



COLORADO CENTER
on LAW & POLICY

Justice and Economic Security for all Coloradans

Financial Statements

As of and for the Years Ended
December 31, 2018 and 2017



Colorado Center on Law & Policy

Contents

Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to the Financial Statements	8 - 16



Independent Auditor's Report

Colorado Center on Law & Policy
Denver, Colorado

We have audited the accompanying financial statements of the Colorado Center on Law & Policy (the "Center"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Center on Law & Policy as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

ACM LLP

Greeley, Colorado
June 19, 2019

Colorado Center on Law & Policy

Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 736,176	\$ 978,323
Investments	350,235	-
Grants receivable	686,064	685,661
Deposits and prepaid expenses	11,107	20,597
Total current assets	1,783,582	1,684,581
Property and equipment, net	1,570	4,009
Total assets	\$ 1,785,152	\$ 1,688,590
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 42,677	\$ 8,766
Accrued expenses	20,780	20,152
Total current liabilities	63,457	28,918
Commitments and contingencies		
Net assets		
Without donor restrictions	1,041,555	1,164,837
With donor restrictions	680,140	494,835
Total net assets	1,721,695	1,659,672
Total liabilities and net assets	\$ 1,785,152	\$ 1,688,590

See accompanying notes to the financial statements.

Colorado Center on Law & Policy

Statements of Activities

Year Ended December 31,	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue						
Grants and contributions	\$ 492,044	\$ 991,600	\$ 1,483,644	\$ 465,276	\$ 1,204,634	\$ 1,669,910
Other income	1,205	21,308	22,513	14,814	-	14,814
In-kind contributions	87,598	-	87,598	82,400	-	82,400
Rental income	2,750	-	2,750	3,400	-	3,400
Program revenue	25,751	-	25,751	25,657	-	25,657
Legal reimbursement fees	-	12,484	12,484	-	-	-
Net gain on investments	3,009	-	3,009	-	-	-
Net assets released from restrictions	840,087	(840,087)	-	999,425	(999,425)	-
Total support and revenue	1,452,444	185,305	1,637,749	1,590,972	205,209	1,796,181
Expenses						
Program services						
Health Care	626,799	-	626,799	509,479	-	509,479
Economic Security (FESP)	628,907	-	628,907	450,284	-	450,284
Total program services	1,255,706	-	1,255,706	959,763	-	959,763
Management and general	157,088	-	157,088	147,332	-	147,332
Fundraising	162,932	-	162,932	141,123	-	141,123
Total expenses	1,575,726	-	1,575,726	1,248,218	-	1,248,218
Change in net assets	(123,282)	185,305	62,023	342,754	205,209	547,963
Net assets, beginning of year	1,164,837	494,835	1,659,672	822,083	289,626	1,111,709
Net assets, end of year	\$ 1,041,555	\$ 680,140	\$ 1,721,695	\$ 1,164,837	\$ 494,835	\$ 1,659,672

See accompanying notes to the financial statements.

Colorado Center on Law & Policy

Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 62,023	\$ 547,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,439	2,798
Realized and unrealized gains on investments	(3,009)	-
(Increase) decrease in operating assets:		
Grants receivable	(403)	(235,463)
Deposits and prepaid expenses	9,490	(12,299)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	34,539	2,603
Net cash provided by operating activities	105,079	305,602
Cash flows from investing activities		
Purchases of investments	(450,000)	-
Liquidations of investments	102,774	-
Net cash used by investing activities	(347,226)	-
Net change in cash and cash equivalents	(242,147)	305,602
Cash and cash equivalents, beginning of year	978,323	672,721
Cash and cash equivalents, end of year	\$ 736,176	\$ 978,323

See accompanying notes to the financial statements.

Colorado Center on Law & Policy

Statements of Functional Expenses

<i>Year Ended December 31, 2018</i>	Program Services			Management and General	Fundraising	Total 2018
	Health Care	FESP	Total			
Salaries and related expenses	\$ 370,199	\$ 337,990	\$ 708,189	\$ 113,871	\$ 111,861	\$ 933,921
Staff benefits	13,276	9,797	23,073	(1,255)	4,561	26,379
Total salaries and benefits	383,475	347,787	731,262	112,616	116,422	960,300
Accounting	9,232	7,906	17,138	2,803	2,676	22,617
Consulting	20,653	33,001	53,654	1,337	1,633	56,624
Depreciation	878	805	1,683	317	439	2,439
Dues and subscriptions	2,869	2,641	5,510	1,073	659	7,242
Event expense	-	-	-	3,870	15,918	19,788
Insurance	2,525	2,228	4,753	759	744	6,256
In-kind legal	41,171	35,039	76,210	11,388	-	87,598
Office supplies and expense	6,408	5,783	12,191	428	2,095	14,714
Other expenses	3,036	3,510	6,546	3,485	5,047	15,078
Printing and postage	1,530	1,349	2,879	483	449	3,811
Program contract expenses	100,814	134,439	235,253	1,823	16	237,092
Rent and utilities	38,432	34,075	72,507	12,038	12,372	96,917
Telephone and computer	7,364	6,531	13,895	2,283	2,372	18,550
Travel, meals and entertainment	8,412	13,813	22,225	2,385	2,090	26,700
Total functional expenses	\$ 626,799	\$ 628,907	\$ 1,255,706	\$ 157,088	\$ 162,932	\$ 1,575,726
	40%	40%	80%	10%	10%	100%

See accompanying notes to the financial statements.

