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# The Denver Foundation

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**Consolidated Financial Report  
December 31, 2020**

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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, 2020 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, 2020 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' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

May 26, 2021

## The Denver Foundation

# Consolidated Statement of Financial Position

**December 31, 2020**  
(with summarized comparative totals for December 31, 2019)

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 17,528,450	\$ 26,600,638
Program-related investments (Note 4)	140,682,494	113,338,736
Investments - At fair value (Notes 5 and 6)	826,339,322	747,102,462
Investments - Held in cash equivalents (Note 5)	72,217,000	25,630,044
Investments - At cost (Note 5)	13,094,777	3,802,206
Assets held in charitable lead annuity trusts (Notes 5, 6 and 7)	998,556	936,227
Assets held in charitable remainder trusts and charitable gift annuities (Notes 5, 6 and 7)	1,990,540	1,224,353
Beneficial interests in charitable remainder trusts (Notes 6 and 7)	2,305,536	2,147,770
Beneficial interests in charitable lead trusts (Notes 6 and 7)	490,185	638,271
Beneficial interests in perpetual trusts (Notes 6 and 7)	5,468,389	5,163,383
Funds held as agency endowments (Notes 5, 6 and 11)	68,595,052	58,445,738
Funds held in trusts for others (Notes 5, 6 and 11)	1,820,383	1,906,616
Other assets	4,122,654	2,575,746
Property and equipment - Net (Note 8)	9,225,877	5,620,969
	<b>\$ 1,164,879,215</b>	<b>\$ 995,133,159</b>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,513,865	\$ 623,777
Grants payable (Note 10)	14,764,426	18,854,407
Liability under trust and annuity agreements (Note 7)	1,470,963	1,216,670
Funds held as agency endowments (Notes 5, 6 and 11)	68,595,052	58,445,738
Funds held in trust for others (Notes 5, 6 and 11)	1,820,383	1,906,616
Other liabilities	6,787,091	4,310,474
Notes and bonds payable - Net (Note 9)	86,461,082	72,239,637
	181,412,862	157,597,319
Total liabilities		
<b>Net Assets (Note 12)</b>		
Without donor restrictions	973,284,110	820,318,214
With donor restrictions	10,182,243	17,217,626
	983,466,353	837,535,840
Total net assets		
	<b>\$ 1,164,879,215</b>	<b>\$ 995,133,159</b>
Total liabilities and net assets		

## Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

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

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Gains, and Other Support</b>				
Contributions	\$ 190,259,839	\$ 570,842	\$ 190,830,681	\$ 120,200,863
Government contracts and grants	510,053	1,924,000	2,434,053	-
Investment management fees paid to third parties	(5,737,363)	-	(5,737,363)	(5,042,576)
Net realized and unrealized gain on investments	78,239,676	-	78,239,676	91,524,769
Interest and dividend income	8,770,713	-	8,770,713	23,813,256
Change in the value of charitable trusts	-	560,067	560,067	907,083
Other investment (loss) income	(715,813)	-	(715,813)	6,135,894
Other income	16,520,923	-	16,520,923	15,588,566
Investment income from perpetual trusts	236,563	-	236,563	231,821
Net assets released from restrictions	10,090,292	(10,090,292)	-	-
Total revenue, gains, and other support	298,174,883	(7,035,383)	291,139,500	253,359,676
<b>Expenses</b>				
Program services:				
Grants	111,328,840	-	111,328,840	97,246,143
Other program expenses	3,690,989	-	3,690,989	4,776,062
Special projects and programs	25,159,323	-	25,159,323	16,462,268
Total program services	140,179,152	-	140,179,152	118,484,473
Support services:				
Management and general	3,177,321	-	3,177,321	4,054,300
Development	1,852,514	-	1,852,514	1,849,328
Total support services	5,029,835	-	5,029,835	5,903,628
Total expenses	145,208,987	-	145,208,987	124,388,101
<b>Change in Net Assets</b>	152,965,896	(7,035,383)	145,930,513	128,971,575
<b>Net Assets - Beginning of year</b>	820,318,214	17,217,626	837,535,840	708,564,265
<b>Net Assets - End of year</b>	<b>\$ 973,284,110</b>	<b>\$ 10,182,243</b>	<b>\$ 983,466,353</b>	<b>\$ 837,535,840</b>

See notes to consolidated financial statements.

