The Denver Foundation

Consolidated Financial Report
December 31, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
The Denver Foundation

We have audited the accompanying consolidated financial statements of The Denver Foundation and its supporting organizations (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Denver Foundation and its supporting organizations as of December 31, 2019 and their changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Denver Foundation and its supporting organizations' 2018 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

April 24, 2020

Consolidated Statement of Financial Position

December 31, 2019
(with summarized comparative totals for December 31, 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 26,600,638	$ 17,463,359
Program-related investments (Note 4)	113,338,736	99,135,495
Investments - At fair value (Notes 5 and 6)	747,102,462	607,025,068
Investments - Held in cash equivalents (Note 5)	25,630,044	38,907,723
Investments - At cost (Note 5)	3,802,206	459,000
Assets held in charitable lead annuity trusts (Notes 5, 6 and 7)	936,227	857,015
Assets held in charitable remainder trusts (Notes 5, 6 and 7)	1,224,353	1,149,138
Beneficial interests in charitable remainder trusts (Notes 6 and 7)	2,147,770	1,904,645
Beneficial interests in charitable lead trusts (Notes 6 and 7)	638,271	779,306
Beneficial interests in perpetual trusts (Notes 6 and 7)	5,163,383	4,618,572
Funds held as agency endowments (Notes 5, 6 and 12)	58,445,738	42,182,874
Funds held in trusts for others (Notes 5, 6 and 12)	1,906,616	2,576,778
Other assets	2,575,746	907,605
Property and equipment - Net (Note 8)	5,620,969	5,477,589
Total assets	**$ 995,133,159**	**$ 823,444,167**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 623,777	$ 837,874
Grants payable (Note 11)	18,854,407	13,477,341
Liability under trust and annuity agreements (Note 7)	1,216,670	1,092,425
Funds held as agency endowments (Notes 5, 6 and 12)	58,445,738	42,182,874
Funds held in trust for others (Notes 5, 6 and 12)	1,906,616	2,576,778
Other liabilities	4,310,474	2,248,316
Notes and bonds payable - Net (Note 10)	72,239,637	52,464,294
Total liabilities	157,597,319	114,879,902
Net Assets (Note 13)		
Without donor restrictions	820,318,214	690,567,963
With donor restrictions	17,217,626	17,996,302
Total net assets	837,535,840	708,564,265
Total liabilities and net assets	**$ 995,133,159**	**$ 823,444,167**

