The Denver Foundation

Consolidated Financial Report
December 31, 2021

Contents

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Independent Auditor's Report

To the Board of Trustees
The Denver Foundation

Opinion

We have audited the consolidated financial statements of The Denver Foundation and its subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2021 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Trustees
The Denver Foundation

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

June 7, 2022

Consolidated Statement of Financial Position

December 31, 2021
(with summarized comparative totals for December 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	$ 5,694,557	$ 17,528,450
Program-related investments (Note 4)	22,742,930	140,682,494
Investments - At fair value (Notes 5 and 6)	1,090,266,347	826,339,322
Investments - Held in cash equivalents (Note 5)	74,149,095	72,217,000
Investments - Other (Note 5)	1,775,352	13,094,777
Contribution receivables	180,000	-
Assets held in charitable lead annuity trusts (Notes 5, 6 and 7)	1,094,483	998,556
Assets held in charitable remainder trusts and charitable gift annuities (Notes 5, 6 and 7)	2,116,196	1,990,540
Beneficial interests in charitable remainder trusts (Notes 6 and 7)	2,473,306	2,305,536
Beneficial interests in charitable lead trusts (Notes 6 and 7)	334,694	490,185
Beneficial interests in perpetual trusts (Notes 6 and 7)	5,927,994	5,468,389
Funds held as agency endowments (Notes 5, 6 and 11)	107,608,681	68,595,052
Funds held in trusts for others (Notes 5, 6 and 11)	1,879,597	1,820,383
Other assets	3,188,730	4,122,654
Property and equipment - Net (Note 8)	8,880,480	9,225,877
Total assets	**$ 1,328,312,442**	**$ 1,164,879,215**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 905,837	$ 1,513,865
Grants payable (Note 10)	13,637,726	14,764,426
Liability under trust and annuity agreements (Note 7)	1,552,598	1,470,963
Funds held as agency endowments (Note 11)	107,608,681	68,595,052
Funds held in trust for others (Note 11)	1,879,597	1,820,383
Other liabilities	1,868,147	6,787,091
Notes payable	5,411,790	86,461,082
Total liabilities	132,864,376	181,412,862
Net Assets (Note 12)		
Without donor restrictions	1,184,873,991	973,284,110
With donor restrictions	10,574,075	10,182,243
Total net assets	1,195,448,066	983,466,353
Total liabilities and net assets	**$ 1,328,312,442**	**$ 1,164,879,215**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions	$ 266,900,164	$ 180,000	$ 267,080,164	$ 190,830,681
Government contracts and grants	-	-	-	2,434,053
Investment management fees paid to third parties	(7,781,158)	-	(7,781,158)	(5,737,363)
Net realized and unrealized gain on investments	116,540,472	-	116,540,472	78,239,676
Interest and dividend income	13,638,288	-	13,638,288	8,770,713
Change in the value of charitable trusts	-	784,482	784,482	560,067
Other investment loss	(57,010)	-	(57,010)	(715,813)
Other income	10,865,968	-	10,865,968	16,520,923
Investment income from perpetual trusts	211,802	-	211,802	236,563
Net assets released from restrictions	572,650	(572,650)	-	-
Total revenue, gains, and other support	400,891,176	391,832	401,283,008	291,139,500
Expenses				
Program services:				
Grants	103,951,726	-	103,951,726	111,328,840
Other program expenses	2,863,521	-	2,863,521	3,690,989
Special projects and programs	7,633,448	-	7,633,448	25,159,323
Total program services	114,448,695	-	114,448,695	140,179,152
Support services:				
Management and general	3,388,331	-	3,388,331	3,177,321
Development	2,134,964	-	2,134,964	1,852,514
Total support services	5,523,295	-	5,523,295	5,029,835
Total expenses	119,971,990	-	119,971,990	145,208,987
Change in Net Assets - Before nonoperating loss	280,919,186	391,832	281,311,018	145,930,513
Nonoperating Loss - Loss on deconsolidation of subsidiary	(69,329,305)	-	(69,329,305)	-
Change in Net Assets	211,589,881	391,832	211,981,713	145,930,513
Net Assets - Beginning of year	973,284,110	10,182,243	983,466,353	837,535,840
Net Assets - End of year	**$ 1,184,873,991**	**$ 10,574,075**	**$ 1,195,448,066**	**$ 983,466,353**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

