# Energy Outreach Colorado

**Financial Statements**

**September 30, 2022**

**(With Independent Auditor's Report Thereon)**

Kundinger, Corder & Montoya, P.C.

Certified Public Accountants

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Certified Public Accountants

# Independent Auditor's Report

**Board of Directors**
**Energy Outreach Colorado**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Energy Outreach Colorado (Energy Outreach), which comprise the statement of financial position as of September 30, 2022, 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 present fairly, in all material respects, the financial position of Energy Outreach as of September 30, 2022, 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 States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Energy Outreach 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 the 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 Energy Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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**Board of Directors**
**Energy Outreach Colorado**

**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 and *Government 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 and *Government 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 Energy Outreach'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 Energy Outreach'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.

Kundinger, Corder & Montoya, P.C.

January 19, 2023

# Energy Outreach Colorado
## Statement of Financial Position
## September 30, 2022

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 15,807,501 |
| Grant and contract receivables, net | 2,448,118 |
| Investments (notes 3 and 6) | 16,892,479 |
| Other assets | 445,245 |
| Total assets | $ 35,593,343 |
| **Liabilities** | |
| Accounts payable and accrued expenses | $ 3,065,280 |
| Grant payable (note 4) | 220,254 |
| Total liabilities | 3,285,534 |
| **Net Assets** | |
| Without donor restrictions | 17,872,453 |
| With donor restrictions (note 8) | 14,435,356 |
| Total net assets | 32,307,809 |
| Commitments (notes 6, 7 and 9) | |
| Total liabilities and net assets | $ 35,593,343 |

See the accompanying notes to the financial statements.

# Energy Outreach Colorado
## Statement of Activities
## Year Ended September 30, 2022

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| **Public Support and Revenue** | | | |
| Public support | | | |
| Customer contributions | $ 2,095,675 | – | 2,095,675 |
| Utility and corporate contributions (note 5) | 11,914,832 | 21,188,715 | 33,103,547 |
| Unclaimed utility deposits and refunds (note 4) | 220,254 | – | 220,254 |
| Less amount passed through to LEAP | (220,254) | – | (220,254) |
| Foundation grants | 448,159 | – | 448,159 |
| Other government funding | 16,639,073 | – | 16,639,073 |
| Special event revenue | 244,377 | – | 244,377 |
| Less direct benefits to donors | (82,116) | – | (82,116) |
| Net assets released from restrictions (note 8) | 7,222,000 | (7,222,000) | – |
| Total public support | 38,482,000 | 13,966,715 | 52,448,715 |
| Revenue | | | |
| Owner participation | 467,257 | – | 467,257 |
| Investment return (note 3) | (1,757,382) | – | (1,757,382) |
| Other income | 40,343 | – | 40,343 |
| Total revenue | (1,249,782) | – | (1,249,782) |
| Total public support and revenue | 37,232,218 | 13,966,715 | 51,198,933 |
| **Expenses** | | | |
| Program services | | | |
| Low-income home energy assistance | 174,177 | – | 174,177 |
| EOC cash assistance program | 14,194,703 | – | 14,194,703 |
| Energy Solutions Grants | 6,962,202 | – | 6,962,202 |
| Crisis Intervention Program | 7,877,471 | – | 7,877,471 |
| NEEP programs | 2,189,429 | – | 2,189,429 |
| Advocacy programs | 711,987 | – | 711,987 |
| Weatherization assistance for low-income persons | 4,991,946 | – | 4,991,946 |
| Central 70 | 109,707 | – | 109,707 |
| Other programs | 895,584 | – | 895,584 |
| Total program services | 38,107,206 | – | 38,107,206 |
| Supporting services | | | |
| General and administrative | 1,508,046 | – | 1,508,046 |
| Fund raising | 1,002,066 | – | 1,002,066 |
| Total supporting services | 2,510,112 | – | 2,510,112 |
| Total expenses | 40,617,318 | – | 40,617,318 |
| **Change in net assets** | (3,385,100) | 13,966,715 | 10,581,615 |
| **Net assets at beginning of year** | 21,257,553 | 468,641 | 21,726,194 |
| **Net assets at end of year** | $ 17,872,453 | 14,435,356 | 32,307,809 |

See the accompanying notes to the financial statements.