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions	$ 118,730,863	$ 1,470,000	$ 120,200,863	$ 85,748,294
Investment management fees paid to third parties	(5,042,576)	-	(5,042,576)	(4,781,322)
Net realized and unrealized gain (loss) on investments	91,524,769	-	91,524,769	(27,661,245)
Interest and dividend income	23,813,256	-	23,813,256	10,408,574
Changes in the value of charitable trusts	-	907,083	907,083	(698,610)
Other investment income (loss)	6,135,894	-	6,135,894	(4,978,090)
Other income	15,588,566	-	15,588,566	12,860,256
Investment income from perpetual trusts	231,821	-	231,821	232,017
Net assets released from restrictions	3,155,759	(3,155,759)	-	-
Total revenue, gains, and other support	254,138,352	(778,676)	253,359,676	71,129,874
Expenses				
Program services:				
Grants	97,246,143	-	97,246,143	78,717,396
Other program expenses	4,776,062	-	4,776,062	3,654,595
Special projects and programs	16,462,268	-	16,462,268	10,013,284
Total program services	118,484,473	-	118,484,473	92,385,275
Support services:				
Management and general	4,054,300	-	4,054,300	3,017,622
Development	1,849,328	-	1,849,328	2,175,354
Total support services	5,903,628	-	5,903,628	5,192,976
Total expenses	124,388,101	-	124,388,101	97,578,251
Change in Net Assets	129,750,251	(778,676)	128,971,575	(26,448,377)
Net Assets - Beginning of year	690,567,963	17,996,302	708,564,265	735,012,642
Net Assets - End of year	**$ 820,318,214**	**$ 17,217,626**	**$ 837,535,840**	**$ 708,564,265**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	Program Services			Support Services			Total	
	Grants and Other Program	Special Projects	Total	Management and General	Development	Total	2019	2018
Salaries	$ 2,008,781	$ 274,665	$ 2,283,446	$ 871,368	$ 805,755	$ 1,677,123	$ 3,960,569	$ 4,065,070
Benefits	878,612	120,134	998,746	381,124	352,425	733,549	1,732,295	1,905,082
Total salaries and benefits	2,887,393	394,799	3,282,192	1,252,492	1,158,180	2,410,672	5,692,864	5,970,152
Grants	97,246,143	-	97,246,143	-	-	-	97,246,143	78,717,396
Professional fees	-	1,339,225	1,339,225	464,312	169,538	633,850	1,973,075	2,238,180
Rent and parking	367,740	49,126	416,866	135,680	111,819	247,499	664,365	628,102
Office expenses	107,018	33,249	140,267	249,345	126,848	376,193	516,460	499,124
Local meetings and travel	-	251,524	251,524	46,033	146,541	192,574	444,098	483,123
Technology and equipment	224,615	30,006	254,621	82,873	68,299	151,172	405,793	330,415
Property maintenance	131,035	17,505	148,540	48,346	39,844	88,190	236,730	178,057
Out-of-town travel	-	46,191	46,191	12,691	22,131	34,822	81,013	129,060
Corporate insurance and taxes	-	-	-	49,098	-	49,098	49,098	64,691
Professional development	20,153	2,692	22,845	7,436	6,128	13,564	36,409	48,970
Discount on notes receivable	1,008,501	-	1,008,501	-	-	-	1,008,501	-
Supporting organizations	29,607	14,297,951	14,327,558	1,705,994	-	1,705,994	16,033,552	8,290,981
Total functional expenses	**$102,022,205**	**$ 16,462,268**	**$118,484,473**	**$ 4,054,300**	**$ 1,849,328**	**$ 5,903,628**	**$124,388,101**	**$ 97,578,251**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 128,971,575	$ (26,448,377)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	2,579,509	1,307,926
Change in value of charitable trust arrangements	(157,845)	(209,032)
Change in value of perpetual trust agreements	(544,811)	569,644
Distributions from lead trusts	318,203	631,548
Net realized and unrealized (gain) loss on investments	(91,524,769)	27,661,245
Reinvested interest and dividend income	(23,813,256)	(10,408,574)
Donation of charitable-use property	-	(13,400,000)
Noncash contribution of discount on bonds payable	(1,229,179)	-
Gain on the sale of property and equipment	(185)	-
Changes in operating assets and liabilities:		
Contributions receivable	-	848,625
Other assets	(1,668,141)	(188,674)
Accounts payable	(214,097)	285,016
Grants payable	5,377,066	(946,494)
Other liabilities	2,062,158	162,888
Net cash and cash equivalents provided by (used in) operating activities	20,156,228	(20,134,259)
Cash Flows from Investing Activities		
Purchase of investments	(354,773,296)	(342,987,363)
Proceeds from sale of investments	338,845,237	389,971,037
Proceeds from sale of property and equipment	6,933	-
Purchase of property and equipment	(314,354)	(4,760,962)
Proceeds from sale of charitable-use properties	6,877,602	-
Additions to charitable-use properties/program-related investments	(5,225,721)	(304,704)
Payments received on program-related loans receivable	378,804	370,215
Program-related loans made	-	(5,044,292)
Net cash and cash equivalents (used in) provided by investing activities	(14,204,795)	37,243,931
Cash Flows from Financing Activities		
Payments on notes and bonds payable	(8,888,936)	(402,729)
Proceeds from notes and bonds payable	12,367,412	-
Payments on annuity payable	-	(6,235)
Payments on trust and annuity obligations	(292,630)	(451,548)
Net cash and cash equivalents provided by (used in) financing activities	3,185,846	(860,512)
Net Increase in Cash and Cash Equivalents	9,137,279	16,249,160
Cash and Cash Equivalents - Beginning of year	17,463,359	1,214,199
Cash and Cash Equivalents - End of year	**$ 26,600,638**	**$ 17,463,359**
Significant Noncash Transactions - Financing of the purchase of charitable-use properties/program-related investments through notes and bonds payable	$ 17,195,176	$ -

Note 1 - Nature of Business

The Denver Foundation was established in 1925 as a community foundation whose mission is to inspire people and mobilize resources to strengthen our community.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Denver Foundation and the following supporting organizations, collectively referred to as the "Foundation."

The Community Cash Flow Fund, also known as The Colorado Nonprofit Loan Fund, loans funds to Colorado nonprofit organizations experiencing temporary cash flow shortages. Loans are generally made for up to 11 months at the prime lending rate or 6.5 percent, whichever is higher.

Urban Land Conservancy preserves, for community needs, both undeveloped and developed land in metro Denver urban neighborhoods.