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

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

	Program Services			Support Services			Total	
	Grants and Other Program	Special Projects	Total	Management and General	Development	Total	2020	2019
Salaries	\$ 2,109,149	\$ 267,614	\$ 2,376,763	\$ 886,699	\$ 911,921	\$ 1,798,620	\$ 4,175,383	\$ 3,960,569
Benefits	797,456	101,183	898,639	335,255	344,791	680,046	1,578,685	1,732,295
Total salaries and benefits	2,906,605	368,797	3,275,402	1,221,954	1,256,712	2,478,666	5,754,068	5,692,864
Grants	111,328,840	-	111,328,840	-	-	-	111,328,840	97,246,143
Professional fees	-	989,637	989,637	836,807	175,158	1,011,965	2,001,602	1,973,075
Rent and parking	207,059	28,664	235,723	103,529	72,167	175,696	411,419	664,365
Office expenses	119,231	20,763	139,994	131,569	161,240	292,809	432,803	516,460
Local meetings and travel	-	63,464	63,464	31,469	51,929	83,398	146,862	444,098
Technology and equipment	185,404	25,667	211,071	92,702	64,620	157,322	368,393	405,793
Property maintenance	180,397	24,973	205,370	90,198	62,874	153,072	358,442	236,730
Out-of-town travel	-	5,442	5,442	10,009	2,411	12,420	17,862	81,013
Corporate insurance and taxes	-	-	-	63,538	-	63,538	63,538	49,098
Professional development	15,503	2,146	17,649	7,751	5,403	13,154	30,803	36,409
Discount on notes receivable	70,791	-	70,791	-	-	-	70,791	1,008,501
Supporting organizations	5,999	23,629,770	23,635,769	587,795	-	587,795	24,223,564	16,033,552
Total functional expenses	<b><u>\$115,019,829</u></b>	<b><u>\$ 25,159,323</u></b>	<b><u>\$140,179,152</u></b>	<b><u>\$ 3,177,321</u></b>	<b><u>\$ 1,852,514</u></b>	<b><u>\$ 5,029,835</u></b>	<b><u>\$145,208,987</u></b>	<b><u>\$124,388,101</u></b>

## Consolidated Statement of Cash Flows

**Year Ended December 31, 2020**  
(with summarized comparative totals for the year ended December 31, 2019)

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 145,930,513	\$ 128,971,575
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	3,310,571	2,579,509
Change in value of charitable trust arrangements	64,613	(157,845)
Change in value of perpetual trust agreements	(305,006)	(544,811)
Distributions from lead trusts	323,888	318,203
Net realized and unrealized gain on investments	(78,239,676)	(91,524,769)
Reinvested interest and dividend income	(8,770,713)	(23,813,256)
Noncash contribution of discount on bonds payable	-	(1,229,179)
Gain on the sale of property and equipment	4,200	(185)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Other assets	(1,546,908)	(1,668,141)
Accounts payable	890,088	(214,097)
Grants payable	(4,089,981)	5,377,066
Other liabilities	2,476,617	2,062,158
Net cash and cash equivalents provided by operating activities	60,048,206	20,156,228
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(642,417,401)	(354,773,296)
Proceeds from sale of investments	586,016,022	338,845,237
Proceeds from sale of property and equipment	3,250	6,933
Purchase of property and equipment	(3,872,977)	(314,354)
Proceeds from sale of charitable-use properties	14,620,483	6,877,602
Additions to charitable-use properties/program-related investments	(13,872,255)	(5,225,721)
Payments received on program-related loans receivable	879,199	378,804
Net cash and cash equivalents used in investing activities	(58,643,679)	(14,204,795)
<b>Cash Flows from Financing Activities</b>		
Payments on notes and bonds payable	(19,543,522)	(8,888,936)
Proceeds from notes and bonds payable	10,039,211	12,367,412
Payments on trust and annuity obligations	(972,404)	(292,630)
Net cash and cash equivalents (used in) provided by financing activities	(10,476,715)	3,185,846
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(9,072,188)	9,137,279
<b>Cash and Cash Equivalents - Beginning of year</b>	26,600,638	17,463,359
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 17,528,450</b>	<b>\$ 26,600,638</b>
<b>Significant Noncash Transactions</b> - Financing the purchase of charitable-use properties/program-related investments through notes and bonds payable	\$ 23,242,283	\$ 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, Colorado urban neighborhoods.