# Energy Outreach Colorado
## Statement of Functional Expenses
### Year Ended September 30, 2022

| | Program Services | | | | | | | | | | Supporting Services | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Low-Income Home Energy Assistance | EOC Cash Assistance Program | Energy Solutions Grants | Crisis Intervention Program | NEEP Programs | Advocacy Programs | Weatherization Assistance for Low-Income Persons | Central 70 | Other Programs | Total Program Services | General and Admini-strative | Fund Raising | Total Expenses |
| Energy assistance payments | $ – | 13,831,097 | 435,607 | – | – | 10,000 | – | – | – | 14,276,704 | – | – | 14,276,704 |
| Salaries and benefits | 42,239 | 276,689 | 353,563 | 288,559 | 179,945 | 364,587 | 587,862 | 12,821 | 417,897 | 2,524,162 | 1,043,757 | 627,167 | 4,195,086 |
| Professional fees and contract service | 19 | 17,997 | 6,048,746 | 7,511,972 | 1,964,570 | 302,795 | 4,244,043 | 82,008 | 361,962 | 20,534,112 | 199,954 | 130,060 | 20,864,126 |
| Equipment maintenance and supplies | 2,565 | 32,697 | 38,272 | 38,039 | 19,433 | 16,456 | 63,966 | 987 | 50,000 | 262,415 | 77,034 | 64,090 | 403,539 |
| Telephones and website | 127,939 | 9,073 | 5,490 | 4,019 | 3,860 | 1,228 | 6,048 | 328 | 3,766 | 161,751 | 5,165 | 5,101 | 172,017 |
| Building rent and parking | 1,301 | 16,600 | 18,986 | 18,190 | 9,584 | 8,247 | 28,794 | 495 | 24,238 | 126,435 | 34,327 | 31,119 | 191,881 |
| Printing and publications | – | 38 | 234 | 286 | - | 18 | 2,234 | – | 8,349 | 11,159 | 973 | 94,546 | 106,678 |
| Office expense | 75 | 503 | 17,098 | 276 | 804 | 3,876 | 11,031 | 1,025 | 9,771 | 44,459 | 29,252 | 103,038 | 176,749 |
| Meetings and conferences | – | (155) | 15,847 | 6,191 | 1,877 | 4,218 | 5,370 | – | 8,200 | 41,548 | 30,878 | 27,623 | 100,049 |
| Insurance | 39 | 492 | 13,635 | 7,824 | 8,138 | 245 | 39,730 | 2,629 | 8,573 | 81,305 | 1,018 | 939 | 83,262 |
| Travel | – | 518 | 5,176 | 2,115 | 1,218 | 317 | 2,868 | – | 2,680 | 14,892 | 2,246 | 158 | 17,296 |
| Amortization | – | 9,154 | 9,548 | – | – | – | – | 9,414 | – | 28,116 | – | – | 28,116 |
| Other expenses | – | – | – | – | – | – | – | – | 148 | 148 | 145,845 | 341 | 146,334 |
| | 174,177 | 14,194,703 | 6,962,202 | 7,877,471 | 2,189,429 | 711,987 | 4,991,946 | 109,707 | 895,584 | 38,107,206 | 1,570,449 | 1,084,182 | 40,761,837 |
| Less investment and special event expenses netted with revenue | – | – | – | – | – | – | – | – | – | – | (62,403) | (82,116) | (144,519) |
| Total expenses | $ 174,177 | 14,194,703 | 6,962,202 | 7,877,471 | 2,189,429 | 711,987 | 4,991,946 | 109,707 | 895,584 | 38,107,206 | 1,508,046 | 1,002,066 | 40,617,318 |

See the accompanying notes to the financial statements.

# Energy Outreach Colorado
## Statement of Cash Flows
## Year Ended September 30, 2022

| | |
|---|---|
| **Cash flows from operating activities** | |
| Cash received from contributions and grants | $ 53,462,655 |
| Interest and dividends received | 482,707 |
| Other cash received | 507,600 |
| Cash paid to employees, suppliers and service recipients | (40,233,923) |
| Net cash used in operating activities | 14,219,039 |
| **Cash flows from investing activities** | |
| Purchases of fixed assets | (255,638) |
| Sales of investments | 3,063,632 |
| Purchases of investments | (2,514,462) |
| Net cash provided by investing activities | 293,532 |
| **Net increase in cash and cash equivalents** | 14,512,571 |
| **Cash and cash equivalents at beginning of year** | 1,294,930 |
| **Cash and cash equivalents at end of year** | $ 15,807,501 |

See the accompanying notes to the financial statements.