The Foundation for Sustainable Urban Communities (the "Stapleton Foundation") facilitates the productive reuse of the property formerly used as Stapleton International Airport through the development of a new, mixed-use community.

The Recovery Foundation serves the public by providing advocacy and support for research into effective treatment and recovery approaches for individuals and families.

The supporting organizations are incorporated as separate legal entities. The activities of the supporting organizations are required to be consolidated under generally accepted accounting principles (GAAP).

In addition to the supporting organizations, the Foundation is a supported organization of the Reisher Family Foundation, which provides continuation and growth of the Reisher Scholarship Program fund residing with the Foundation. The activities of the Reisher Family Foundation are not required to be consolidated under GAAP.

Effective as of January 1, 2020, the Sakura Foundation became a supporting organization of the Foundation. The Sakura Foundation exists to promote the Japanese-American heritage, culture, and community. The financial position, activities, functional expenses, and cash flows of the Sakura Foundation are not expected to have a material impact on the consolidated financial statements upon its consolidation in the years to come.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Note 2 - Significant Accounting Policies (Continued)

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended December 31, 2018 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's 2018 financial statements, from which the summarized information was derived.

Recently Adopted Accounting Pronouncement

Effective January 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The adoption did not have a material impact to the financial statements, and the Foundation's revenue recognition practices were substantially unchanged as a result of applying ASU No. 2018-08.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

The most significant of these reclassifications include the following:

The Foundation previously classified approximately $16,000,000 as investments on the 2018 consolidated statement of financial position. This amount has been reclassified as cash and cash equivalents to conform to the 2019 presentation. The reclassification did not change total assets as of December 31, 2018. This reclassification also impacted the consolidated statement of cash flows for 2018 by reclassifying amounts previously classified as cash flows from investing activities to adjust the cash and cash equivalents balance at the end of the year for 2018.

The Foundation previously classified approximately $52,000,000 as other liabilities on the 2018 consolidated statement of financial position. This amount has been reclassified as notes and bonds payable to conform to the 2019 presentation. The reclassification did not change total liabilities as of December 31, 2018.

The Foundation previously classified approximately $10,000,000 as net assets without donor restrictions on the 2018 consolidated statement of financial position. This amount has been reclassified as net assets with donor restrictions to conform to the 2019 presentation. The reclassification did not change total net assets as of December 31, 2018.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases (Topic 842),* which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2021 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Foundation is still evaluating which method it will apply. The new lease standard is not expected to have a significant effect on the Foundation’s financial statements as a result of the Foundation's operating leases, as disclosed in Note 15, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Foundation will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Contributions

In accordance with GAAP and the recommendations of the Finance, Administration & Operations Group (FAOG) Report, contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Foundation. Amounts of contributions with donor restrictions are subsequently released to net assets without donor restrictions when expenses have been incurred in satisfaction of those restrictions. Noncash contributions are recorded at fair value on the date of donation.

Cash and Cash Equivalents

For the purpose of the accompanying consolidated financial statements, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The carrying amount reported in the consolidated statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

Investments

The Foundation's investment assets, which include privately and publicly held investments, are dedicated to providing the financial resources needed to meet the Foundation's operations, grant making, scholarship, and other charitable objectives. The Foundation's investments, with limited exceptions, are managed by independent professional investment management firms and are held in various investment structures, such as money market funds, commingled mutual funds and trusts, foreign-domiciled hedge funds, and limited partnerships.

The Foundation is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statement of activities and changes in net assets.

Note 2 - Significant Accounting Policies (Continued)

The fair values for alternative investments represent the Foundation's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by the Foundation. Alternative investments are not publicly traded on national security exchanges, are generally illiquid, and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties in the valuation of alternative investments, the reported fair values of such investments may differ significantly from the realized values.

Direct investments in real estate are recorded at the lower of cost or fair value.

Investment income consists of the Foundation's distributive share of any interest, dividends, capital gains, and capital losses generated from the Foundation's investments, as well as the change in fair value.

Distributive shares of income or loss from pass-through entities, such a partnerships and trusts, are recorded as income in the year such items are recognized by the entity and are reported as adjustments to the initial cost basis of the investment. Gains and losses attributable to the Foundation's investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities and changes in net assets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of money market accounts considered to be cash equivalents and investment securities.

The Foundation places its cash and money market accounts with creditworthy, high-quality financial institutions.

