

Caring for Colorado Foundation

**Consolidated Financial Statements and
Supplementary Information**

September 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Caring for Colorado Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Caring for Colorado Foundation (the Foundation) which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Board of Directors
Caring for Colorado Foundation**

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as of and for the year ended September 30, 2020. The requirements of the ASU have been applied using the modified prospective basis as of October 1, 2019. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in pages 25-26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Keundinger, Cordia & Congle, P.C.

January 29, 2021

Caring for Colorado Foundation
Consolidated Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 461,642	110,799
Restricted cash and investment (notes 4)	309,151	246,054
Accounts receivable (note 11)	–	50,074
Investments (note 3)	231,702,200	220,740,903
Prepaid expenses and deposits	59,998	11,806
Furniture and equipment, net (note 5)	245,836	23,580
Operating lease right-of-use asset (note 6)	2,217,912	–
Investments--deferred compensation (notes 3 and 10)	–	71,767
Total assets	\$ 234,996,739	221,254,983
Liabilities and Net Assets		
Grants payable (note 7)	\$ 1,179,254	1,526,973
Accounts payable and accrued expenses	293,010	640,629
Investments--deferred compensation (notes 3 and 10)	–	71,767
Operating lease liability (note 6)	2,217,912	–
Funds held in trust (note 4)	123,792	221,049
Total liabilities	3,813,968	2,460,418
Net Assets (note 8)		
Without donor restrictions		
Undesignated	202,206,463	181,408,237
Board designated	5,021,997	15,021,997
Total without donor restrictions	207,228,460	196,430,234
With donor restrictions	23,954,311	22,364,331
Total net assets	231,182,771	218,794,565
Commitments and contingencies (notes 9 and 13)		
Total liabilities and net assets	\$ 234,996,739	221,254,983

See the accompanying notes to the consolidated financial statements.

Caring for Colorado Foundation
Consolidated Statement of Activities
Year Ended September 30, 2020

Revenue, gains and support	Without donor restrictions	With donor restrictions	Total
Grants and contributions	\$ 524,713	1,382,000	1,906,713
Interest and dividends, net	1,683,305	191,818	1,875,123
Realized and unrealized gains on investments, net	18,660,490	2,095,665	20,756,155
Other income (note 11)	49,337	–	49,337
Loss on disposal of furniture and equipment	(8,220)	–	(8,220)
Net assets released from restrictions	2,079,503	(2,079,503)	–
Total revenue, gains, and support	<u>22,989,128</u>	<u>1,589,980</u>	<u>24,579,108</u>
Expenses			
Program services			
Grant making expenses (note 7)	11,463,036	–	11,463,036
Total program service expenses	<u>11,463,036</u>	<u>–</u>	<u>11,463,036</u>
Supporting services			
Management and general expenses	727,866	–	727,866
Total expenses	<u>12,190,902</u>	<u>–</u>	<u>12,190,902</u>
Change in net assets	10,798,226	1,589,980	12,388,206
Net assets, beginning of year	196,430,234	22,364,331	218,794,565
Net assets, end of year	<u>\$ 207,228,460</u>	<u>23,954,311</u>	<u>231,182,771</u>

See the accompanying notes to the consolidated financial statements.

Caring for Colorado Foundation
Consolidated Statement of Activities
Year Ended September 30, 2019

Revenue, gains and support	Without donor restrictions	With donor restrictions	Total
Grant income (note 1(a))	\$ —	20,000,000	20,000,000
Interest and dividends, net	2,037,702	98,670	2,136,372
Realized and unrealized gains on investments, net	2,427,996	2,260,448	4,688,444
Other income (note 11)	213,406	—	213,406
Net assets released from restrictions	1,083,759	(1,083,759)	—
Total revenue, gains, and support	5,762,863	21,275,359	27,038,222
Expenses			
Program services			
Grant making expenses (note 7)	11,181,549	—	11,181,549
Total program service expenses	11,181,549	—	11,181,549
Supporting services			
Management and general expenses	890,270	—	890,270
Total expenses	12,071,819	—	12,071,819
Change in net assets	(6,308,956)	21,275,359	14,966,403
Net assets, beginning of year	202,739,190	1,088,972	203,828,162
Net assets, end of year	\$ 196,430,234	22,364,331	218,794,565

See the accompanying notes to the consolidated financial statements.

