

**Southwest Energy  
Efficiency Project**

(a nonprofit Colorado corporation)

**Financial Statements**

December 31, 2020 and 2019

# Southwest Energy Efficiency Project

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## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of Southwest Energy Efficiency Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Energy Efficiency Project as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Southwest Energy Efficiency Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Energy Efficiency Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Independent Auditor's Report (continued)

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southwest Energy Efficiency Project'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 Southwest Energy Efficiency Project'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.

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

Certified Public Accountants

Longmont, Colorado  
August 9, 2021

# Southwest Energy Efficiency Project

## Statements of Financial Position

December 31	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,724,406	\$ 2,214,979
Investments	947,199	902,517
Contracts receivable	-	93,632
Contributions receivable	-	12,500
Prepaid expenses	6,602	6,469
Total current assets	<u>2,678,207</u>	<u>3,230,097</u>
<b>Property and Equipment</b>		
Office equipment	15,075	16,287
Furniture and fixtures	4,525	4,525
Website and software	15,941	15,941
	<u>35,541</u>	<u>36,753</u>
Less accumulated amortization	(30,559)	(28,491)
Net property and equipment	<u>4,982</u>	<u>8,262</u>
<b>Other Assets</b>		
Deposits	<u>9,555</u>	<u>9,555</u>
Total assets	<u>\$ 2,692,744</u>	<u>\$ 3,247,914</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,821	\$ 122,702
Accrued compensation and benefits	64,961	53,153
Total current liabilities	<u>67,782</u>	<u>175,855</u>
<b>Net Assets</b>		
Without donor restrictions	1,746,526	1,864,042
With donor restrictions	878,436	1,208,017
Total net assets	<u>2,624,962</u>	<u>3,072,059</u>
Total liabilities and net assets	<u>\$ 2,692,744</u>	<u>\$ 3,247,914</u>

The accompanying Notes are an integral part of these financial statements

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# Southwest Energy Efficiency Project

## Statement of Activities

Year ended December 31, 2020

	<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	\$ 130,248	\$ 843,000	\$ 973,248
Memberships	162,092	-	162,092
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,160,081	(1,160,081)	-
Expiration of time restrictions	12,500	(12,500)	-
Total operating support	<u>1,464,921</u>	<u>(329,581)</u>	<u>1,135,340</u>
<b>Operating Revenue</b>			
Contract revenue	80,513	-	80,513
Total operating support and revenue	<u>1,545,434</u>	<u>(329,581)</u>	<u>1,215,853</u>
<b>Operating Expenses</b>			
Program services	1,453,185	-	1,453,185
Supporting services			
General and administrative	368,289	-	368,289
Fundraising	104,284	-	104,284
Total operating expenses	<u>1,925,758</u>	<u>-</u>	<u>1,925,758</u>
Total operating expenses in excess of of operating support and revenue	(380,324)	(329,581)	(709,905)
<b>Other Changes</b>			
Paycheck Protection Program grant	244,612	-	244,612
Investment income	17,185	-	17,185
Other income	1,395	-	1,395
Loss on disposal of equipment	(384)	-	(384)
Total other changes	<u>262,808</u>	<u>-</u>	<u>262,808</u>
<b>Change in Net Assets</b>	(117,516)	(329,581)	(447,097)
<b>Net Assets, Beginning of Year</b>	<u>1,864,042</u>	<u>1,208,017</u>	<u>3,072,059</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,746,526</u>	<u>\$ 878,436</u>	<u>\$ 2,624,962</u>

The accompanying Notes are an integral  
part of these financial statements

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# Southwest Energy Efficiency Project

## Statement of Activities

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<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>
<b>Change in Net Assets</b>	26,390	261,687	288,077
<b>Net Assets, Beginning of Year</b>	<u>1,837,652</u>	<u>946,330</u>	<u>2,783,982</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,864,042</u>	<u>\$ 1,208,017</u>	<u>\$ 3,072,059</u>

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part of these financial statements

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# Southwest Energy Efficiency Project

## Statement of Functional Expenses

Year ended December 31, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 825,182	\$ 211,871	\$ 78,058	\$ 1,115,111
Employee benefits	111,512	28,632	10,548	150,692
Payroll taxes	63,433	16,287	6,000	85,720
Total personnel costs	1,000,127	256,790	94,606	1,351,523
Contract services	242,491	58,428	-	300,919
Occupancy	71,859	18,450	6,797	97,106
Legal and professional	66,000	18,279	-	84,279
Office expenses	15,657	5,296	2,072	23,025
Lobbying	17,934	-	-	17,934
Telephone and communications	9,874	3,469	-	13,343
Travel	9,944	529	106	10,579
Marketing	6,033	-	-	6,033
Insurance	2,230	3,463	176	5,869
Website costs	2,589	324	324	3,237
Depreciation	2,143	550	203	2,896
Grants	2,800	-	-	2,800
Dues and subscriptions	1,476	694	-	2,170
Professional development	-	2,004	-	2,004
Miscellaneous expenses	1,240	13	-	1,253
Conferences and workshops	788	-	-	788
Total operating expenses	\$ 1,453,185	\$ 368,289	\$ 104,284	\$ 1,925,758

The accompanying Notes are an integral  
part of these financial statements

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# 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	334,076	4	-	334,080
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	1,579	16	-	1,595
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

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# Southwest Energy Efficiency Project