The Foundation has significant investments and, therefore, is subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation, and the investments are monitored for the Foundation by management, its investment committee, and its outside investment advisor. Though the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Property and Equipment

Property and equipment of the Foundation are recorded at cost. The assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years. Leasehold improvements are amortized over the remaining life of the related lease. The Foundation capitalizes all fixed asset purchases over $5,000 with an estimated useful life of five years or more.

Functional Allocation of Expenses

Costs of providing grants, program, and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Costs have been allocated between the various programs and support services on several bases and estimates. Salaries and benefits are allocated based on time and effort. Other expenses, such as occupancy costs and technology, are allocated based on headcount. Other expenses are allocated based on the direct benefit to a program or supporting activity. Supporting organization expenses are based on the underlying allocations reported by the supporting organizations. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Denver Foundation, The Colorado Nonprofit Loan Fund, Urban Land Conservancy, the Stapleton Foundation, and The Recovery Foundation are all not-for-profit corporations and are exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including April 24, 2020, which is the date the consolidated financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to COVID-19, the Foundation activated the Critical Needs Fund, which allows the Foundation to rapidly deploy resources to serve the organizations most at risk of serious disruption that serve the most vulnerable groups in the community. The Foundation's Critical Needs Fund has a focus on critical issues, including housing insecurity and lack of access to food and healthcare services. The Foundation has also worked with other philanthropic partners to make an even larger impact, including joining with nearly 300 foundations from across the country in signing the Council of Foundations' Commitment to COVID-19 Action pledge, as well as more locally focused partnerships.

Subsequent to the consolidated balance sheet date, as a result of the pandemic and the impacts it has had on financial markets, the Foundation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. No impairments were recorded as of the consolidated balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Foundation’s activities, liquidity, cash flows, and financial position could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures exceeds $500,000,000 as of December 31, 2019, which represent investments that are held in cash equivalents or able to be liquidated within one year. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Foundation manages its financial assets to provide resources for the annual costs of its operations by strategically investing through a broadly diversified asset allocation model that meets the long-term expected needs of the Foundation. The Foundation expects to have sufficient cash flow for monthly obligations for the year ending December 31, 2020.

The Foundation has a committed line of credit in the amount of $10,000,000 at December 31, 2019, which it could draw upon if needed, as further described in Note 9.

Note 4 - Program-related Investments

During 2013, the Foundation issued a note receivable to a nonprofit corporation for $7,500,000 with interest at 1 percent and due monthly with principal payments through January 31, 2029. The note receivable was discounted to fair market value as of December 31, 2019 using an imputed interest rate of 3.32 percent.

During 2017, the Foundation issued a note receivable to a nonprofit corporation for $3,336,491 with no interest and due monthly with principal payments through July 1, 2028. The note receivable was discounted to fair market value as of December 31, 2019 using an imputed interest rate of 2.60 percent.

During 2018, the Foundation issued a note receivable to a nonprofit corporation for $2,500,000 with no interest and due yearly, starting on June 30, 2024, with principal payments through June 30, 2033. The note receivable was discounted to fair market value as of December 31, 2019 using an imputed interest rate of 3.07 percent.

The Colorado Nonprofit Loan Fund, a supporting organization of the Foundation, invests a portion of its funds in projects that advance its philanthropic purposes by providing loans to certain nonprofit organizations. In addition, The Recovery Foundation, a supporting organization of the Foundation, has invested in property to support its charitable purpose. Urban Land Conservancy, a supporting organization of the Foundation, makes investments in properties for charitable purposes. The properties are acquired, developed, and/or preserved for community needs. Currently, most of the properties are leased to nonprofit community organizations for use in their programs. Charitable-use real estate, other than land, is reflected at cost net of accumulated depreciation. The charitable-use real estate assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years.

Program-related investments are composed of the following at December 31, 2019:

Loans to nonprofit organizations by The Denver Foundation	$ 13,957,028
Property to support the charitable purpose of The Recovery Foundation	722,912
Charitable real estate at Urban Land Conservancy:	
Land	18,876,584
Buildings and improvements	51,433,411
Gross property owned and leased to others	70,309,995
Less accumulated depreciation	(7,301,713)
Net property owned and leased to others	63,008,282
Land held for community use	35,650,514
Total charitable real estate at Urban Land Conservancy	98,658,796
Total program-related investments	$ 113,338,736

Depreciation expense for charitable-use real estate included in program-related investments for the year ended December 31, 2019 was $2,084,413.