Caring for Colorado Foundation
Consolidated Statements of Functional Expenses
Years Ended September 30, 2020 and 2019

	Program Services		Supporting Services		Total	
	Grantmaking expenses		Management and general			
	2020	2019	2020	2019	2020	2019
Grants	\$ 8,736,748	8,092,519	–	–	8,736,748	8,092,519
Salaries	1,162,135	1,092,200	279,578	424,744	1,441,713	1,516,944
Program expenses	878,883	1,243,228	–	–	878,883	1,243,228
Benefits	214,519	204,347	92,141	79,469	306,660	283,816
Communications	72,800	99,666	126,568	82,300	199,368	181,966
Professional fees	100,246	54,357	76,252	38,166	176,498	92,523
Rent	105,039	171,023	45,017	66,509	150,056	237,532
Payroll taxes	79,766	68,995	34,270	26,831	114,036	95,826
Office expenses	70,624	64,646	8,703	25,139	79,327	89,785
Travel, meetings and conferences	17,621	79,176	21,445	82,322	39,066	161,498
Public relations	1,429	–	32,906	60,360	34,335	60,360
Other	12,683	–	6,468	–	19,151	–
Depreciation	10,543	11,392	4,518	4,430	15,061	15,822
Total expenses	\$ <u>11,463,036</u>	<u>11,181,549</u>	<u>727,866</u>	<u>890,270</u>	<u>12,190,902</u>	<u>12,071,819</u>

See the accompanying notes to the consolidated financial statements.

Caring for Colorado Foundation
Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 12,388,206	14,966,403
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation	15,061	15,822
Loss on disposal of fixed assets	8,220	–
Net realized and unrealized gains on investments	(20,756,155)	(4,813,444)
Change in operating assets and liabilities:		
Accounts receivable	50,074	367
Prepaid expenses and deposits	(48,192)	44,560
Grants payable	(347,719)	443,996
Accounts payable and accrued expenses	(347,619)	424,144
Funds held in trust	(97,257)	3,777
Net cash (used in) provided by operating activities	(9,135,381)	11,085,625
Cash flows from investing activities		
Purchases of investments	(62,577,516)	(72,050,517)
Sales of investments	72,372,374	59,969,761
Purchases of furniture and equipment	(245,537)	(6,000)
Net cash provided by (used in) investing activities	9,549,321	(12,086,756)
Net change in cash, cash equivalents, and restricted cash	413,940	(1,001,131)
Cash, cash equivalents, and restricted cash, beginning of year	356,853	1,357,984
Cash, cash equivalents, and restricted cash, end of year	\$ 770,793	356,853
Supplemental noncash information		
Right-of-use asset	\$ 2,217,912	–
Operating lease liability	\$ 2,217,912	–

See the accompanying notes to the consolidated financial statements.

Caring for Colorado Foundation
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

The Caring for Colorado Foundation (the Foundation) is a 501(c)(4) not-for-profit organization. The mission of the Foundation is to create equity in health, well-being and opportunity for Colorado's children and families utilizing funds received as a result of the conversion of Blue Cross and Blue Shield of Colorado and Blue Cross and Blue Shield of Nevada (BCBS) into a for-profit corporation. Pursuant to Colorado Revised Statute Section 10-16-324, the proceeds from the sale of BCBS to Anthem Insurance Company were transferred to the Foundation.

The Foundation is not a private foundation as defined by the IRS. However, the Foundation is required by its Articles of Incorporation to make distributions (as defined) each year in an amount equal to or greater than 5% of the aggregate fair market value of all assets. This calculated distribution can be adjusted by the board of directors if it determines that, because of the depressed condition of the market for investment securities in any one or more years, it would be ill-advised to make such distributions. The Foundation must provide written notification of changes to the Articles of Incorporation and bylaws to the Colorado Attorney General who will have 30 days from the date of such notification to object to the changes.