The Foundation for Sustainable Urban Communities 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.

Sakura Foundation exists to promote the Japanese-American heritage, culture, and community. Sakura Foundation became a supporting organization of The Denver Foundation effective January 1, 2020.

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, 2021, Urban Land Conservancy amended their articles of incorporation and bylaws to no longer remain a supporting organization of the Foundation. As of January 1, 2021, the Foundation no longer had authority to appoint members of the board of directors of Urban Land Conservancy. For the year beginning January 1, 2021, the accounts of Urban Land Conservancy are no longer expected to be included in the consolidated financial statements of the Foundation.

***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.



**Note 2 - Significant Accounting Policies (Continued)**

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 where the donor has stipulated the funds be maintained in perpetuity.

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, 2019 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 2019 financial statements, from which the summarized information was derived.

***Adoption of New Accounting Pronouncement***

As of January 1, 2020, the Foundation adopted Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. As a result of the adoption of ASU No. 2018-13, the Foundation removed certain Level 3 fair value disclosure requirements on fair value measurements disclosed in Note 6. This standard was adopted retrospectively. The adoption of this ASU did not have an impact on the Foundation's net assets or changes in net assets.

***Contributions***

In accordance with GAAP and the recommendations of the Finance, Administration & Operations Group (FAOG) for Community Foundations' 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 with original maturities of three months or less when purchased 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 as 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 program 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.

**Note 2 - Significant Accounting Policies (Continued)**

***Income Taxes***

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

***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.

***Risks and Uncertainties Due to the COVID-19 Pandemic***

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 the COVID-19 pandemic, the Foundation activated the Critical Needs Fund, which allowed 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 health care services. Through the Critical Needs Fund, through December 31, 2020, the Foundation has granted nearly \$1.8 million in COVID-19 relief to 52 nonprofit organizations addressing these issues. The Foundation 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 on Foundations' Commitment to COVID-19 Action pledge, as well as more locally focused partnerships, such as the establishment of the Metro Denver Nonprofit Loan Fund to which the Foundation has pledged \$1 million (see Note 4) in partnership with other community funders, aimed at helping local nonprofits mitigate the lasting impacts of the COVID-19 pandemic while countering historic disparities in access to capital. Other grant-making and collaborative initiatives to address the pandemic include \$1.9 million in expedited funding through the Community Grantmaking Program, \$1.7 million in grants distributed from the COVID-19 Arts & Culture Relief Fund, the establishment of the Rural Response and Recovery Project, as well as nearly \$1 million in support to the Governor's COVID-19 Relief Fund.

During the course of 2020, as a result of the pandemic and the impacts it has had on financial markets, the Foundation's investment portfolio incurred significant declines in fair value at the start of the pandemic and subsequent rebounds in value, consistent with the general trends experienced by the markets at large. Because individual investment values fluctuate with market conditions and the Foundation's investment strategy included weathering the unrealized declines, those temporary declines were not realized during the year.

No impairments were recorded as of or during the year ended December 31, 2020; however, due to significant uncertainty surrounding the situation, management's judgment regarding the impact 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, if any, cannot be reasonably estimated at this time.

**December 31, 2020**

**Note 2 - Significant Accounting Policies (Continued)**

*Subsequent Events*

The consolidated financial statements and related disclosures include evaluation of events up through and including May 26, 2021, which is the date the consolidated financial statements were available to be issued.

**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 exceed \$595,000,000 as of December 31, 2020, which represents 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, 2021.

**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 principal payments due monthly through January 31, 2029. The note receivable was discounted to fair market value as of December 31, 2020 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 principal payments due monthly through July 1, 2028. The note receivable was discounted to fair market value as of December 31, 2020 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, starting on June 30, 2024, principal payments due yearly through June 30, 2033. The note receivable was discounted to fair market value as of December 31, 2020 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.

**Notes to Consolidated Financial Statements**

**December 31, 2020**

**Note 4 - Program-related Investments (Continued)**

Program-related investments are composed of the following at December 31, 2020:

Program-related investments of The Denver Foundation, including loans to nonprofit and other similar organizations	\$ 16,885,692
Property to support the charitable purpose of The Recovery Foundation	1,844,479
Property to support the charitable purpose of Sakura Foundation	2,411,030
Charitable real estate at Urban Land Conservancy:	
Land	21,359,240
Buildings and improvements	<u>66,091,965</u>
Gross property owned and leased to others	87,451,205
Less accumulated depreciation	<u>(8,903,390)</u>
Net property owned and leased to others	78,547,815
Land held for community use	<u>40,993,478</u>
Total charitable real estate at Urban Land Conservancy	<u>119,541,293</u>
Total program-related investments	<u><u>\$ 140,682,494</u></u>

Depreciation expense for charitable-use real estate included in program-related investments for the year ended December 31, 2020 was \$2,566,479.