Note 5 - Investments

Investments are reflected in the following accounts on the consolidated statement of financial position at December 31, 2019:

Investments at fair value:	
Investments of the Foundation	$ 747,102,462
Assets held in charitable lead annuity trusts	936,227
Assets held in charitable remainder trusts	1,224,353
Funds held as agency endowments	58,445,738
Funds held in trust for others	1,906,616
Total investments at fair value	809,615,396
Investments held in cash equivalents - Money market and other funds	25,630,044
Investments at cost - Real estate	3,802,206
Total investments	$ 839,047,646

Investment return is summarized as follows at December 31, 2019:

Interest and dividend income	$ 23,813,256
Other investment income	6,135,894
Net realized gain	5,675,174
Net unrealized gain	85,849,595
Less investment management fees paid to third parties	(5,042,576)
Net investment return	$ 116,431,343

Marketable and alternative investments are exposed to various risks that may cause the reported value of the Foundation's investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment. The values of bond investments and other fixed-income securities fluctuate in response to changing interest rates, creditworthiness of issuers, and overall economic policies that impact market conditions.

Some investment managers retained by the Foundation are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes. Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio.

At December 31, 2019, the Foundation had total unfunded commitments of approximately $81,000,000 for venture capital/private capital and real estate investments. The Foundation's commitments involve partnership investment structures, which have limited liquidity features, fixed terms, and commitment periods.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Note 6 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements require significant management judgment or estimation using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equities and fixed-income mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed-income bonds: Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Private capital funds, absolute return funds, hedged equity funds, and real assets funds: Valued based on the net asset value (NAV) provided by the investment manager.

Beneficial interests in charitable trusts: Valued by calculating the present value of future distributions expected to be received, using published life expectancy tables and discount rates ranging from 5 to 9 percent.

There were no changes to these valuation methodologies in 2019.

The Foundation follows the provisions of ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share*. This accounting standard update allows the Foundation to use net asset value per share to estimate the fair value of an alternative investment and requires additional fair value disclosures for the Foundation's alternative investments.

In accordance with ASU No. 2015-07 and FASB Codification Subtopic 820-10, certain investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the consolidated statement of financial position.

Note 6 - Fair Value Measurements (Continued)

The following table summarizes the Foundation's fair value of assets measured on a recurring basis by the above fair value hierarchy levels as of December 31, 2019:

	Level 1	Level 2	Level 3	Carried at NAV	Balance at December 31, 2019
Investments					
Domestic equities:					
Large-cap	$ -	$ -	$ -	$ 76,717,921	$ 76,717,921
Exchange-traded fund	25,037,759	-	-	32,576,143	57,613,902
Other	52,613,155	-	-	-	52,613,155
Total domestic equities	77,650,914	-	-	109,294,064	186,944,978
International equities:					
Asia	-	-	-	32,079,331	32,079,331
Non-U.S.	-	-	-	46,555,526	46,555,526
Large-cap	39,830,804	-	-	-	39,830,804
Exchange-traded fund	1,120,844	-	-	-	1,120,844
Total international equities	40,951,648	-	-	78,634,857	119,586,505
Fixed income:					
Mutual funds	217,269,344	-	-	-	217,269,344
Bonds	-	13,469,592	-	-	13,469,592
Total fixed income	217,269,344	13,469,592	-	-	230,738,936
Private capital funds:					
Venture capital	-	-	-	356,743	356,743
Buyout/growth equity	-	-	-	57,400,992	57,400,992
Distressed debt	-	-	-	13,724,201	13,724,201
Oil and gas	-	-	-	8,738,408	8,738,408
Energy	-	-	-	4,244,731	4,244,731
Private capital - Asia	-	-	-	1,289,023	1,289,023
Long-dated assets	-	-	-	679,888	679,888
Various investments	-	-	-	898,072	898,072
Opportunistic credit	-	-	-	16,258,563	16,258,563
Private capital - Europe				3,963,454	3,963,454
Total private capital	-	-	-	107,554,075	107,554,075
Absolute return funds - Arbitrage global	-	-	-	87,645,330	87,645,330
Hedged equity funds:					
Domestic	-	-	-	15,902,373	15,902,373
Global	-	-	-	56,377,312	56,377,312
Long-term distressed debt	-	-	-	1,001,612	1,001,612
Total hedged equity	-	-	-	73,281,297	73,281,297
Real assets funds - Private capital	-	-	-	3,864,275	3,864,275
Total investments at fair value	$ 335,871,906	$ 13,469,592	$ -	$ 460,273,898	$ 809,615,396
Beneficial Interests in Charitable Trusts					
Charitable remainder trusts	$ -	$ -	$ 2,147,770	$ -	$ 2,147,770
Charitable lead trusts	-	-	638,271	-	638,271
Perpetual trusts	-	-	5,163,383	-	5,163,383
Total beneficial interests in charitable trusts	$ -	$ -	$ 7,949,424	$ -	$ 7,949,424

Money market and other funds classified as investments held in cash equivalents in the amount of $25,630,044 and real estate classified as investments held at cost in the amount of $3,802,206 are not subject to fair value disclosures and, therefore, are not included in the table above.