	Program Services			Support Services			Total	
	Grants and Other Program	Special Projects	Total	Management And General	Development	Total	2021	2020
Salaries	$ 1,239,482	$ 712,203	$ 1,951,685	$ 979,107	$ 1,078,660	$ 2,057,767	$ 4,009,452	$ 4,175,383
Benefits	486,120	279,324	765,444	384,001	423,046	807,047	1,572,491	1,578,685
Total salaries and benefits	1,725,602	991,527	2,717,129	1,363,108	1,501,706	2,864,814	5,581,943	5,754,068
Grants	103,951,726	-	103,951,726	-	-	-	103,951,726	111,328,840
Professional fees	211,904	563,957	775,861	552,940	164,017	716,957	1,492,818	2,001,602
Rent and parking	17,889	8,921	26,810	11,715	13,846	25,561	52,371	411,419
Office expenses	112,646	71,559	184,205	433,980	87,190	521,170	705,375	432,803
Local meetings and travel	15,033	19,040	34,073	16,087	11,636	27,723	61,796	143,862
Technology and equipment	138,453	69,049	207,502	90,666	107,164	197,830	405,332	368,393
Property maintenance	307,726	153,468	461,194	201,515	238,183	439,698	900,892	358,442
Out-of-town travel	680	34,907	35,587	24,798	526	25,324	60,911	17,862
Corporate insurance and taxes	-	-	-	96,678	-	96,678	96,678	63,538
Professional development	13,819	6,892	20,711	9,049	10,696	19,745	40,456	30,803
Discount on notes receivable	109,787	-	109,787	-	-	-	109,787	70,791
Supporting organizations	209,982	5,714,128	5,924,110	587,795	-	587,795	6,511,905	24,223,564
Total functional expenses	**$106,815,247**	**$ 7,633,448**	**$114,448,695**	**$ 3,388,331**	**$ 2,134,964**	**$ 5,523,295**	**$119,971,990**	**$145,205,987**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2021
(with summarized comparative totals for the year ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 211,981,713	$ 145,930,513
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	339,484	3,310,571
Change in value of charitable trust arrangements	(110,644)	64,613
Change in value of perpetual trust agreements	(459,605)	(305,006)
Distributions from lead trusts	326,814	323,888
Net realized and unrealized gain on investments	(116,540,472)	(78,239,676)
Reinvested interest and dividend income	(13,638,288)	(8,770,713)
Loss on the sale of property and equipment	299,810	4,200
Deconsolidation of previously controlled subsidiary - Net of the impact on cash balances	54,990,055	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Contributions receivable	(180,000)	-
Other assets	(1,937,790)	(1,546,908)
Accounts payable	(396,075)	890,088
Grants payable	(1,126,700)	(4,089,981)
Other liabilities	372,417	2,476,617
Net cash and cash equivalents provided by operating activities	133,920,719	60,048,206
Cash Flows from Investing Activities		
Purchase of investments	(665,940,555)	(642,417,401)
Proceeds from sale of investments	522,931,134	586,016,022
Proceeds from sale of property and equipment	-	3,250
Purchase of property and equipment	(352,090)	(3,872,977)
Proceeds from sale of charitable-use properties	-	14,620,483
Additions to charitable-use properties/program-related investments	(1,968,095)	(13,872,255)
Payments received on program-related loans receivable	366,366	879,199
Net cash and cash equivalents used in investing activities	(144,963,240)	(58,643,679)
Cash Flows from Financing Activities		
Payments on notes and bonds payable	(422,975)	(19,543,522)
Proceeds from notes and bonds payable	-	10,039,211
Payments on trust and annuity obligations	(368,397)	(972,404)
Net cash and cash equivalents used in financing activities	(791,372)	(10,476,715)
Net Decrease in Cash and Cash Equivalents	(11,833,893)	(9,072,188)
Cash and Cash Equivalents - Beginning of year	17,528,450	26,600,638
Cash and Cash Equivalents - End of year	**$ 5,694,557**	**$ 17,528,450**
Significant Noncash Transactions		
Financing the purchase of charitable-use properties/program-related investments through notes and bonds payable	$ -	$ 23,242,283
Deconsolidation of previously controlled subsidiary, resulting in decreases to various assets and liabilities (Note 14)	54,990,055	-

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. During January 2021, the Community Cash Flow Fund dissolved its organization and distributed its final assets in the form of grants. The activities of this entity through dissolution are included in the changes in net assets in these financial statements, but no assets, liabilities, or net assets remain as of December 31, 2021.