Unfunded commitments to make program-related investments amounted to \$1,000,000 as of December 31, 2020 in connection with the Foundation's participation as a funder of the Metro Denver Nonprofit Loan Fund.

**Note 5 - Investments**

Investments are reflected in the following accounts on the consolidated statement of financial position at December 31, 2020:

Investments at fair value:	
Investments of the Foundation	\$ 826,339,322
Assets held in charitable lead annuity trusts	998,556
Assets held in charitable remainder trusts and charitable gift annuities	1,990,540
Funds held as agency endowments	68,595,052
Funds held in trust for others	<u>1,820,383</u>
Total investments at fair value	899,743,853
Investments held in cash equivalents - Money market and other funds	72,217,000
Investments at cost - Real estate	<u>13,094,777</u>
Total investments	<u><u>\$ 985,055,630</u></u>

Investment return is summarized as follows at December 31, 2020:

Interest and dividend income	\$ 8,770,713
Other investment income	(715,813)
Net realized gain	4,973,956
Net unrealized gain	73,265,720
Less investment management fees paid to third parties	<u>(5,737,363)</u>
Net investment return	<u><u>\$ 80,557,213</u></u>

**Note 5 - Investments (Continued)**

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, 2020, the Foundation had total unfunded commitments of approximately \$106,600,000 for venture capital/private capital and real estate investments. The Foundation's commitments involve partnership investment structures that 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.

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 where 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.

**Note 6 - Fair Value Measurements (Continued)**

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 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 2020.

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.



Notes to Consolidated Financial Statements

December 31, 2020

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, 2020:

	Level 1	Level 2	Level 3	Carried at NAV	Balance at December 31, 2020
<b>Investments</b>					
Domestic equities:					
Large cap	\$ -	\$ -	\$ -	\$ 139,680,704	\$ 139,680,704
Exchange-traded fund	11,957,019	-	-	-	11,957,019
Other	81,287,113	-	-	-	81,287,113
Total domestic equities	93,244,132	-	-	139,680,704	232,924,836
International equities:					
Asia	-	-	-	33,753,078	33,753,078
Non-U.S.	-	-	-	60,101,318	60,101,318
Large cap	2,747,599	-	-	-	2,747,599
Exchange-traded fund	588,001	-	-	-	588,001
Total international equities	3,335,600	-	-	93,854,396	97,189,996
Fixed income:					
Mutual funds	267,720,211	-	-	-	267,720,211
Bonds	-	389,825	-	-	389,825
Total fixed income	267,720,211	389,825	-	-	268,110,036
Private capital funds:					
Venture capital	-	-	-	283,096	283,096
Buyout/Growth equity	-	-	-	67,007,925	67,007,925
Distressed debt	-	-	-	15,541,442	15,541,442
Oil and gas	-	-	-	4,507,322	4,507,322
Energy	-	-	-	3,731,931	3,731,931
Private capital - Asia	-	-	-	4,415,289	4,415,289
Long-dated assets	-	-	-	651,943	651,943
Opportunistic credit	-	-	-	16,540,826	16,540,826
Private capital - Europe	-	-	-	12,603,244	12,603,244
Total private capital	-	-	-	125,283,018	125,283,018
Absolute return funds - Arbitrage global	97,131	-	-	81,303,612	81,400,743
Hedged equity funds:					
Domestic	-	-	-	90,881,967	90,881,967
Long-term distressed debt	-	-	-	536,645	536,645
Total hedged equity	-	-	-	91,418,612	91,418,612
Real assets funds - Private capital	-	-	-	3,416,612	3,416,612
Total investments at fair value	\$ 364,397,074	\$ 389,825	\$ -	\$ 534,956,954	\$ 899,743,853
<b>Beneficial Interests in Charitable Trusts</b>					
Charitable remainder trusts	\$ -	\$ -	\$ 2,305,536	\$ -	\$ 2,305,536
Charitable lead trusts	-	-	490,185	-	490,185
Perpetual trusts	-	-	5,468,389	-	5,468,389
Total beneficial interests in charitable trusts	\$ -	\$ -	\$ 8,264,110	\$ -	\$ 8,264,110

Money market and other funds classified as investments held in cash equivalents in the amount of \$72,217,000 and real estate classified as investments held at cost in the amount of \$13,094,777 are not subject to fair value disclosures and, therefore, are not included in the table above.



