The Denver Foundation

Consolidated Financial Report
December 31, 2022

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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, 2022 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, 2022 and the changes in its 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.

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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

June 22, 2023

Consolidated Statement of Financial Position

December 31, 2022
(With Summarized Comparative Totals for December 31, 2021)

	2022	2021
Assets		
Cash and cash equivalents	$ 4,459,450	$ 5,694,557
Program-related investments (Note 4)	16,602,263	22,742,930
Investments - At fair value (Note 6)	944,938,957	1,090,266,347
Investments - Held in cash equivalents	82,252,199	74,149,095
Investments - Other	1,028,206	1,775,352
Contributions receivable	-	180,000
Assets held in charitable lead annuity trusts (Notes 6 and 7)	934,575	1,094,483
Assets held in charitable remainder trusts and charitable gift annuities (Notes 6 and 7)	1,718,639	2,116,196
Beneficial interests in charitable remainder trusts (Notes 6 and 7)	2,677,182	2,473,306
Beneficial interests in charitable lead trusts (Notes 6 and 7)	171,429	334,694
Beneficial interests in perpetual trusts (Notes 6 and 7)	4,745,451	5,927,994
Funds held as agency endowments (Notes 6 and 11)	92,155,895	107,608,681
Funds held in trusts for others (Notes 6 and 11)	1,293,664	1,879,597
Other assets	1,223,956	3,188,730
Property and equipment - Net (Note 8)	11,948,894	8,880,480
Total assets	**$ 1,166,150,760**	**$ 1,328,312,442**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 676,047	$ 905,837
Grants payable (Note 10)	20,201,967	13,637,726
Liability under trust and annuity agreements (Note 7)	1,413,464	1,552,598
Funds held as agency endowments (Note 11)	92,155,895	107,608,681
Funds held in trust for others (Note 11)	1,293,664	1,879,597
Other liabilities	1,638,364	1,868,147
Notes payable	4,972,812	5,411,790
Total liabilities	122,352,213	132,864,376
Net Assets (Note 12)		
Without donor restrictions:		
Undesignated	898,147,230	1,184,873,991
Board designated	136,817,505	-
Total without donor restrictions	1,034,964,735	1,184,873,991
With donor restrictions	8,833,812	10,574,075
Total net assets	1,043,798,547	1,195,448,066
Total liabilities and net assets	**$ 1,166,150,760**	**$ 1,328,312,442**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, (Losses) Gains, and Other Support				
Contributions	$ 104,863,256	$ 657,298	$ 105,520,554	$ 267,080,164
Investment management fees paid to third parties	(7,858,330)	-	(7,858,330)	(7,781,158)
Net realized and unrealized (loss) gain on investments	(142,080,449)	-	(142,080,449)	116,540,472
Interest and dividend income	17,989,668	-	17,989,668	13,638,288
Change in the value of charitable trusts	-	(1,987,561)	(1,987,561)	784,482
Other investment gain (loss)	8,009	-	8,009	(57,010)
Other income	8,701,073	-	8,701,073	10,865,968
Investment income from perpetual trusts	246,147	-	246,147	211,802
Net assets released from restrictions	410,000	(410,000)	-	-
Total revenue, (losses) gains, and other support	(17,720,626)	(1,740,263)	(19,460,889)	401,283,008
Expenses				
Program services:				
Grants	115,137,010	-	115,137,010	103,951,726
Other program expenses	2,360,165	-	2,360,165	2,863,521
Special projects and programs	9,207,892	-	9,207,892	7,633,448
Total program services	126,705,067	-	126,705,067	114,448,695
Support services:				
Management and general	3,183,825	-	3,183,825	3,388,331
Development	2,299,738	-	2,299,738	2,134,964
Total support services	5,483,563	-	5,483,563	5,523,295
Total expenses	132,188,630	-	132,188,630	119,971,990
Change in Net Assets - Before nonoperating loss	(149,909,256)	(1,740,263)	(151,649,519)	281,311,018
Nonoperating Loss - Loss on deconsolidation of subsidiary	-	-	-	(69,329,305)
Change in Net Assets	(149,909,256)	(1,740,263)	(151,649,519)	211,981,713
