

**Southwest Energy  
Efficiency Project**

(a nonprofit Colorado corporation)

**Financial Statements**

December 31, 2019 and 2018

# Southwest Energy Efficiency Project

## Table of Contents

---

---

<b>Independent Auditor's Report</b> .....	Pages 1-2
<b>Statements of Financial Position</b> December 31, 2019 and 2018 .....	Page 3
<b>Statement of Activities</b> Year ended December 31, 2019 .....	Page 4
<b>Statement of Activities</b> Year ended December 31, 2018 .....	Page 5
<b>Statement of Functional Expenses</b> Year ended December 31, 2019 .....	Page 6
<b>Statement of Functional Expenses</b> Year ended December 31, 2018 .....	Page 7
<b>Statements of Cash Flows</b> Years ended December 31, 2019 and 2018 .....	Page 8
<b>Notes to Financial Statements</b> .....	Pages 9-15

## **Independent Auditor's Report**

To the Board of Directors  
Southwest Energy Efficiency Project  
Boulder, Colorado

We have audited the accompanying financial statements of Southwest Energy Efficiency Project (a nonprofit organization), 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.

**Independent Auditor's Report (continued)**

**Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Southwest Energy Efficiency Project 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.

**Prior Period Financial Statements**

The financial statements of Southwest Energy Efficiency Project as of December 31, 2018, were audited by other auditors whose report dated May 14, 2019, expressed an unmodified opinion on those statements.

*Brock and Company, CPAs, P.C.*

Certified Public Accountants

Longmont, Colorado  
June 2, 2020

# Southwest Energy Efficiency Project

## Statements of Financial Position

December 31	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,214,979	\$ 1,938,514
Investments	902,517	897,012
Contracts receivable	93,632	85,120
Contributions receivable	12,500	5,000
Prepaid expenses	6,469	5,086
Total current assets	<u>3,230,097</u>	<u>2,930,732</u>
<b>Property and Equipment</b>		
Office equipment	16,287	15,534
Furniture and fixtures	4,525	4,525
Website and software	15,941	15,941
	<u>36,753</u>	<u>36,000</u>
Less accumulated amortization	(28,491)	(27,196)
Net property and equipment	<u>8,262</u>	<u>8,804</u>
<b>Other Assets</b>		
Deposits	<u>9,555</u>	<u>9,555</u>
Total assets	<u>\$ 3,247,914</u>	<u>\$ 2,949,091</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 122,702	\$ 95,665
Accrued compensation and benefits	53,153	69,444
Total current liabilities	<u>175,855</u>	<u>165,109</u>
<b>Net Assets</b>		
Without donor restrictions	1,864,042	1,837,652
With donor restrictions	1,208,017	946,330
Total net assets	<u>3,072,059</u>	<u>2,783,982</u>
Total liabilities and net assets	<u>\$ 3,247,914</u>	<u>\$ 2,949,091</u>

The accompanying Notes are an integral  
part of these financial statements

Page 3

# Southwest Energy Efficiency Project

## Statement of Activities

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Support and Revenue</b>			
<b>Operating Support</b>			
Grants and contributions	\$ 115,003	\$ 1,465,466	\$ 1,580,469
Memberships	183,000	-	183,000
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,198,779	(1,198,779)	-
Expiration of time restrictions	5,000	(5,000)	-
Total operating support	<u>1,501,782</u>	<u>261,687</u>	<u>1,763,469</u>
<b>Operating Revenue</b>			
Contract revenue	471,588	-	471,588
Conferences and workshops	43,000	-	43,000
Total operating revenue	<u>514,588</u>	<u>-</u>	<u>514,588</u>
 Total operating support and revenue	<u>2,016,370</u>	<u>261,687</u>	<u>2,278,057</u>
<b>Operating Expenses</b>			
Program services	1,595,516	-	1,595,516
Supporting services			
General and administrative	312,147	-	312,147
Fundraising	112,295	-	112,295
Total operating expenses	<u>2,019,958</u>	<u>-</u>	<u>2,019,958</u>
 Total operating support and revenue in excess (deficit) of operating expenses	(3,588)	261,687	258,099
<b>Other Changes</b>			
Investment income	29,909	-	29,909
Gain on sale of equipment	69	-	69
Total other changes	<u>29,978</u>	<u>-</u>	<u>29,978</u>
 Change in Net Assets	26,390	261,687	288,077
 Net Assets, Beginning of Year	<u>1,837,652</u>	<u>946,330</u>	<u>2,783,982</u>
 Net Assets, End of Year	<u>\$ 1,864,042</u>	<u>\$ 1,208,017</u>	<u>\$ 3,072,059</u>