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2020	2019
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (447,097)	\$ 288,077
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	2,896	2,710
Net unrealized gain on investments	(10,598)	(5,505)
(Gain) loss on sale of equipment	384	(69)
Increase (decrease) from changes in assets and liabilities		
Contracts receivable	93,632	(8,512)
Contributions receivable	12,500	(7,500)
Prepaid expenses	(133)	(1,383)
Accounts payable	(119,881)	27,037
Accrued compensation and benefits	11,808	(16,291)
Net cash provided (used) by operating activities	<u>(456,489)</u>	<u>278,564</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(1,436,084)	-
Proceeds from sale of investments	1,402,000	-
Purchases of property and equipment	-	(3,299)
Proceeds from sale of property and equipment	-	1,200
Net cash used by investing activities	<u>(34,084)</u>	<u>(2,099)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(490,573)</b>	276,465
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>2,214,979</u></b>	<b><u>1,938,514</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 1,724,406</u></b>	<b><u>\$ 2,214,979</u></b>

The accompanying Notes are an integral part of these financial statements

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# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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### 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.

*Change in Accounting Principle.* In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in FASB ASC 820. The amendments in ASU 2018-13 are effective for fiscal years beginning after December 15, 2019. Certain amendments in ASU 2018-13 are applied prospectively and all others are applied retrospectively. During 2020, the Organization adopted ASU 2018-13. The adoption did not have any material effect on the change in net assets for the year ended December 31, 2019, or on net assets as of December 31, 2019.

*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.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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

*Investments (continued).* 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: <ul style="list-style-type: none"><li>- Quoted prices for similar assets or liabilities in active markets;</li><li>- Quoted prices for identical or similar assets or liabilities in inactive</li><li>- Inputs other than quoted prices that are observable for the asset or</li><li>- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>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.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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

*Fair Value Measurements (continued).* 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, 2020 and 2019.

*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, 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, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. At December 31, 2019, 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, 2020 and 2019 was \$2,896 and \$2,710, respectively. Amortization of software is included in depreciation expense.

*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, 2020 and 2019.

*Revenue Recognition.* The Organization's revenues from contracts with customers is comprised of contract revenue and fees from conferences and workshops.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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

*Revenue Recognition (continued).* 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 \$66,000 and \$55,000 in contributed services during the years ended December 31, 2020 and 2019, 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 August 9, 2021, the date at which the financial statements were available for release.

### Note 2 – Liquidity and Availability

The Organization had \$2,671,605 and \$3,223,628 in financial assets available within one year of December 31, 2020 and 2019, respectively.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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### Note 2 – Liquidity and Availability (continued)

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, 2020 and 2019, the level of liquidity and reserves was managed within the guiding principles.

### Note 3 – Fair Value Measurements

The following summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31:

	<u>2020</u>	<u>2019</u>
Certificates of deposit (level 2)	<u>\$ 947,199</u>	<u>\$ 902,517</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, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Interest	<u>\$ 6,587</u>	<u>\$ 24,404</u>
Unrealized gain on investments	<u>10,598</u>	<u>5,505</u>
	<u>\$ 17,185</u>	<u>\$ 29,909</u>

### Note 4 – Operating Lease Commitments

The Organization leases office space in Boulder, Colorado under a noncancelable operating lease. The lease requires monthly payments of \$6,671, and expires in February 2022. Rent expense, including taxes and shared costs, under the lease totaled \$80,055 and \$81,025 for the years ended December 31, 2020 and 2019, respectively.

# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 4 – Operating Lease Commitments (continued)

Future annual minimum lease payments required under the noncancelable operating lease are as follows at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 82,056
2022	13,743
	<u>\$ 95,799</u>

### Note 5 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years December 31, 2020 and 2019:

	<u>Purpose Restriction</u>		
	<u>Energy Efficiency Projects</u>	<u>Time Restriction</u>	<u>Total</u>
Balance, January 1, 2019	\$ 941,330	\$ 5,000	\$ 946,330
Additions	1,452,966	12,500	1,465,466
Releases	<u>(1,198,779)</u>	<u>(5,000)</u>	<u>(1,203,779)</u>
Balance, December 31, 2019	\$ 1,195,517	\$ 12,500	\$ 1,208,017
Additions	<b>843,000</b>	-	<b>843,000</b>
Releases	<u><b>(1,160,081)</b></u>	<u><b>(12,500)</b></u>	<u><b>(1,172,581)</b></u>
Balance, December 31, 2020	<u><b>\$ 878,436</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 878,436</b></u>

### Note 6 – Paycheck Protection Program

During May 2020, the Organization received proceeds from the Paycheck Protection Program administered by the U.S. Small Business Administration of \$244,612. Proceeds from the program are considered a government grant if at least 60% of the proceeds are spent on eligible payroll, with the remaining 40% on other narrowly specified expenses. As of December 31, 2020, the Organization fulfilled the requirements of the program. Accordingly, the Organization recognized grant revenue totaling \$244,612 in the accompanying statement of activities.

### 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 \$13,500 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 \$29,995 and \$30,418 to the plan for the years ended December 31, 2020 and 2019, respectively.



# Southwest Energy Efficiency Project

## Notes to Financial Statements

December 31, 2020 and 2019

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### 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 63% and 68% of total support and revenue for the years ended December 31, 2020 and 2019, respectively. The total contracts receivable outstanding from these funders totaled \$89,938 at December 31, 2019.

### Note 9 – Risks and Uncertainty

During 2020, a health care pandemic 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. The pandemic has continued into 2021, but at a diminished level. 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.