Net Assets - Beginning of year	1,184,873,991	10,574,075	1,195,448,066	983,466,353
Net Assets - End of year	**$ 1,034,964,735**	**$ 8,833,812**	**$ 1,043,798,547**	**$ 1,195,448,066**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	Program Services			Support Services			Total	
	Grants and Other Program	Special Projects	Total	Management and General	Development	Total	2022	2021
Salaries	$ 1,218,540	$ 775,728	$ 1,994,268	$ 1,047,927	$ 1,199,039	$ 2,246,966	$ 4,241,234	$ 4,009,452
Benefits	448,960	285,810	734,770	386,099	441,775	827,874	1,562,644	1,572,491
Total salaries and benefits	1,667,500	1,061,538	2,729,038	1,434,026	1,640,814	3,074,840	5,803,878	5,581,943
Grants	115,137,010	-	115,137,010	-	-	-	115,137,010	103,951,726
Professional fees	218,808	633,903	852,711	651,651	237,007	888,658	1,741,369	1,492,818
Rent and parking	22,288	10,090	32,378	15,942	24,142	40,084	72,462	52,371
Office expenses	98,625	58,873	157,498	198,973	106,775	305,748	463,246	705,375
Local meetings and travel	28,458	113,785	142,243	29,639	30,825	60,464	202,707	61,796
Technology and equipment	125,591	56,858	182,449	89,829	136,037	225,866	408,315	405,332
Property maintenance	94,203	42,648	136,851	67,379	102,038	169,417	306,268	900,892
Out-of-town travel	8,368	8,572	16,940	9,692	9,064	18,756	35,696	60,911
Corporate insurance and taxes	-	-	-	90,291	-	90,291	90,291	96,678
Professional development	12,035	5,448	17,483	8,608	13,036	21,644	39,127	40,456
Discount on notes receivable	84,289	-	84,289	-	-	-	84,289	109,787
Supporting organizations	-	7,216,177	7,216,177	587,795	-	587,795	7,803,972	6,511,905
Total functional expenses	**$117,497,175**	**$ 9,207,892**	**$126,705,067**	**$ 3,183,825**	**$ 2,299,738**	**$ 5,483,563**	**$132,188,630**	**$119,971,990**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (151,649,519)	$ 211,981,713
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	209,995	339,484
Change in value of charitable trust arrangements	197,720	(110,644)
Change in value of perpetual trust agreements	1,182,543	(459,605)
Distributions from lead trusts	332,717	326,814
Net realized and unrealized loss (gain) on investments	142,080,449	(116,540,472)
Reinvested interest and dividend income	(17,989,668)	(13,638,288)
Loss on the sale of property and equipment	-	299,810
Forgiveness of programmatic investments in the form of grant-making	350,000	-
Deconsolidation of previously controlled subsidiary - Net of the impact on cash balances	-	54,990,055
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable	180,000	(180,000)
Other assets	1,946,274	(1,937,790)
Accounts payable	(206,992)	(396,075)
Grants payable	6,541,443	(1,126,700)
Other liabilities	(211,283)	372,417
Net cash and cash equivalents (used in) provided by operating activities	(17,036,321)	133,920,719
Cash Flows from Investing Activities		
Purchase of investments	(498,229,900)	(665,940,555)
Proceeds from sale of investments	512,106,551	522,931,134
Purchase of property and equipment	(1,127,703)	(352,090)
Additions to charitable-use properties/program-related investments	(604,176)	(1,968,095)
Payments received on program-related loans receivable	4,248,137	366,366
Net cash and cash equivalents provided by (used in) investing activities	16,392,909	(144,963,240)
Cash Flows from Financing Activities		
Payments on notes payable	(438,978)	(422,975)
Payments on trust and annuity obligations	(152,717)	(368,397)
Net cash and cash equivalents used in financing activities	(591,695)	(791,372)
Net Decrease in Cash and Cash Equivalents	(1,235,107)	(11,833,893)
Cash and Cash Equivalents - Beginning of year	5,694,557	17,528,450
Cash and Cash Equivalents - End of year	**$ 4,459,450**	**$ 5,694,557**
Significant Noncash Transactions		
Deconsolidation of previously controlled subsidiary, resulting in decreases to various assets and liabilities (Note 14)	$ -	$ 54,990,055
Repurpose of program-related investments to property and equipment	2,146,706	-