The accompanying Notes are an integral  
part of these financial statements

Page 4

# Southwest Energy Efficiency Project

## Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Operating Support</b>			
Grants and contributions	\$ 293,650	\$ 1,271,710	\$ 1,565,360
Memberships	212,500	-	212,500
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,228,180	(1,228,180)	-
Expiration of time restrictions	52,500	(52,500)	-
Total operating support	<u>1,786,830</u>	<u>(8,970)</u>	<u>1,777,860</u>
<b>Operating Revenue</b>			
Contract revenue	382,207	-	382,207
Conferences and workshops	41,500	-	41,500
Total operating revenue	<u>423,707</u>	<u>-</u>	<u>423,707</u>
 Total operating support and revenue	<u>2,210,537</u>	<u>(8,970)</u>	<u>2,201,567</u>
<b>Operating Expenses</b>			
Program services	1,686,065	-	1,686,065
Supporting services			
General and administrative	303,927	-	303,927
Fundraising	131,881	-	131,881
Total operating expenses	<u>2,121,873</u>	<u>-</u>	<u>2,121,873</u>
 Total operating support and revenue in excess (deficit) of operating expenses	88,664	(8,970)	79,694
<b>Other Changes</b>			
Investment income	10,619	-	10,619
Loss on disposal of equipment	(574)	-	(574)
Total other changes	<u>10,045</u>	<u>-</u>	<u>10,045</u>
 Change in Net Assets	98,709	(8,970)	89,739
 Net Assets, Beginning of Year	<u>1,738,943</u>	<u>955,300</u>	<u>2,694,243</u>
 Net Assets, End of Year	<u>\$ 1,837,652</u>	<u>\$ 946,330</u>	<u>\$ 2,783,982</u>

The accompanying Notes are an integral  
part of these financial statements

Page 5

# Southwest Energy Efficiency Project

## Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 820,279	\$ 210,612	\$ 77,594	\$ 1,108,485
Employee benefits	111,930	28,739	10,588	151,257
Payroll taxes	60,792	15,609	5,751	82,152
Total personnel costs	993,001	254,960	93,933	1,341,894
Contract services	333,682	-	-	333,682
Occupancy	66,041	16,957	6,247	89,245
Legal and professional	55,650	18,378	8,500	82,528
Travel	58,644	3,119	624	62,387
Conferences and workshops	37,577	-	-	37,577
Office expenses	16,596	5,613	2,197	24,406
Telephone and communications	11,175	3,926	-	15,101
Insurance	3,068	4,764	242	8,074
Marketing	7,576	-	-	7,576
Website costs	2,897	362	362	3,621
Grants	3,425	-	-	3,425
Dues and subscriptions	2,075	976	-	3,051
Depreciation	2,005	515	190	2,710
Professional development	-	2,557	-	2,557
Miscellaneous expenses	1,973	20	-	1,993
Lobbying	131	-	-	131
Total operating expenses	\$ 1,595,516	\$ 312,147	\$ 112,295	\$ 2,019,958

The accompanying Notes are an integral  
part of these financial statements

Page 6



# Southwest Energy Efficiency Project

## Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 813,108	\$ 208,771	\$ 76,916	\$ 1,098,795
Employee benefits	111,152	28,539	10,514	150,205
Payroll taxes	61,695	15,841	5,836	83,372
Total personnel costs	985,955	253,151	93,266	1,332,372
Contract services	499,979	-	-	499,979
Occupancy	62,229	15,978	5,886	84,093
Legal and professional	18,520	16,999	30,038	65,557
Travel	46,320	2,464	493	49,277
Conferences and workshops	25,855	-	-	25,855
Office expenses	9,520	3,220	1,260	14,000
Grants	12,480	-	-	12,480
Telephone and communications	7,768	2,729	-	10,497
Insurance	2,874	4,462	227	7,563
Website costs	4,278	535	535	5,348
Miscellaneous expenses	4,581	46	-	4,627
Professional development	-	3,092	-	3,092
Depreciation	1,865	479	176	2,520
Dues and subscriptions	1,641	772	-	2,413
Lobbying	2,200	-	-	2,200
Total operating expenses	\$ 1,686,065	\$ 303,927	\$ 131,881	\$ 2,121,873

