist of the following:

	Grants Approved	Grants Paid		Grants Payable 2025
		2023	2024	
2019	\$ 4,184,920	\$ 25,000		
2021	6,399,681	306,250		
2022	6,460,147	866,967	\$ 64,573	
2023	5,454,859	5,204,859		\$ 250,000
2024	6,379,813		<u>6,379,813</u>	
Total		<u>\$ 6,403,076</u>	<u>\$ 6,444,386</u>	<u>\$ 250,000</u>

5. RELATED-PARTY TRANSACTIONS

The Foundation and the City of Colorado Springs are related parties that are financially interrelated organizations. The Foundation recognized contributions without donor restrictions from the City of Colorado Springs of \$5,008,837 and \$4,566,812, during the years ended December 31, 2024 and 2023, respectively.

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 8%. The employer contribution expense for the years ended December 31, 2024 and 2023 was \$22,295 and \$14,502, respectively.

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.

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.

8. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Contributions — 100% of contributions were received from the City of Colorado Springs during 2024 and 2023.

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.