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 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.

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.

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.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board to serve as an endowment. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended December 31, 2021 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 2021 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.

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.

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.

Depreciation and amortization expense for property and equipment totaled $209,995 for the year ended December 31, 2022.

Note 2 - Significant Accounting Policies (Continued)

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).

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 22, 2023, which is the date the consolidated financial statements were available to be issued.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Foundation's program-related investments, by requiring the Foundation to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Foundation's year ending December 31, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Foundation has not determined the expected impact upon adoption of this ASU.

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 $598,000,000 as of December 31, 2022, 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. Excluded from this figure are also financial assets subject to board designation for the purpose of an endowment, as this board-designated endowment is not expected to be available for general expenditure.

Note 3 - Liquidity and Availability of Resources (Continued)

As described in Note 12, the board-designated endowment has a spending rate of 5.25 percent at December 31, 2022. In addition to the figure in the paragraph above, a total of approximately $7,000,000 of appropriations from the board-designated endowment may be available within the next 12 months. Although the Foundation does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, additional amounts from its board-designated endowment could be made available if necessary. The investment balances, including the portions related to board-designated endowments, contain investments with lock-up provisions that have been reduced from the total investments that could be made available in the figure disclosed above (see Note 6 for disclosures about the fair value measurement of investments).

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, 2022.

Note 4 - Program-related Investments

Program-related investments are composed of the following at December 31, 2022:

Program-related investments of The Denver Foundation, including loans to nonprofit and other similar organizations	$ 16,200,828
Property to support the charitable purpose of The Recovery Foundation	253,103
Property to support the charitable purpose of The Foundation for Sustainable Urban Communities	124,941
Property to support the charitable purpose of Sakura Foundation	23,391
Total program-related investments	$ 16,602,263

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 value as of December 31, 2022 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 value as of December 31, 2022 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 value as of December 31, 2022 using an imputed interest rate of 3.07 percent.

During 2022 and 2021, the Foundation provided funding to the Metro Denver Nonprofit Loan Fund in the amount of $250,000 and $750,000, respectively, to make interest-free unsecured loans to qualified nonprofit borrowers.

Note 5 - Investments

Investments are reflected in the following accounts on the consolidated statement of financial position at December 31, 2022:

Investments at fair value:	
Investments of the Foundation	$ 944,938,957
Assets held in charitable lead annuity trusts	934,575
Assets held in charitable remainder trusts and charitable gift annuities	1,718,639
Funds held as agency endowments	92,155,895
Funds held in trusts for others	1,293,664
Total investments at fair value	1,041,041,730
Investments held in cash equivalents - Money market and other funds	82,252,199
Investments - Other	1,028,206
Total investments	$ 1,124,322,135

Investment returns are summarized as follows at December 31, 2022:

Interest and dividend income	$ 17,989,668
Other investment gain	8,009
Net realized gain on investments	11,523,603
Net unrealized loss on investments	(153,604,052)
Investment management fees paid to third parties	(7,858,330)
Net investment loss	$ (131,941,102)

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.

Note 6 - Fair Value Measurements (Continued)

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 2022.

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 assets measured at fair value on a recurring basis by the above fair value hierarchy levels at December 31, 2022:

	Level 1	Level 2	Level 3	Carried at NAV	Balance at December 31, 2022
Investments					
Domestic equities:					
Large cap	$ 8,658,568	$ -	$ -	$ 22,096,182	$ 30,754,750
Mid cap	-	-	-	12,119,780	12,119,780
Exchange-traded fund	6,897,765	-	-	-	6,897,765
Other	225,821,046	-	-	-	225,821,046
Total domestic equities	241,377,379	-	-	34,215,962	275,593,341
International equities:					
Asia	-	-	-	11,780,790	11,780,790
Non-U.S.	-	-	-	184,169,281	184,169,281
Large cap	1,233,809	-	-	-	1,233,809
Total international equities	1,233,809	-	-	195,950,071	197,183,880
Fixed income:					
Mutual funds	226,412,200	-	-	-	226,412,200
Bonds	-	586,940	-	-	586,940
Total fixed income	226,412,200	586,940	-	-	226,999,140
Private capital funds:					
Venture capital	-	-	-	1,097,152	1,097,152
Buyout/growth equity	-	-	-	108,633,478	108,633,478
Distressed debt	-	-	-	16,151,359	16,151,359
Oil and gas	-	-	-	9,829,792	9,829,792
Energy	-	-	-	4,158,568	4,158,568
Private capital - Asia	-	-	-	7,130,837	7,130,837
Infrastructure	-	-	-	2,247,856	2,247,856
Long-dated assets	-	-	-	426,878	426,878
Climate	-	-	-	927,746	927,746
Health/health care	-	-	-	724,359	724,359
Private debt	-	-	-	1,079,118	1,079,118
Opportunistic credit	-	-	-	20,339,058	20,339,058
Private capital - Europe	-	-	-	26,776,223	26,776,223
Total private capital funds	-	-	-	199,522,424	199,522,424
Absolute return:					
Arbitrage global	-	-	-	60,039,308	60,039,308
Other	-	-	-	7,151,761	7,151,761
Total absolute return	-	-	-	67,191,069	67,191,069
Hedge equity - Global	-	-	-	64,334,554	64,334,554
Real assets - Private equity	-	-	-	10,217,322	10,217,322
Total investments at fair value	$ 469,023,388	$ 586,940	$ -	$ 571,431,402	$1,041,041,730
Beneficial Interests in Charitable Trusts					
Charitable remainder trusts	$ -	$ -	$ 2,677,182	$ -	$ 2,677,182
Charitable lead trusts	-	-	171,429	-	171,429
Perpetual trusts	-	-	4,745,451	-	4,745,451
Total beneficial interests in charitable trusts	$ -	$ -	$ 7,594,062	$ -	$ 7,594,062