The accompanying Notes are an integral  
part of these financial statements

Page 7

# Southwest Energy Efficiency Project

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 288,077	\$ 89,739
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,710	2,520
Net unrealized (gain) loss on investments	(5,505)	2,988
(Gain) loss on sale of equipment	(69)	574
Increase (decrease) from changes in assets and liabilities		
Contracts receivable	(8,512)	15,199
Contributions receivable	(7,500)	47,500
Prepaid expenses	(1,383)	(5,086)
Accounts payable	27,037	(13,350)
Accrued compensation and benefits	(16,291)	15,864
Net cash provided by operating activities	<u>278,564</u>	<u>155,948</u>
<b>Cash Flows From Investing Activities</b>		
Net purchases of investments	-	(900,000)
Purchases of property and equipment	(3,299)	(4,393)
Proceeds from sale of property and equipment	1,200	-
Net cash used by investing activities	<u>(2,099)</u>	<u>(904,393)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>276,465</b>	<b>(748,445)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>1,938,514</u></b>	<b><u>2,686,959</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 2,214,979</u></b>	<b><u>\$ 1,938,514</u></b>

The accompanying Notes are an integral  
part of these financial statements

Page 8

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

---

### Note 1 – Nature of Organization and Significant Accounting Policies

*Nature of Organization.* Southwest Energy Efficiency Project (the Organization) is a Colorado non-profit corporation established in 2001 to provide professional services to advance energy efficiency programs and policies in a six-state region: Colorado, Utah, Arizona, New Mexico, Nevada, and Wyoming. Funding for the Organization is primarily obtained through U.S. government contracts and charitable grants and contributions from interested parties.

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

*Basis of Presentation.* The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net Assets Without Donor Restrictions.* Net assets resulting from revenues generated by receiving grants and contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

*Net Assets With Donor Restrictions.* Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Changes in Accounting Principles.* On January 1, 2019, the Organization adopted FASB ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope of accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under the clarified standard, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018

Additionally, on January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

---

---

### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

*Changes in Accounting Principles (continued).* Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended December 31, 2018, or on net assets as of December 31, 2018.

*Cash and Cash Equivalents.* Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

*Investments.* The Organization's investments are stated at fair value. 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. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Fair Value Measurements.* The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive
- Inputs other than quoted prices that are observable for the asset or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

---

### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used as of December 31, 2019 and 2018.

*Contracts Receivable.* Contracts receivable consist of amounts due from government agencies for services provided and are stated at the amount of consideration from clients, of which the Organization has an unconditional right to receive. At the time contracts receivable are originated, the Organization considers an allowance for doubtful contracts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of December 31, 2019 and 2018, management believes all contracts receivable are fully collectible, and accordingly, no allowance for doubtful contracts has been recorded.

*Contributions Receivable.* Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of December 31, 2019 and 2018, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. At December 31, 2019 and 2018, contributions receivable were due within one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Property and Equipment.* It is the Organization's policy to capitalize property and equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally five years for office equipment, seven years for furniture and fixtures, and three years for website and software. Depreciation expense for the years ended December 31, 2019 and 2018 was \$2,710 and \$2,520, respectively. Amortization of software is included in depreciation expense.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

---

---

### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

*Impairment of Long-Lived Assets.* In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2019 and 2018.

*Revenue Recognition.* The Organization's revenues from contracts with customers is comprised of contract revenue and fees from conferences and workshops. Contract revenue consists of consulting services and is recognized as the Organization provides services to customers, which satisfies the Organization's performance obligation. Conference and workshop revenue is recognized upon completion of the educational event, which satisfies the Organization's performance obligation. Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

*Contributions.* Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

*Contributed Services.* The Organization records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation. The Organization received \$55,000 and \$15,000 in contributed services during the years ended December 31, 2019 and 2018, respectively.