On December 6, 2018, the Foundation formed the Caring for Colorado Centennial Fund, dba CO Centennial Fund (the Fund), a subordinate 501(c)(3) tax exempt, charitable organization of which the Foundation is the sole corporate member and has the ability to appoint all board members. The Fund was formed for the purpose of accepting a \$20,000,000 grant that is donor restricted for The Sperry S. and Ella Graber Packard Fund for Pueblo; and for conducting other charitable activities that advance the health and well-being of Colorado residents. The Foundation is the sole corporate member of the Fund.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Fund, collectively referred to as the Foundation. All intercompany balances and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Financial Statement Presentation

The Foundation is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

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

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less, and which are not held as part of an investment portfolio, to be cash equivalents.

(f) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of investment securities and cash and cash equivalents. At times, a significant portion of the cash and cash equivalents may exceed the amount insured by the FDIC or related institutions. The Foundation's investments are monitored by investment advisors who are engaged by the board of directors and are subject to the Foundation's investment policy. These investments are subject to the risk of fluctuations in market value but, in the opinion of management, the risk is appropriate in view of the amount and term of the investment funds.

(g) Investments and Fair Value Measurements

All investments are recorded at fair value in the statements of financial position. The Foundation's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of the Foundation's distributive share of any interest, dividends, and capital gains and losses generated from the realized and unrealized gains or losses, generated from investments. Gains and losses attributed 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 statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments and Fair Value Measurements, Continued

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

(h) Furniture and Equipment

Purchases of furniture, equipment and leasehold improvements in excess of \$5,000 are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which are generally 3-10 years.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Leases

During 2020, the Foundation adopted the provisions of ASU No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, the Foundation has elected not to record on the statements of financial position a lease whose term is twelve months or less and does not include a purchase option that the Foundation is reasonably certain to exercise. The Foundation has elected to use the risk-free rate to determine the present value of the lease payments for purposes of calculating the right-of-use asset and lease liability. In addition, the Foundation has elected the practical expedient not to separate lease and nonlease components for the office lease. See note 1(p).

(j) Grants Payable and Expense

Grant awards are recorded as expense by the Foundation when the awards are approved by the board of directors and the grant recipients have met the conditions of the grant award. Grants payable are reported at net realizable value if, at the time the promise is made, the Foundation expects to make payment in one year or less.

(k) Revenue Recognition

Grants and Contributions

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Payments received in advance of conditions being met are recorded as a refundable advance. There were no conditional contributions at September 30, 2020 or 2019.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(n) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Fund qualify for the charitable contribution deduction. However, income from activities not directly related to the Foundation's or Fund's tax-exempt purpose is subject to taxation as unrelated business income. During 2020, the Foundation incurred a net operating loss of approximately \$90,000 consisting of unrelated business activities arising from investment funds.

Management is required to evaluate tax positions taken by the Foundation and the Fund and to recognize a tax liability (or asset) if the Foundation or the Fund have taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Foundation and the Fund believe that they have appropriate support for any tax positions taken and that none would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation and the Fund are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax returns for the years ended September 30, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

(o) Subsequent Events

The Foundation has evaluated subsequent events through January 29, 2021, the date the financial statements were available to be issued.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) New Accounting Pronouncements

Effective October 1, 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU 2016-02 resulted in the recognition of operating right-of-use assets totaling \$2,217,912 as well as an operating lease liability of the same amount. The Foundation implemented the provisions of ASU No. 2016-02 in the accompanying financial statements under a modified prospective basis, without restating any prior year amounts or disclosures. The related policy elections made by the Foundation can be found in Note 1(i), and the additional lease disclosures can be found in Note 6. No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of ASU No. 2016-02.

During 2020, the Foundation adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements. Before the change, restricted cash was not included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts reported in the statements of cash flows. The Foundation applied the change on a retrospective basis beginning in 2019. The effect of this change was to increase total cash, cash equivalents, and restricted cash at the beginning of the year in the statements of cash flows by \$1,306,244 for restricted cash at the end of 2018.

During 2020, the Foundation adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method. The update requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. Additionally, the guidance requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU No. 2014-09 had no impact on the Foundation's statements of financial position or statements of activities; therefore, no cumulative adjustment to beginning net assets was required as a result of adoption.