Note 6 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2019 are as follows:

	Investments	Beneficial Interests in Charitable Trusts	Total
Balance at January 1, 2019	$ 100,219	$ 7,302,523	$ 7,402,742
Purchases, issuances, sales, and settlements:			
Total realized and unrealized gains	1,130	1,058,721	1,059,851
Distributions	(101,349)	(411,820)	(513,169)
Balance at December 31, 2019	$ -	$ 7,949,424	$ 7,949,424

The Foundation is also required to disclose the change in unrealized gain or loss included in the change in net assets related to assets still held at the reporting date for Level 3 investments. At December 31, 2019, this was an unrealized loss of $648,031.

Investments in Certain Entities that Calculate Net Asset Value Per Share

Investments carried at NAV as of December 31, 2019 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic equities	$ 109,294,064	$ -	Daily to monthly	30 days
International equities	78,634,857	-	Daily to quarterly	5 to 90 days
Private capital funds	107,554,075	81,236,000	N/A	N/A
Absolute return funds	87,645,330	-	Quarterly to annually	45 to 100 days
Hedged equity funds	73,281,297	-	Monthly to three-year rolling	30 to 90 days
Real assets funds	3,864,275	-	N/A	N/A
Total NAV investments	$ 460,273,898	$ 81,236,000		

Domestic equities includes investments in funds that focus on long-only domestic equities. The underlying assets are liquid, and the funds' managers provide details of those assets. As of December 31, 2019, all of the investments in this category can be redeemed with no restrictions.

International equities includes investments in funds that focus on long-only international equities. The underlying assets are liquid, and the funds' managers provide details of those assets. As of December 31, 2019, all of the investments in this category can be redeemed with no restrictions.

Private capital funds include several private capital funds that primarily focus on buyout, growth equity, distressed debt, oil and gas, energy, and/or opportunistic credit, as well as some smaller subcategories. These investments are not redeemable. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms for these investments range from 3 to 25 years. As of December 31, 2019, the fair values of the investments in this category have been estimated using net asset value provided by the investment manager.

Note 6 - Fair Value Measurements (Continued)

Hedged equity funds include investments in hedge funds that invest both long and short primarily in either U.S. or global common stocks and long-term distressed. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using net asset value per share of the investments. As of December 31, 2019, approximately 100 percent of the investments in this category have passed their initial lockup periods. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

Absolute return funds include a multistrategy absolute return investment focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using net asset value per share of the investments. As of December 31, 2019, all of the investments in the category have passed their initial lockup periods. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

Real assets funds include two real estate funds that invest primarily in domestic core and opportunistic real estate. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms for these investments are 10 years. As of December 31, 2019, the fair values of the investments in this category have been estimated using net asset value provided by the investment manager.

Note 7 - Charitable Trust Arrangements

The Foundation follows the provisions of the American Institute of Certified Public Accountants (AICPA) audit and accounting guide, *Not-for-Profit Organizations*, which requires the recording of all unconditional, irrevocable split-interest agreements under which the Foundation is entitled to receive a benefit. Split-interest agreements are carried out through the formation of charitable trusts, the trustees of which may be either the Foundation or third parties, such as commercial banks. A summary of the Foundation's charitable trust arrangements is as follows:

Charitable Trusts Administered by the Foundation

<u>Charitable Lead Annuity Trusts</u>

Donors have established two charitable lead annuity trusts naming the Foundation as a trustee and lead beneficiary. Under the terms of the charitable lead annuity trust agreements, the Foundation receives payments over a specified period of time. At the end of the specified period, the trusts will terminate, and the Foundation will distribute the remaining trust assets to individuals specified in the agreements. On the date the trusts were established, the Foundation recorded a contribution in the amount of the estimated present value of the distributions to be received over the terms of the trusts, discounted at rates ranging from 5 to 9 percent.

Thereafter, the Foundation has made the stipulated annual distributions, recording investment gains and losses on the assets held in trusts, and amortizing the discount to present value. On any given date, the Foundation has a related liability to the specified beneficiaries representing the difference between the fair value of the assets held by the trusts and the present value of the remaining distributions to be received by the Foundation.