Urban Land Conservancy preserves, for community needs, both undeveloped and developed land in metro Denver, Colorado urban neighborhoods. Urban Land Conservancy amended its bylaws and supporting organization status with The Denver Foundation effective as of January 1, 2021. The Foundation no longer had authority to appoint members of the board of directors of Urban Land Conservancy, resulting in no longer being eligible for consolidation into these financial statements as of January 1, 2021. The derecognition of Urban Land Conservancy's assets, liabilities, and net assets as of that date has been included in the change in net assets for the year ended December 31, 2021.

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.

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.

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, 2020 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 2020 financial statements, from which the summarized information was derived.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

Investments classified as other on the consolidated statement of financial position include direct investments in partnerships and other investments without readily determinable fair value and are held at cost (or at fair value as of the date of receipt, if received by way of contribution), net of impairments, if any. In accordance with Accounting Standards Codification (ASC) Section 321, these investments are analyzed for impairment if there are indications that the fair value of the assets may be less than its carrying value, including observable changes in price. Any such impairments are recognized as unrealized losses against the carrying value of the investments.

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 5 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.

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).

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 June 7, 2022, which is the date the consolidated financial statements were available to be issued.

Declines in Investment Values

Subsequent to year end, 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.

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 $788,000,000 as of December 31, 2021, 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

Program-related investments are composed of the following at December 31, 2021:

Program-related investments of The Denver Foundation, including loans to nonprofit and other similar organizations	$ 18,941,559
Property to support the charitable purpose of The Recovery Foundation	1,654,024
Property to support the charitable purpose of Sakura Foundation	2,147,347
Total program-related investments	$ 22,742,930

Some of the more notable program related investments of The Denver Foundation include the following:

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, 2021 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, 2021 using an imputed interest rate of 2.60 percent.

Note 4 - Program-related Investments (Continued)

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, 2021 using an imputed interest rate of 3.07 percent.

During 2021, the Foundation provided funding to the Metro Denver Nonprofit Loan Fund in the amount of $750,000 to make interest-free unsecured loans to qualified nonprofit borrowers. Unfunded commitments to make program-related investments amounted to $250,000 as of December 31, 2021 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, 2021:

Investments at fair value:	
Investments of the Foundation	$ 1,090,266,347
Assets held in charitable lead annuity trusts	1,094,483
Assets held in charitable remainder trusts and charitable gift annuities	2,116,196
Funds held as agency endowments	107,608,681
Funds held in trust for others	1,879,597
Total investments at fair value	1,202,965,304
Investments held in cash equivalents - Money market and other funds	74,149,095
Investments - Other	1,775,352
Total investments	$ 1,278,889,751

Investment return is summarized as follows at December 31, 2021:

Interest and dividend income	$ 13,638,288
Other investment income	(57,010)
Net realized gain	20,544,716
Net unrealized gain	95,995,756
Less investment management fees paid to third parties	(7,781,158)
Net investment return	$ 122,340,592

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.

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.

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 2021.

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, 2021:

	Level 1	Level 2	Level 3	Carried at NAV	Balance at December 31, 2021
Investments					
Domestic equities:					
Large cap	$ -	$ -	$ -	$ 95,175,153	$ 95,175,153
Exchange-traded fund	14,286,872	-	-	-	14,286,872
Other	231,880,390	-	-	-	231,880,390
Total domestic equities	246,167,262	-	-	95,175,153	341,342,415
International equities:					
Asia	-	-	-	20,840,291	20,840,291
Non-U.S.	-	-	-	211,570,320	211,570,320
Large cap	3,179,685	-	-	-	3,179,685
Total international equities	3,179,685	-	-	232,410,611	235,590,296
Fixed income:					
Mutual funds	241,584,488	-	-	-	241,584,488
Bonds	-	2,375,423	-	-	2,375,423
Total fixed income	241,584,488	2,375,423	-	-	243,959,911
Private capital funds:					
Venture capital	-	-	-	261,041	261,041
Buyout/growth equity	-	-	-	91,856,883	91,856,883
Distressed debt	-	-	-	16,060,412	16,060,412
Oil and gas	-	-	-	8,019,692	8,019,692
Energy	-	-	-	4,166,840	4,166,840
Private capital - Asia	-	-	-	6,912,438	6,912,438
Infrastructure	-	-	-	572,472	572,472
Long-dated assets	-	-	-	609,094	609,094
Private debt	-	-	-	890,551	890,551
Opportunistic credit	-	-	-	17,595,512	17,595,512
Private capital - Europe	-	-	-	28,674,308	28,674,308
Total private capital funds	-	-	-	175,619,243	175,619,243
Absolute return:					
Arbitrage global	-	-	-	92,226,423	92,226,423
Subcategory	-	-	-	14,241,689	14,241,689
Total absolute return	-	-	-	106,468,112	106,468,112
Hedged equity funds:					
Global	-	-	-	97,519,987	97,519,987
Long-term distressed debt	-	-	-	10,301	10,301
Total hedged equity funds	-	-	-	97,530,288	97,530,288
Real assets funds - Private capital	-	-	-	2,455,039	2,455,039
Total investments at fair value	$ 490,931,435	$ 2,375,423	$ -	$ 709,658,446	$ 1,202,965,304
Beneficial Interests in Charitable Trusts					
Charitable remainder trusts	$ -	$ -	$ 2,473,306	$ -	$ 2,473,306
Charitable lead trusts	-	-	334,694	-	334,694
Perpetual trusts	-	-	5,927,994	-	5,927,994
Total beneficial interests in charitable trusts	$ -	$ -	$ 8,735,994	$ -	$ 8,735,994

Money market and other funds classified as investments held in cash equivalents in the amount of $74,149,095 and other investments in the amount of $1,775,352 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, 2021 are as follows:

	Beneficial Interests in Charitable Trusts
Balance at January 1, 2021	$ 8,264,110
Purchases, issuances, sales, and settlements:	
Total realized and unrealized gains	863,686
Distributions	(391,802)
Balance at December 31, 2021	$ 8,735,994

Investments in Certain Entities that Calculate Net Asset Value Per Share

Investments carried at NAV as of December 31, 2021 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic equities	$ 95,175,153	$ -	Daily to monthly	30 days
International equities	232,410,611	-	Daily to quarterly	5 to 90 days
Private capital funds	175,619,242	94,906,587	N/A	N/A
Absolute return funds	106,468,113	-	Quarterly to annually	45 to 100 days
Hedged equity funds	97,530,288	-	Monthly to three-year rolling	30 to 90 days
Real assets funds	2,455,039	-	N/A	N/A
Total NAV investments	$ 709,658,446	$ 94,906,587		

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, 2021, all of the investments in this category can be redeemed with no restrictions, but require notice as shown above.

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, 2021, all of the investments in this category can be redeemed with no restrictions, but require notice as shown above.

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, 2021, 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. As of December 31, 2021, 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. As of December 31, 2021, 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, 2021, 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>

A donor has established a charitable lead annuity trust, naming the Foundation as a trustee and lead beneficiary. Under the terms of the charitable lead annuity trust agreement, the Foundation receives payments over a specified period of time. At the end of the specified period, the trust will terminate, and the Foundation will distribute the remaining trust assets to individuals specified in the agreements. On the date the trust was 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 a rate of 5 percent. Thereafter, the Foundation has made the stipulated annual distributions, recording investment gains and losses on the assets held in trust, 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 trust and the present value of the remaining distributions to be received by the Foundation.

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, 2021, consist 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, 2021:

Assets held in charitable lead annuity trusts	$ 1,094,483
Assets held in charitable remainder trusts and charitable gift annuities	2,116,196
Less related liabilities	(1,552,598)
Net present value of trusts administered by the Foundation	$ 1,658,081

These amounts are included in net assets with donor restrictions at December 31, 2021.