Colorado Center on Law & Policy

Statements of Functional Expenses

<i>Year Ended December 31, 2017</i>	Program Services			Management and General	Fundraising	Total 2017
	Health Care	FESP	Total			
Salaries and related expenses	\$ 326,885	\$ 281,482	\$ 608,367	\$ 115,314	\$ 88,224	\$ 811,905
Staff benefits	17,188	10,898	28,086	843	1,537	30,466
Total salaries and benefits	344,073	292,380	636,453	116,157	89,761	842,371
Accounting	9,013	7,380	16,393	3,121	2,412	21,926
Consulting	27,265	41,169	68,434	2,387	1,876	72,697
Depreciation	1,147	937	2,084	406	308	2,798
Dues and subscriptions	3,308	2,690	5,998	1,628	552	8,178
Event expense	-	-	-	444	23,693	24,137
Insurance	1,559	1,279	2,838	381	418	3,637
In-kind legal	49,440	32,960	82,400	-	-	82,400
Office supplies and expense	6,937	5,822	12,759	2,604	1,874	17,237
Other expenses	6,323	1,418	7,741	2,126	6,149	16,016
Printing and postage	228	197	425	80	62	567
Program contract expenses	4,260	16,432	20,692	-	-	20,692
Rent and utilities	39,350	32,896	72,246	13,749	10,625	96,620
Telephone and computer	7,443	6,304	13,747	2,626	2,021	18,394
Travel, meals and entertainment	9,133	8,420	17,553	1,623	1,372	20,548
Total functional expenses	\$ 509,479	\$ 450,284	\$ 959,763	\$ 147,332	\$ 141,123	\$ 1,248,218
	41%	36%	77%	12%	11%	100%

See accompanying notes to the financial statements.

Colorado Center on Law & Policy

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Colorado Center on Law and Policy (the “Center”) is presented to assist in understanding the Center’s financial statements. The financial statements and notes are representations of the Center’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of financial statements.

Nature of Activities

The Colorado Center on Law and Policy is a not-for-profit 501(c)(3) organization, incorporated under the laws of Colorado, that advocates on behalf of the poor, working poor and other vulnerable populations. Their mission is to promote justice and economic security for lower income Coloradans through legislative, administrative and legal advocacy, and to provide the critical advocacy formerly provided by federally funded legal services programs. The Center has the following core programs:

- Health Care - uses research, analysis, and legal, legislative and administrative advocacy to ensure access to adequate, affordable health care for all Coloradans;
- Family Economic Security Program (“FESP”) - seeks to reduce the number of Coloradans living in poverty by promoting economic security.

Basis of Presentation

The Center follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB.” The FASB sets GAAP which the Center follows to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the “Codification” or “ASC”.

Cash and Cash Equivalents

The Center considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are not held for long-term purposes, to be cash and cash equivalents.

Investments

The Center records investments at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

Colorado Center on Law & Policy

Notes to the Financial Statements

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value for all financial instruments required to be measured at fair value, into three broad levels as described below:

- *Level 1* - Quoted market prices in active markets for identical assets and liabilities.
- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- *Level 3* - Unobservable inputs are used when little or no market data is available.

This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement.

Grants Receivable

Grants receivable that are expected to be collected in less than one year are reported at net realizable value. Grants receivable that are expected to be collected in more than one year are initially recorded at their estimated fair values. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. In years subsequent to initial recording, an allowance for uncollectible amounts is determined based on the relationship with the donor, historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of December 31, 2018 and 2017, management expects that all amounts are fully collectible in the next year; accordingly, there is no allowance for uncollectible grants.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Colorado Center on Law & Policy

Notes to the Financial Statements

Net Assets With Donor Restrictions – net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned and collectability is reasonably assured.

The Center recognizes contributions, and grants not classified as exchange transactions, when cash, securities or other assets, or an unconditional promise to give 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.

In-kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support. The Center benefited from donated legal services and other donated professional services valued at \$87,598 and \$82,400 during the years ended December 31, 2018 and 2017, respectively. These amounts have been reported as both in-kind contribution revenue and management and general expense on the statement of activities and changes in net assets. The Center recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Advertising

Advertising costs are expensed when incurred.

Functional Allocation of Expenses

The costs of conducting the various programs and supporting activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail expenses by function and reports certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and rent and utilities which have been allocated on a square footage basis, as well as salaries and related expenses and staff benefits which are allocated on the basis of estimates of time and effort.

Colorado Center on Law & Policy

Notes to the Financial Statements

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. The Center had no unrelated business income during the years ended December 31, 2018 and 2017.