Note 7 - Charitable Trust Arrangements (Continued)

Charitable Remainder Trust Agreements

The Foundation is the trustee and remainder beneficiary of three charitable remainder trusts that require the Foundation to pay to the lifetime beneficiaries an amount ranging from 5 to 8 percent (as stated in the related trust agreements) of the net fair market value of trust assets, which, at December 31, 2019, consists of investments that are part of the pooled investments of the Foundation and certain real property. On the date each trust was established, the Foundation recorded a contribution equal to the difference between the fair value of the assets placed in trust and the amount of the present value of the estimated distributions to be made to the life income beneficiaries, discounted at rates ranging from 6.4 to 10.8 percent. Thereafter, the Foundation has been making the stipulated annual distributions to the life income beneficiaries, recording investment gains and losses on the assets held in the trusts, and amortizing the discounts to present value. On any given date, the Foundation remainder interest is represented by the difference between the fair value of the assets held by the trust and the present value of the remaining distributions to be paid to the life income beneficiaries.

Total charitable trusts administered by the Foundation are as follows at December 31, 2019:

Assets held in charitable lead annuity trusts	$ 936,227
Assets held in charitable remainder trusts	1,224,353
Less related liabilities	(1,216,670)
Net present value of trusts administered by the Foundation	$ 943,910

These amounts are included in net assets with donor restrictions at December 31, 2019.

Charitable Trusts Administered by Others

Charitable Remainder Trusts

Charitable remainder trusts provide for the payment of distributions to the donor or other designated beneficiaries over the income beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets are available for the Foundation's use as specified by the donor.

Charitable Lead Trusts

Charitable lead trusts provide for the payment of distributions to designated not-for-profit organizations over a specified period of time. Upon termination of the trusts, the remainder of the trust assets is paid to the donor or to other beneficiaries designated by the donor.

The net present value of the Foundation's beneficial interest in these trust agreements is as follows:

Gross amounts of beneficial interests:	
Charitable remainder trusts	$ 5,705,952
Charitable lead trusts	720,000
Less unamortized discount	(3,639,911)
Net present value of beneficial trusts	$ 2,786,041

Note 7 - Charitable Trust Arrangements (Continued)

These amounts are included in net assets with donor restrictions at December 31, 2019.

Perpetual Trusts

The Foundation receives net income from certain perpetual trusts but will never receive the assets of these trusts. Distributions from these trusts are unrestricted. The beneficial interest in these perpetual trusts, recorded as net assets with donor restrictions, was $5,163,383 at December 31, 2019.

Note 8 - Property and Equipment

Property and equipment are summarized as follows as of December 31, 2019:

Land	$ 3,417,649
Buildings	1,287,644
Furniture and fixtures	1,534,323
Leasehold improvements	248,714
Construction in progress	321,143
Total cost	6,809,473
Less accumulated depreciation	1,188,504
Net property and equipment	$ 5,620,969

Depreciation expense for the year ended December 31, 2019 was $171,418.

During 2018, the Foundation purchased land and a building for $4,700,000. In February 2019, the Foundation obtained a $3,500,000 term loan to finance the purchase of the land and building, secured by marketable securities. The loan has a 10-year term and an interest rate of 3.75 percent. The Foundation began renovations to the building in 2019 and plans to complete those renovations in 2020, at which time the Foundation will move its operations and employees to the building.

Note 9 - Line of Credit

Under a line of credit agreement with a bank, the Foundation has available borrowings of approximately $10,000,000. Interest is at the bank's prime rate less 1 percent, which was 3.75 percent at December 31, 2019 and is due monthly. The principal outstanding is due at maturity on September 1, 2020. The line of credit is collateralized by a specific investment account. There was no balance outstanding as of December 31, 2019.

Note 10 - Notes and Bonds Payable

Notes payable and bonds payable consist of various notes payable, bonds payable, and line of credit agreements that have been entered into by Urban Land Conservancy in order to invest in charitable-use properties included in program-related investments, as well as a note payable entered into by The Denver Foundation in 2019 to finance the purchase of land and a building (see Note 8). These obligations are due to a variety of entities, including banks, governmental authorities, local governments, foundations, and private entities. The notes payable are due in monthly installments ranging from $235 to $25,947, bear interest at rates ranging from 0 to 5.0 percent, and mature at various dates through 2045.

The nominal balance of these notes payable, bonds payable, and line of credit agreements at December 31, 2019 was $73,588,361. Unamortized debt issuance costs have been set against this balance in the amount of $320,948, as has a discount on bonds payable in the amount of $1,027,776.