Notes to Consolidated Financial Statements

December 31, 2020

**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, 2020 are as follows:

	Beneficial Interests in Charitable Trusts
Balance at January 1, 2020	\$ 7,949,424
Purchases, issuances, sales, and settlements:	
Total realized and unrealized gains	731,249
Distributions	<u>(416,563)</u>
Balance at December 31, 2020	<u>\$ 8,264,110</u>

**Investments in Certain Entities that Calculate Net Asset Value Per Share**

Investments carried at NAV as of December 31, 2020 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic equities	\$ 139,680,704	\$ -	Daily to monthly	30 days
International equities	93,854,396	-	Daily to quarterly	5 to 90 days
Private capital funds	125,283,018	106,646,219	N/A	N/A
Absolute return funds	81,303,612	-	Quarterly to annually	45 to 100 days
Hedged equity funds	91,418,612	-	Monthly to three- year rolling	30 to 90 days
Real assets funds	3,416,612	-	N/A	N/A
Total NAV investments	<u>\$ 534,956,954</u>	<u>\$ 106,646,219</u>		

Domestic equities include 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, 2020, all of the investments in this category can be redeemed with no restrictions.

International equities include 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, 2020, 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, 2020, the fair values of the investments in this category have been estimated using net asset value provided by the investment manager.

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, 2020, 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.

**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, 2020, 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.

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, 2020, 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***

**Charitable Lead Annuity Trusts**

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.

Notes to Consolidated Financial Statements

December 31, 2020

**Note 7 - Charitable Trust Arrangements (Continued)**

**Charitable Remainder Trust and Charitable Gift Annuity Agreements**

The Foundation is the trustee and remainder beneficiary of three charitable remainder trusts and three charitable gift annuities that require the Foundation to pay to the lifetime beneficiaries an amount ranging from 5 to 8 percent of the net fair market value of trust assets, for the charitable remainder trusts, or at fixed quarterly amounts, for the charitable gift annuities (as stated in the related trust agreements) from available trust assets, which, at December 31, 2020, 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's 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, 2020:

Assets held in charitable lead annuity trusts	\$ 998,556
Assets held in charitable remainder trusts and charitable gift annuities	1,990,540
Less related liabilities	<u>(1,470,963)</u>
Net present value of trusts administered by the Foundation	<u>\$ 1,518,133</u>

These amounts are included in net assets with donor restrictions at December 31, 2020.

***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	\$ 5,951,023
Charitable lead trusts	720,000
Less unamortized discount	<u>(3,875,302)</u>
Net present value of beneficial trusts	<u>\$ 2,795,721</u>

These amounts are included in net assets with donor restrictions at December 31, 2020.

***Perpetual Trusts***

The Foundation receives net income from certain perpetual trusts but will never receive the assets of these trusts. Distributions received from these trusts are unrestricted. The beneficial interest in these perpetual trusts, recorded as net assets with donor restrictions, was \$5,468,389 at December 31, 2020.

Notes to Consolidated Financial Statements

December 31, 2020

**Note 8 - Property and Equipment**

Property and equipment are summarized as follows as of December 31, 2020:

Land	\$ 3,417,649
Buildings	4,976,614
Furniture and fixtures	1,977,619
Construction in progress	<u>30,133</u>
Total cost	10,402,015
Less accumulated depreciation	<u>1,176,138</u>
Net property and equipment	<u><u>\$ 9,225,877</u></u>

Depreciation expense for the year ended December 31, 2020 was \$236,590.

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 outstanding obligation on this loan is recorded in the balance of notes and bonds payable on the consolidated statement of financial position (also see Note 9). The Foundation began renovations to the building in 2019 and completed those renovations in 2020, at which time the Foundation moved its operations and employees to the building, and the asset was placed into service.

**Note 9 - 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), and a note payable from 2014 entered into by Sakura Foundation secured by a first lien deed of trust on its property. 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 up to \$25,947, bear interest at rates ranging from 0.00 to 4.75 percent, and mature at various dates through 2050.