## (1) Summary of Significant Accounting Policies

### (a) Organization

Energy Outreach Colorado (Energy Outreach), formerly Colorado Energy Assistance Foundation, was established in 1989 to enable the Colorado Commission on Low-Income Energy Assistance (the Commission) to raise funds for the purpose of providing cash payments to low-income individuals and families to meet the cost of home energy. A significant portion of the funds are distributed through the Colorado Low Income Home Energy Assistance Program (LEAP). In addition to LEAP, Energy Outreach delivers funds and services through a network of agencies in the State of Colorado. Energy Outreach provides funds for creative energy efficiency, educational and housing ventures related to conservation of resources through its Energy Savings Grants and educational grants. Energy Outreach also provides energy efficient upgrades for non-profit agencies throughout the state and the city of Denver through its Nonprofit Energy Efficiency Program (NEEP).

### (b) Basis of Accounting

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

### (c) Financial Statement Presentation

Energy Outreach is required to present 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 Energy Outreach. These net assets may be used at the discretion of Energy Outreach’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 Energy Outreach or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of September 30, 2022, there are no net assets with perpetual donor restrictions.

### (d) Cash and Cash Equivalents

Energy Outreach considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as a part of the investments portfolio or subject to donor restrictions for long-term purposes, to be cash equivalents.

### (e) Concentrations of Credit Risk

Financial instruments that potentially subject Energy Outreach to concentrations of credit risk consist principally of investment securities. Energy Outreach places its cash and temporary investments with creditworthy, high-quality institutions. A significant portion of the funds are not insured by the FDIC or related institutions. Energy Outreach's investments in fixed income and equity securities are managed by investment advisors who are engaged by the board of directors.

## (1) Summary of Significant Accounting Policies, Continued

### (e) Concentrations of Credit Risk, Continued

These investments are subject to the risk of fluctuations in market value but, in the opinion of the board of directors, the risk is appropriate in view of the amount and term of the investment funds. Credit risk with respect to receivables is limited due to the number and credit worthiness of the government entities, individuals and organizations from whom the amounts are due.

### (f) Investments

Investments are recorded at cost if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the statement of financial position. Fair value is more fully described in note 1(g). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of Energy Outreach's distributive share of any interest, dividends, and capital gains and losses generated from investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Investment funds in liquidation are reported as investment redemptions receivable upon notification by the investment manager that a redemption is in process.

Energy Outreach has an investment policy that permits it to provide additional funding for its on-going programs using a portion of the corpus of its investments. The amount of the additional funding available under that policy is based on 5% of the corpus. During the year ended September 30, 2022, Energy Outreach did not utilize any of the corpus for core program activities.

### (g) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

### (1) Summary of Significant Accounting Policies, Continued

#### (g) Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. Alternative investments are not publicly traded on national security markets exchanges, are generally illiquid, and may be valued differently than if readily available markets existed for such investments. The market value for alternative investments represents the pro-rata interest in the net assets of the investment and is based on financial information determined and reported by the investment manager. Based on inherent uncertainties of valuation of alternative investments, the reported market value of the investment may differ significantly from realizable value.

#### (h) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### (i) Accounts Receivable

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations and individuals. The allowance for doubtful accounts is based on past experience and on analysis of the collectibility of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. Management considers all receivables to be fully collectible at September 30, 2022.

## (1) Summary of Significant Accounting Policies, Continued

### (j) Revenue Recognition

Public Support

Public support in the statement of activities consists of revenue from contributions and grants. Contributions and grants are recognized when cash, securities, or other assets, and unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Should Energy Outreach substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, Energy Outreach has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances in the statement of financial position.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Conditional contributions related to these grants total $3,685,309 at September 30, 2022.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 statement of activities as net assets released from restrictions.

Contracts with Customers

Owner participation and earned revenue from contracts to complete weatherization assistance projects. Revenue from exchange transactions is recorded as performance obligations are met under the contracts. Amounts received in advance are deferred until such time as they are earned.

Donated Goods and Services

Donated goods are recorded at fair value at the date of the donation. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Energy Outreach. Accordingly, these are reflected as contributions in the accompanying statements at their estimated values at date of receipt. There were no in-kind contributions recognized for the year ended September 30, 2022.

### (k) Property and Equipment

Property and equipment are recorded at cost and depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which are generally three to five years. Property and equipment consisted of the following at September 30, 2022:

| | |
|---|---|
| Software | $ 451,251 |
| Less: accumulated amortization | (28,116) |
| | $ 423,135 |

Amortization expense for the year ended September 30, 2022 was $28,116.

## (1) Summary of Significant Accounting Policies, Continued

### (l) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Energy Outreach incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. Energy Outreach also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

### (m) Income Taxes

Energy Outreach is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

Energy Outreach follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires Energy Outreach to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Energy Outreach has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The three previous tax years remain subject to examination by the IRS.

### (n) Subsequent Events

Energy Outreach has evaluated all subsequent events through January 19, 2023, which is the date the financial statements were available to be issued.