The Center believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Center is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2016.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and such differences could be material.

Credit Risk

The Center manages deposit concentration risk by placing their temporary cash and cash equivalents with reputable financial institutions. The Center strives to limit amounts on deposit at any single financial institution so as not to exceed Federal Deposit Insurance Corporation ("FDIC") or other insurance limits. However, the Center had approximately \$490,000 and \$480,000 in deposits over insured limits at December 31, 2018 and 2017, respectively. The Center has never experienced any losses from this exposure.

Recently Issued Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU will supercede most current revenue recognition guidance, including industry-specific guidance. This ASU establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. ASU 2014-09 will be effective for the Center's fiscal year beginning after December 15, 2017. The Center is currently evaluating the impact that the adoption of this standard will have on its financial statements.

Colorado Center on Law & Policy

Notes to the Financial Statements

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. ASU 2018-08 will be effective for the Center's fiscal year beginning after December 15, 2018.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. ASU 2016-02 will be effective for the Center's fiscal year beginning after December 31, 2019.

2. CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has implemented ASU 2016-14 and has adjusted the presented in the statement of financial position and statement of activities and changes in net assets accordingly. The ASU has been applied retrospectively to all periods presented.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	2017
As originally stated:	
Net assets, end of year	
Unrestricted	\$ 1,164,837
Temporarily restricted	494,835
Total net assets, end of year	\$ 1,659,672
As restated:	
Net assets, end of year	
Without donor restrictions	\$ 1,164,837
With donor restrictions	494,835
Total net assets, end of year	\$ 1,659,672

Colorado Center on Law & Policy

Notes to the Financial Statements

3. LIQUIDITY AND AVAILABILITY OF FUNDS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Cash and cash equivalents	\$	736,176
Investments		350,236
Grants receivable, without donor restrictions		79,029
	\$	1,165,441

As part of our liquidity management plans, we expect cash and cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund our ongoing operating activities.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2018 consisted of the following:

	Level 1	Level 2	Level 3
Corporate bonds	\$ -	\$ 350,235	\$ -

The following schedule summarizes the components of investment income, as reported in other income in the statement of activities and changes in net assets for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 3,372	\$ -
Net loss on investments	(363)	-
Net investment income	\$ 3,009	\$ -

5. PROPERTY AND EQUIPMENT

Property and equipment additions over \$1,000 are capitalized and recorded at cost, or if donated, at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from two to seven years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets. Repairs and maintenance costs are charged to expense when incurred.

Colorado Center on Law & Policy

Notes to the Financial Statements

Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. If impairment is indicated, the loss is measured based on the amount by which the carrying value exceeds its fair value. Management does not believe that any indicators of impairment occurred during the years ended December 31, 2018 and 2017.

Property and equipment consists of the following:

<i>December 31,</i>	2018	2017
Furniture and fixtures	\$ 21,157	\$ 21,157
Improvements	18,280	18,280
Equipment	63,154	63,154
Property and equipment	102,591	102,591
Less: accumulated depreciation	(101,021)	(98,582)
Property and equipment, net	\$ 1,570	\$ 4,009

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditures for specified purpose:		
FESP project	\$ -	\$ 494,835
Promises to give, restricted by donors for:		
Health Care project	62,000	-
FESP project	539,111	-
	601,111	494,835
Subject to the passage of time:		
Promises to give that are not restricted by donors	79,029	-
	\$ 680,140	\$ 494,835

Colorado Center on Law & Policy

Notes to the Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other specified events as follows:

	2018	2017
Satisfaction of purpose restrictions		
Health Care project	\$ 143,582	\$ 318,393
FESP project	696,505	415,807
Satisfaction of time restrictions	-	265,225
	\$ 840,087	\$ 999,425

7. RETIREMENT PLAN

The Center sponsors a tax-deferred annuity plan (the “Plan”) qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Center. The Center’s contributions to the Plan during the years ended December 31, 2018 and 2017 were \$20,996 and \$17,541, respectively.

8. LEASE OBLIGATIONS

The Center leases office space under a non-cancelable operating lease that originally expired October 31, 2017. The Center renegotiated the lease in December 2015 to reduce the amount of space leased and extend the term through July 2021. The Center also has a copier lease that expires August 14, 2019, and another that expires June 21, 2021.

Future required minimum payments through maturity under these leases as of December 31, 2018 are as follows:

<i>Year Ending December 31,</i>	
2019	\$ 108,286
2020	104,690
2021	64,468
2022	6,466
2023	3,772
	\$ 287,682

Colorado Center on Law & Policy

Notes to the Financial Statements

9. CONCENTRATIONS

The Center received 58% of its support from two donors during the year ended December 31, 2018. Three donors accounted for 94% of outstanding grants receivable as of December 31, 2018. During the year ended December 31, 2017, the Center received 62% of its support from three donors. Three donors accounted for 94% of grants receivable as of December 31, 2017.

10. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through June 19, 2019, which is the date these financial statements were available to be issued. There are no subsequent events that require additional disclosure in these financial statements.