Notes payable are due as follows:

Years Ending	Amount
2020	$ 17,191,539
2021	10,424,969
2022	543,755
2023	12,976,995
2024	13,799,703
Thereafter	18,651,400
Total	$ 73,588,361

Note 11 - Grants Payable

Unconditional grants are recognized as an expense at the time of formal approval. Conditional grants, if any, are expensed when such conditions are substantially met. Grants scheduled for payment more than one year in the future are discounted using an interest rate of 1.69 percent.

The following summarizes grants approved and payable as of December 31, 2019:

Amounts due in:	
Less than one year	$ 9,674,254
One to five years	9,269,257
More than five years	107,312
Discount	(196,416)
Total	$ 18,854,407

Note 12 - Funds Held

Funds Held as Agency Endowments

Certain transfers of assets to the Foundation that are for the benefit of the transferring entity, called agency endowments, are accounted for as a liability by the Foundation and appear in the accompanying consolidated statement of financial position as funds held as agency endowments. At December 31, 2019, the balance of those funds totaled $58,445,738.

Funds Held in Trust for Others

The Foundation receives certain transfers of assets that are revocable or are not assets held for the benefit of the Foundation. These transfers are accounted for as a liability by the Foundation and appear in the accompanying consolidated statement of financial position as funds held in trust for others. At December 31, 2019, the balance of those funds totaled $1,906,616.

Note 13 - Net Assets

Net assets consist of the following as of December 31, 2019:

Without donor restrictions:	
The Denver Foundation	$ 758,033,621
The Colorado Nonprofit Loan Fund	205,037
Urban Land Conservancy	52,513,428
The Stapleton Foundation	2,298,198
The Recovery Foundation	7,267,930
Total without donor restrictions	820,318,214
With donor restrictions - The Denver Foundation:	
Contributions from beneficial interest in charitable trust arrangements - Net of unamortized discount	2,786,041
Contributions of beneficial interests in charitable trust and annuity arrangements - Net of related liabilities	943,910
Contributions of beneficial interests in perpetual trusts	5,163,383
Total with donor restrictions - The Denver Foundation	8,893,334
With donor restrictions - Urban Land Conservancy	8,324,292
Total with donor restrictions	17,217,626
Total net assets	$ 837,535,840

Note 14 - Retirement Plans

The Foundation has a tax-sheltered annuity retirement plan (the "Plan") covering all eligible full-time employees. Full-time employees are eligible for employer contributions to the Plan on the first day of the month following the later of (1) six months following the employee's commencement date or (2) the employee's attainment of age 21. Each plan year, the Foundation determines the amount to contribute to the Plan. For the year ended December 31, 2019, the Foundation's contributions to the Plan equaled 8 percent of an eligible employee's salary. The contributions vest 100 percent to the employees benefit when made. The Foundation's contributions under the Plan were $311,726 in 2019.

Note 15 - Operating Leases

The Foundation is obligated under operating leases primarily for office space and equipment, expiring at various dates through December 2020. The leases require the Foundation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $664,366 for 2019.

Future minimum annual commitments under these operating leases are as follows:

Year Ending December 31	Amount
2020	$ 378,781

Note 16 - Supporting Organizations

As discussed in Note 2, the Foundation consolidates the financial information of four supporting organizations that are established as separate legal entities. The condensed financial information for these supporting organizations as of and for the year ended December 31, 2019 is as follows:

	The Colorado Nonprofit Loan Fund	Urban Land Conservancy	The Stapleton Foundation	The Recovery Foundation	Total Supporting Organizations
Total assets	$ 206,722	$ 132,704,401	$ 2,497,677	$ 7,362,006	$ 142,770,806
Total liabilities	(1,685)	(71,866,681)	(199,479)	(94,076)	(72,161,921)
Total net assets	$ 205,037	$ 60,837,720	$ 2,298,198	$ 7,267,930	$ 70,608,885

	The Colorado Nonprofit Loan Fund	Urban Land Conservancy	The Stapleton Foundation	The Recovery Foundation	Total Supporting Organizations
Total revenue, gains, and support	$ 18,305	$ 23,443,957	$ 2,619,759	$ 2,660,662	$ 28,742,683
Total expenses	(29,607)	(12,385,413)	(2,869,242)	(749,290)	(16,033,552)
Change in net assets	$ (11,302)	$ 11,058,544	$ (249,483)	$ 1,911,372	$ 12,709,131