## (2) Liquidity and Availability of Financial Assets

The following reflects Energy Outreach's financial assets as of September 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or when restricted by donors for purposes more limited than general expenditures. General expenditures include general and administrative expenses, fund raising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during Energy Outreach's fiscal year.

Energy Outreach's Grant Committee (the Committee) meets annually to review and approve grant requests. Due to this timing, Energy Outreach strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fund raising expenses plus an amount that represents the next expected payment for annual grant commitments approved by the Committee, which represents the expected annual grant cash needs.

The board designates 5% of the investment balance as of August 31$^{st}$ for the following year's expenditures.

## (2) Liquidity and Availability of Financial Assets, Continued

The table below presents financial assets available for general expenditures within one year at September 30, 2022:

| | |
|---|---|
| Financial assets at year-end | |
| Cash and cash equivalents | $ 15,807,501 |
| Grants and contracts receivable within one year | 2,448,118 |
| Total financial assets at year-end | 18,255,619 |
| Less net assets with purpose restrictions not expected to be met within one year | (114,000) |
| Financial assets available to meet general and specific expenditures within one year | $ 18,141,619 |

Energy Outreach receives significant contributions and grants restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Energy Outreach manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability.
- Maintaining adequate liquid assets.
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of Energy Outreach.

Energy Outreach has a liquidity policy to maintain cash and cash equivalents at a minimum of 30 days of operating expenses. Energy Outreach has a policy to target a year-end balance of reserves of net assets without donor restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, Energy Outreach forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended September 30, 2022, the level of liquidity and reserves was managed within the policy requirements.

| | |
|---|---|
| Board designated for next year’s expenditures | $ – |
| Undesignated | 17,872,453 |
| Total net assets without donor restrictions | $ 17,872,453 |

Board Designated Assets and Investment Policy

Energy Outreach has a reserve balance that has accumulated as a result of several large one-time settlements resulting from decisions made by the Colorado Public Utilities Commission. Energy Outreach advocated that the funds received be used to support the needs of low-income Colorado energy consumers.

## (2) Liquidity and Availability of Financial Assets, Continued

Board Designated Assets and Investment Policy, Continued

Energy Outreach's reserve funds are held in a quasi-endowment. As a quasi-endowment, the corpus does not have the same legal restrictions and obligations as a technical endowment. Since Energy Outreach's reserve funds represent accumulated income, the board of directors has decided to treat these funds as permanent capital, and, unlike a technical endowment, both the income and principal can be spent at the board's discretion. The board recognizes that the need for energy assistance will likely persist over time and wants to ensure that future generations are served as energy price volatility and rapidly changing technologies affect the low-income population's ability to afford home energy costs.

Energy Outreach has an investment policy that permits it to provide additional funding for its on-going programs using a portion of the corpus of its investments. The amount of the additional funding available under that policy is based on a 5% floor of the corpus as valued on a date on or around July 31st – August 31st of any given year whereby the upcoming year's budget is being formed. The board approves the annual spend from these funds at the time the budget is approved.

## (3) Investments

Energy Outreach's investment assets, which include private and publicly held investments, are dedicated to providing the financial resources needed to meet Energy Outreach's charitable objectives. Investments are stated at fair value and are comprised of the following at September 30, 2022:

| | |
|---|---|
| Money market funds | $ 112,282 |
| Bond funds: | |
| Fixed income | 3,491,509 |
| Floating rate corporate loans | 1,850,543 |
| Total bond funds | 5,342,052 |
| Equity funds and managed equities: | |
| Large cap growth | 1,978,719 |
| Mid cap growth | 364,502 |
| Small cap equity | 379,952 |
| International equity | 1,523,862 |
| Emerging markets | 443,911 |
| Real estate investment trust | 648,913 |
| Energy funds | 591,532 |
| Total managed equity and equity funds | 5,931,391 |
| Alternative investments: | |
| Low correlated hedge funds | 3,028,707 |
| Real estate | 648,703 |
| Private equity | 1,829,344 |
| Total alternative investments | 5,506,754 |
| | $ 16,892,479 |

## (3) Investments, Continued

Investment return is summarized as follows:

| | |
|---|---|
| Investment interest and dividend income | $ 482,707 |
| Realized and unrealized losses on investments | (2,177,686) |
| Less investment expenses | (62,403) |
| Total investment return | $ (1,757,382) |

The following table summarizes the valuation of Energy Outreach's financial instruments by the fair value hierarchy levels as of September 30, 2022:

| | Fair Value | (Level 1) |
|---|---|---|
| Investments measured at fair value | | |
| Money market funds | $ 112,282 | 112,282 |
| Bond funds | 5,342,052 | 5,342,052 |
| Equity funds and managed equities | 5,931,391 | 5,931,391 |
| | 11,385,725 | 11,385,725 |
| Investments measured at NAV | | |
| Alternative investments | 5,506,754 | |
| Total | $ 16,892,479 | 11,385,725 |

Level 1 assets have been valued using a market approach. All other investment have been valued at net asset value per share as reported by the investment manager or sponsor as a practical expedient. There were no changes in the valuation techniques during the current year.