The nominal balance of these notes payable, bonds payable, and line of credit agreements at December 31, 2020 was \$87,691,898. Set against this balance are unamortized debt issuance costs in the amount of \$444,298, and a discount on bonds payable in the amount of \$786,518.

Notes payable are due as follows:

Years Ending	Amount
2021	\$ 17,417,213
2022	6,399,940
2023	10,347,681
2024	17,241,167
2025	11,769,882
Thereafter	<u>24,516,015</u>
Total	<u><u>\$ 87,691,898</u></u>

**Notes to Consolidated Financial Statements**

**December 31, 2020**

**Note 10 - 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 0.48 percent.

The following summarizes grants approved and payable as of December 31, 2020:

Amounts due in:	
Less than one year	\$ 10,765,547
One to five years	4,025,508
More than five years	1,500
Discount	<u>(28,129)</u>
Total	<u>\$ 14,764,426</u>

**Note 11 - 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, 2020, the balance of those funds totaled \$68,595,052.

***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, 2020, the balance of those funds totaled \$1,820,383.

**Note 12 - Net Assets**

Net assets consist of the following as of December 31, 2020:

Without donor restrictions:	
The Denver Foundation	\$ 892,847,159
The Colorado Nonprofit Loan Fund	209,982
Urban Land Conservancy	68,929,305
The Foundation for Sustainable Urban Communities	2,858,878
The Recovery Foundation	7,708,404
Sakura Foundation	<u>730,382</u>
Total without donor restrictions	973,284,110
With donor restrictions - The Denver Foundation:	
Contributions from beneficial interest in charitable trust arrangements - Net of unamortized discount	2,795,721
Contributions of beneficial interests in charitable trust arrangements - Net of related liabilities	1,518,133
Contributions from beneficial interests in perpetual trusts	<u>5,468,389</u>
Total with donor restrictions - The Denver Foundation	9,782,243
With donor restrictions - Urban Land Conservancy	<u>400,000</u>
Total with donor restrictions	<u>10,182,243</u>
Total net assets	<u>\$ 983,466,353</u>

Notes to Consolidated Financial Statements

December 31, 2020

**Note 13 - Retirement Plans**

The Foundation has a tax-sheltered annuity retirement plan (the "Plan") covering all eligible employees, as defined by the Plan's documents. Each plan year, the Foundation may make a discretionary employer contribution to the Plan, which immediately vests. The Foundation's contributions under the Plan were \$284,058 in 2020.

**Note 14 - Operating Leases**

The Foundation is obligated under operating leases primarily for office space, expiring in 2020, and equipment, expiring on various dates through 2025. The leases require the Foundation to pay taxes, insurance, utilities, and maintenance costs, in some cases. Total rent expense under these leases was \$411,419 for 2020.

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

Year Ending December 31	Amount
2021	\$ 14,601
2022	14,601
2023	14,601
2024	14,601
2025	4,867
Total	<u>\$ 63,271</u>

**Note 15 - Supporting Organizations**

As discussed in Note 2, the Foundation consolidates the financial information of five 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, 2020 is as follows:

	The Colorado Nonprofit Loan Fund	Urban Land Conservancy	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total assets	\$ 209,982	\$ 155,458,936	\$ 3,448,092	\$ 7,718,245	\$ 4,507,310	\$ 171,342,565
Total liabilities	-	(86,129,631)	(589,214)	(9,841)	(3,776,928)	(90,505,614)
Total net assets	<u>\$ 209,982</u>	<u>\$ 69,329,305</u>	<u>\$ 2,858,878</u>	<u>\$ 7,708,404</u>	<u>\$ 730,382</u>	<u>\$ 80,836,951</u>
	The Colorado Nonprofit Loan Fund	Urban Land Conservancy	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total revenue, gains, and support	\$ 10,943	\$ 26,193,208	\$ 3,026,404	\$ 1,341,788	\$ 3,901,000	\$ 34,473,343
Total expenses	(5,998)	(17,701,623)	(2,465,724)	(901,314)	(3,170,618)	(24,245,277)
Change in net assets	<u>\$ 4,945</u>	<u>\$ 8,491,585</u>	<u>\$ 560,680</u>	<u>\$ 440,474</u>	<u>\$ 730,382</u>	<u>\$ 10,228,066</u>