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	$ 6,297,814
Charitable lead trusts	360,000
Less unamortized discount	(3,849,814)
Net present value of beneficial trusts	$ 2,808,000

These amounts are included in net assets with donor restrictions at December 31, 2021.

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 $5,927,994 at December 31, 2021.

Note 8 - Property and Equipment

Property and equipment are summarized as follows as of December 31, 2021:

Land	$ 3,555,377
Buildings	5,879,348
Furniture and fixtures	624,673
Total cost	10,059,398
Less accumulated depreciation	1,178,918
Net property and equipment	$ 8,880,480

Depreciation expense for the year ended December 31, 2021 was $339,484.

Note 9 - Notes Payable

Notes payable consist of a note payable entered into by The Denver Foundation in 2019 to finance the purchase of land and a building, and a note payable from 2014 entered into by Sakura Foundation secured by a first lien deed of trust on its property. The notes payable are due in monthly installments, bear interest at rates ranging from 3.75 to 3.99 percent, and mature in February 2029 and March 2039, respectively.

Notes payable are due as follows:

Years Ending	Amount
2022	$ 440,851
2023	458,130
2024	475,882
2025	494,740
2026	514,132
Thereafter	3,028,055
Total	$ 5,411,790

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 0.33 percent.

The following summarizes grants approved and payable as of December 31, 2021:

Amounts due in:	
Less than one year	$ 10,427,666
One to five years	3,262,192
Discount	(52,132)
Total	$ 13,637,726

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, 2021, the balance of those funds totaled $107,608,681.

Note 11 - Funds Held (Continued)

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, 2021, the balance of those funds totaled $1,879,597.

Note 12 - Net Assets

Net assets consist of the following as of December 31, 2021:

Without donor restrictions:	
The Denver Foundation	$ 1,170,946,033
The Foundation for Sustainable Urban Communities	5,142,735
The Recovery Foundation	7,956,022
Sakura Foundation	829,201
Total without donor restrictions	1,184,873,991
With donor restrictions - The Denver Foundation:	
Contributions receivable	180,000
Contributions from beneficial interest in charitable trust arrangements - Net of unamortized discount	2,808,000
Contributions of beneficial interests in charitable trust arrangements - Net of related liabilities	1,658,081
Contributions from beneficial interests in perpetual trusts	5,927,994
Total with donor restrictions	10,574,075
Total net assets	$ 1,195,448,066

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 $260,551 in 2021.

Note 14 - Supporting Organizations

As discussed in Note 2, the Foundation consolidates the financial information of its 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, 2021 is as follows:

	The Colorado Nonprofit Loan Fund	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total assets	$ -	$ 5,209,275	$ 7,971,958	$ 4,436,237	$ 17,617,470
Total liabilities	-	(66,540)	(15,936)	(3,607,036)	(3,689,512)
Total net assets	$ -	$ 5,142,735	$ 7,956,022	$ 829,201	$ 13,927,958

Note 14 - Supporting Organizations (Continued)

	The Colorado Nonprofit Loan Fund	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total revenue, gains, and support	$ -	$ 4,424,668	$ 1,034,718	$ 3,472,832	$ 8,932,218
Total expenses	(209,982)	(2,140,811)	(787,100)	(3,374,013)	(6,511,906)
Change in net assets	$ (209,982)	$ 2,283,857	$ 247,618	$ 98,819	$ 2,420,312

The Colorado Nonprofit Loan Fund was dissolved, and Urban Land Conservancy was deconsolidated during 2021, as described in Note 2.

The deconsolidation of Urban Land Conservancy resulted in decreases to assets, liabilities, and net assets. The decreases to assets totaled $155,458,936, including most notably cash and cash equivalents of $14,339,250 and program-related investments of $119,541,293. The decrease in liabilities totaled $86,129,631, including most notably notes payable of $80,626,317. The decrease in net assets of $69,329,305 resulted in a loss on deconsolidation shown on the consolidated statement of activities and changes in net assets. This loss, with the exception of the portion related to the decrease in cash and equivalents, is considered a significant noncash transaction impacting the reporting on the consolidated statement of cash flows.