Note 6 - Fair Value Measurements (Continued)

Money market and other funds classified as investments held in cash equivalents in the amount of $82,252,199 and other investments in the amount of $1,028,206 are not subject to fair value disclosures and, therefore, are not included in the total above.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2022 are as follows:

	Beneficial Interests in Charitable Trusts
Balance at January 1, 2022	$ 8,735,994
Purchases, issuances, sales, and settlements:	
Contributions	657,298
Total realized and unrealized losses	(1,373,086)
Distributions	(426,144)
Balance at December 31, 2022	$ 7,594,062

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

	Investments carried at NAV at December 31, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic equities	$ 34,215,962	$ -	Daily to Monthly	30 days
International equities	195,950,071	6,000,000	Daily to Quarterly	5 to 90 days
Private capital funds	199,522,424	87,088,783	N/A	N/A
Absolute return funds	67,191,069	-	Quarterly to Annually	45 to 100 days
Hedged equity funds	64,334,554	-	Monthly to Three-year Rolling	30 to 90 days
Real assets funds	10,217,322	14,194,089	N/A	N/A
Total NAV investments	$ 571,431,402	$ 107,282,872		

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, 2022, 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, 2022, all of the investments in this category can be redeemed with no restrictions but require notice, as shown above.

Note 6 - Fair Value Measurements (Continued)

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, 2022, 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, 2022, 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.

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, 2022, 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, 2022, 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

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, 2022, 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, 2022:

Assets held in charitable lead annuity trusts	$ 934,575
Assets held in charitable remainder trusts and charitable gift annuities	1,718,639
Less related liabilities	(1,413,464)
Net present value of trusts administered by the Foundation	$ 1,239,750

These amounts are included in net assets with donor restrictions at December 31, 2022.

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	$ 6,299,885
Charitable lead trusts	180,000
Less unamortized discount	(3,631,274)
Net present value of beneficial trusts	$ 2,848,611

These amounts are included in net assets with donor restrictions at December 31, 2022.

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 $4,745,451 at December 31, 2022.

Note 8 - Property and Equipment

Property and equipment are summarized as follows as of December 31, 2022:

Land	$ 3,734,582
Buildings	10,973,172
Furniture and fixtures	880,059
Construction in progress	49,602
Total cost	15,637,415
Less accumulated depreciation	3,688,521
Net property and equipment	$ 11,948,894

Depreciation and amortization expense for the year ended December 31, 2022 was $209,995.

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
2023	$ 456,537
2024	474,369
2025	493,236
2026	512,640
2027	532,808
Thereafter	2,503,222
Total	$ 4,972,812

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 4.55 percent.

The following summarizes grants approved and payable as of December 31, 2022:

Amounts due in:	
Less than one year	$ 13,747,087
One to five years	6,770,360
Discount	(315,480)
Total	$ 20,201,967

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, 2022, the balance of those funds totaled $92,155,895.

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, 2022, the balance of those funds totaled $1,293,664.

Note 12 - Net Assets

Net assets consist of the following as of December 31, 2022:

Without donor restrictions:	
The Denver Foundation:	
Undesignated	$ 886,181,620
Board designated	136,817,505
The Foundation for Sustainable Urban Communities	5,093,649
The Recovery Foundation	6,257,200
Sakura Foundation	614,761
Total without donor restrictions	1,034,964,735
With donor restrictions - The Denver Foundation:	
Contributions from beneficial interest in charitable trust arrangements - Net of unamortized discount	2,848,611
Contributions of beneficial interests in charitable trust arrangements - Net of related liabilities	1,239,750
Contributions from beneficial interests in perpetual trusts	4,745,451
Total with donor restrictions	8,833,812
Total net assets	$ 1,043,798,547

The Denver Foundation's board has designated a portion of net assets without donor restrictions to serve as a board-designated endowment and to be invested to provide income for generally a long but not necessarily specified period. The governing board has the right to decide at any time to expend such funds but has approved an annualized standing spend rate of 5.25 percent of the previous 12-quarter average asset balance.

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 $253,725 in 2022.

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, 2022 is as follows:

	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total assets	$ 5,298,376	$ 6,268,158	$ 4,119,558	$ 15,686,092
Total liabilities	(204,727)	(10,958)	(3,504,797)	(3,720,482)
Total net assets	$ 5,093,649	$ 6,257,200	$ 614,761	$ 11,965,610

	The Foundation for Sustainable Urban Communities	The Recovery Foundation	Sakura Foundation	Total Supporting Organizations
Total revenue, gains, and support	$ 2,580,807	$ (658,199)	$ 3,919,021	$ 5,841,629
Total expenses	(2,629,893)	(1,040,623)	(4,133,461)	(7,803,977)
Change in net assets	$ (49,086)	$ (1,698,822)	$ (214,440)	$ (1,962,348)