The following table summarizes the significant information related to investments measured at NAV as of September 30, 2022:

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Limited Liability Corporation (a) | $ 1,466,757 | None | Semi-annually | 95 days |
| Limited Partnership (b) | 1,561,950 | None | Quarterly or Monthly | 60 days or 90 days |
| Real Estate (c) | 648,703 | None | Quarterly | 60 days |
| Private Equity Fund (d) | 1,829,344 | None | Quarterly | 60 days |

(a) The objective of this limited liability corporation is capital appreciation with limited variability of returns. The fund attempts to achieve this objective by allocating capital among a number of underlying funds, which follow alternative investment strategies. These underlying funds are commonly described as hedge funds and, therefore, the fund is referred to as a fund of hedge funds.

(b) The objective of this partnership is to maximize capital appreciation over the long term pursuant to a "multi-manager" investment philosophy. The partnership seeks to achieve this objective by allocating its asset primarily among a select group of sub-advisers, who principally employ "long/short" investment strategies in the global equity markets.

(c) This limited partnership invests directly into real estate for long-term capital appreciation.

(d) The objective of this private equity fund is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of private equity and debt investments.

## (4) Unclaimed Utility Deposits and Refunds

Unclaimed utility deposits represent revenue that is available to Energy Outreach as a result of the enactment by the Colorado Legislature in 1990 of a bill which requires utilities to remit to Energy Outreach unclaimed customer and security deposits two or more years old. In addition, the Colorado Legislature passed a bill in 1992, whereby the PUC can order up to 90% of undistributed overcharge refunds to be made available to Energy Outreach on a case-by-case basis. During fiscal year 2022, Energy Outreach received $220,254 from unclaimed deposits and refunds. Under the Colorado Revised Statutes, any unclaimed deposits and refunds received by Energy Outreach must be forwarded to LEAP, and as such are not included in total revenues of Energy Outreach. There is $220,254 that is owed to LEAP at September 30, 2022.

## (5) Significant Contributions

During the year ended September 30, 2022, Xcel made contributions to Energy Outreach totaling $6,875,964 based on customer late payments. Xcel also provided funding for the non-profit energy efficiency program, multi-family and single family weatherization programs totaling $6,114,694. Xcel remitted $51,132 representing unclaimed deposits. Xcel customers contributed $704,662 to Energy Outreach during the year ended September 30, 2022. Furthermore, Energy Outreach received $11,933,260 from Xcel as low-income utility payment assistance contributions.

## (6) Margin Agreement

Energy Outreach has a $2,509,698 margin agreement with its investment manager with the intention of using these funds, if necessary, to support working capital needs. There was no balance outstanding on this margin agreement at September 30, 2022. Interest is variable with an average variable rate of 5.65% at September 30, 2022. Energy Outreach's investments with the investment manager are collateral for the agreement.

## (7) Employee Retirement Plan

Energy Outreach has a retirement plan for employees, which requires Energy Outreach to contribute 8% of an employee's salary to the plan. The contributions are vested over a two-year period. Energy Outreach's contributions to the plan were $266,292 in 2022. In addition, upon the date of hire, full-time employees may contribute to a tax deferred annuity plan.

## (8) Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2022 consist of $14,435,356 in unexpended funds related to restricted grants. Net assets released from restrictions during 2022 consisted of expenditures totaling $7,222,000 related to restricted grants and contributions.

## (9) Commitments

Energy Outreach is obligated under an operating lease for rental of office space, which expires June 30, 2023. Rent expense for this office space lease was $156,731 in 2022. Energy Outreach has separate operating lease agreements for rental of a copier through June 2026 and rental of a postage machine on a month-to-month basis. Rent expense under theses leases totaled $8,064 during 2022.

## (9) Commitments, Continued

Future minimum lease payments are as follows for the years ending September 30:

| | |
|---|---|
| 2023 | $ 153,802 |
| 2024 | 3,547 |
| 2025 | 3,547 |
| 2026 | 2,660 |
| | $ 163,556 |