*Income Taxes.* The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

*Functional Allocation of Expenses.* The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

*Subsequent Events.* The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 2, 2020, the date at which the financial statements were available for release.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 – Fair Value Measurements

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 902,517</u>	<u>\$ -</u>	<u>\$ 902,517</u>

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 897,012</u>	<u>\$ -</u>	<u>\$ 897,012</u>

*Changes in Fair Value Levels.* The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. There were no significant transfers in or out of fair value levels during the years ended December 31, 2019 and 2018.

Investment income consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest	<u>\$ 24,404</u>	<u>\$ 13,608</u>
Unrealized gain (loss) on investments	<u>5,505</u>	<u>(2,989)</u>
	<u>\$ 29,909</u>	<u>\$ 10,619</u>

### Note 3 - Operating Lease Commitments

The Organization leases office space in Boulder and Denver, Colorado under noncancelable operating leases. The leases require monthly payments totaling \$6,792, and expire in February 2022 and August 2020, respectively. Rent expense, including taxes and shared costs, under the leases totaled \$81,025 and \$79,494 for the years ended December 31, 2019 and 2018, respectively.

Future annual minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2019:

<u>Year</u>	<u>Facilities</u>
2020	<u>\$ 82,117</u>
2021	<u>81,861</u>
2022	<u>13,710</u>
	<u>\$ 177,688</u>

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 4 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years December 31, 2019 and 2018:

	Purpose Restriction		
	Energy Efficiency Projects	Time Restriction	Total
Balance, January 1, 2018	\$ 902,800	\$ 52,500	\$ 955,300
Additions	1,266,710	5,000	1,271,710
Releases	(1,228,180)	(52,500)	(1,280,680)
Balance, December 31, 2018	\$ 941,330	\$ 5,000	\$ 946,330
Additions	<b>1,452,966</b>	<b>12,500</b>	<b>1,465,466</b>
Releases	<b>(1,198,779)</b>	<b>(5,000)</b>	<b>(1,203,779)</b>
Balance, December 31, 2019	<b>\$ 1,195,517</b>	<b>\$ 12,500</b>	<b>\$ 1,208,017</b>

### Note 5 - Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended December 31:

	2019	2018
Recognized over time		
Contract revenue	\$ 471,588	\$ 382,207
Conferences and workshops	43,000	41,500
	<b>\$ 514,588</b>	<b>\$ 423,707</b>

### Note 6 - Liquidity and Availability

The Organization had \$3,223,628 and \$2,925,646 in financial assets available within one year of December 31, 2019 and 2018, respectively. The Organization receives significant contributions and promises to give that are 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. The Organization 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. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the guiding principles.



# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2019 and 2018

---

---

### Note 7 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which allows an employee to contribute up to \$13,000 of their annual compensation. The Organization provides a matching contribution to the plan of up to 3% of the employee's annual compensation. The Organization contributed \$30,418 and \$27,770 to the plan for the years ended December 31, 2019 and 2018, respectively.

### Note 8 - Concentrations of Credit Risk

*Bank Deposits.* The Organization routinely maintains cash balances in excess of federally insured limits.

*Major Funders.* The Organization had two funders who comprised 68% of total support and revenue for the year ended December 31, 2019. The total contracts receivable outstanding from these funders totaled \$89,938 at December 31, 2019. The Organization had three funders who comprised 78% of total support and revenue for the year ended December 31, 2018. The total contracts receivable outstanding from these funders totaled \$67,031 at December 31, 2018.

### Note 9 – Uncertainty and Subsequent Event

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Certain activities of the Organizations are subject to closure or substantially modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

During May 2020, the Organization received the proceeds of a Payroll Protection Program loan of \$244,612. The note is unsecured and bears interest at 1%. Payments are scheduled to begin in December 2020. Proceeds of the loan are forgivable if at least 75% of the proceeds are spent on eligible payroll, with the remaining 25% allowed to be spent for other narrowly specified expenses.