During 2020, the Foundation adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation implemented the provisions of ASU No. 2018-08 in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU No. 2018-08.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

General expenditures include administrative and general expenses, fundraising expenses and grant and private equity capital commitments expected to be paid in the subsequent year. The Foundation is committed to an annual spending policy of 4.75%. Sufficient liquidity is maintained within the investment program to provide for annual spending on grant making and the costs of operations. Annual operations are defined as activities occurring during the Foundation's fiscal year. The table below presents financial assets available for general expenditures within one year at September 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 461,642	110,799
Accounts receivable	-	50,074
Investments	<u>231,702,200</u>	<u>220,740,903</u>
Total financial assets	<u>232,163,842</u>	<u>220,901,776</u>
Less amounts unavailable within one year due to:		
Donor-imposed purpose restrictions	(23,954,311)	(22,364,331)
Investments not convertible to cash within twelve months	(55,505,539)	(54,377,596)
Amounts unavailable without Board's approval:		
Board designated Opportunity Fund	<u>(5,021,997)</u>	<u>(15,021,997)</u>
Total amounts unavailable within one year	<u>(84,481,847)</u>	<u>(91,763,924)</u>
Total financial assets available for general expenditure within one year	\$ <u>147,681,995</u>	<u>129,137,852</u>

Amounts not available include certain alternative investments with redemption limitations as more fully described in note 3 and a board designated fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions. See also note 8.

(3) Investments

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

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

Marketable and private 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, credit worthiness of issuers and overall economic policies that impact market conditions.

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

At September 30, 2020, the Foundation had total unexpended commitments of approximately \$31 million for investments in the alternative investment class. The Foundation's commitments involve partnership investment structures which have limited liquidity features, fixed terms and commitment periods ranging from 1 to 5 years.

Investments are stated at fair value and consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Domestic equity funds	\$ 79,684,176	77,360,823
International equity funds	36,275,464	34,649,412
Absolute return funds	31,207,409	29,738,483
Fixed income funds	15,873,209	25,998,998
Hedged equity funds	38,748,692	29,552,307
Private equity funds	25,871,218	18,124,722
Real asset funds	1,664,536	2,061,987
Money market funds	<u>2,377,496</u>	<u>3,254,171</u>
	\$ <u>231,702,200</u>	<u>220,740,903</u>

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

The following table summarizes the Foundation's investments by the fair value hierarchy levels as of September 30, 2020:

	<u>Fair Value</u>	Assets Measured at <u>NAV (a)</u>	<u>Level 1</u>
Domestic equity funds	\$ 79,684,176	46,260,672	33,423,504
International equity funds	36,275,464	21,091,318	15,184,146
Absolute return funds	31,207,409	31,207,409	—
Fixed income funds	15,873,209	7,205,859	8,667,350
Hedged equity funds	38,748,692	38,748,692	—
Private equity funds	25,871,218	25,871,218	—
Real asset funds	1,664,536	1,664,536	—
Money market funds	<u>2,377,496</u>	<u>—</u>	<u>2,377,496</u>
	<u>\$ 231,702,200</u>	<u>172,049,704</u>	<u>59,652,496</u>

The following table summarizes the Foundation's investments by the fair value hierarchy levels as of September 30, 2019:

	<u>Fair Value</u>	Assets Measured at <u>NAV (a)</u>	<u>Level 1</u>
Domestic equity funds	\$ 77,360,823	40,775,803	36,585,020
International equity funds	34,649,412	19,704,173	14,945,239
Absolute return funds	29,738,483	29,738,483	—
Fixed income funds	25,998,998	10,557,239	15,441,759
Hedged equity funds	29,552,307	29,552,307	—
Private equity funds	18,124,722	18,124,722	—
Real asset funds	2,061,987	2,061,987	—
Money market funds	<u>3,254,171</u>	<u>—</u>	<u>3,254,171</u>
	<u>\$ 220,740,903</u>	<u>150,514,714</u>	<u>70,226,189</u>
Deferred compensation plan	<u>\$ 71,767</u>	<u>—</u>	<u>71,767</u>

- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position

Level 1 assets have been valued using a market approach. All other investments have been valued at net asset value per share, or its equivalent. There were no changes in the valuation techniques during the current year.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

The following table summarizes the significant information related to investments measured at NAV, or its equivalent, as of September 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Absolute Return (a), (h)	\$31,207,409	N/A	Monthly to annual	45 – 65 days for those funds with liquidity
Domestic Equity (b)	46,260,672	N/A	Monthly to quarterly	8 – 60 days
Hedged Equity (c), (h)	38,748,692	N/A	Monthly to every three years	30 – 60 days
Private Equity (d)	25,871,218	29,772,020	N/A	N/A
International Funds (e)	21,091,318	N/A	Monthly to Quarterly	10 – 30 days
Real Assets (f)	1,664,536	1,181,781	N/A	N/A
Fixed Income (g)	7,205,859	N/A	Any business day	2 days

(a) Approximately 60% of this portfolio is invested in two partnerships in which the Foundation is a limited partner. These partnerships invest in and sell short securities and instruments including investments in restructuring companies that are undergoing significant corporate events such as spin-offs, recapitalizations, and strategic realignments; credit investments such as bank debt and corporate bonds; merger arbitrage involving corporate takeovers; real estate investments, and other investments in securities or instruments that the General Managers believe are under- or overvalued or are likely to appreciate or depreciate. These partnership investments are subject to quarterly or annual redemption frequencies upon 45 to 65 day notice.

Another 27% of this portfolio consists of an investment in a passive foreign investment corporation whose investment strategy is to generate attractive risk-adjusted returns primarily by investing in stressed corporate debt, distressed corporate debt, deep value and special situation equities, and low loan-to-value middle market leveraged loans and high yield bonds. Starting in January 2021, redemptions may be made upon 75 days' notice.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

- (a) Another 8% of this portfolio consists of an investment in another passive foreign investment corporation whose investment strategy is broadly defined as global long/short credit and event-driven by investing in instruments that include bank debt, corporate bonds, trade claims, convertible securities, equities, credit default swaps, options and other derivatives across a broad spectrum of companies, industries, and asset classes. Quarterly redemptions may be made upon 65 days' notice if withdrawing less than 25% of the Foundation's shares or within 180 days' notice for full account redemptions.

The remaining 5% of this portfolio consists of an investment in one Delaware LLC. The LLC employs a quantitative global investment strategy. The company actively trades its portfolio of equity instruments on a daily basis utilizing predictive signals that are long term in nature. Monthly redemptions may be made upon 45 days' notice in \$100,000 increments.

Less than 1% of this portfolio is currently in the liquidation process.

- (b) This category consists of investments in one domestic and one foreign partnership in which the Foundation is a limited partner. The domestic partnership holds long and short positions primarily in equity securities of companies within and outside of the S&P 500 Index. Derivative instruments, such as forward contracts, futures, options and swaps may be used to attempt to hedge existing long and short positions in order to maximize returns and reduce risks. This fund has a quarterly redemption frequency upon 60 days' notice.

The foreign partnership, which has an investment balance of \$10,658,455 at September 30, 2020, is organized as a feeder fund in which substantially all of its assets are invested in a master fund. The master fund's investment objective is to achieve to tier absolute returns and outperform the S&P 500 Health Care Total Return Index by generating capital appreciation primarily through investments in securities of publicly listed healthcare companies. Quarterly redemptions are allowed upon at least 45 days' prior written notice and are limited to 25% of the net asset value of the partnership at the withdrawal date.

About 15% of the portfolio is invested in a passive investment corporation with an investment balance of \$7,011,833 at September 30, 2020. It manages a concentrated portfolio comprised of small cap growth companies, targeting investments in "compounders", which are defined as stocks with the potential to appreciate at a +20% CAGR over a 10-year period. Redemptions of all or a portion of the value are allowed upon 150 day notice, after the 36 month anniversary of issuance.

This portfolio also includes a collective trust fund with a fair value of \$5,684,230 at September 30, 2020. The collective trust fund seeks to generate long-term compounded returns with less volatility and risk of loss than the overall market by owning a concentrated portfolio of U.S. mid-cap equities. The fund generally offers monthly liquidity provided notification of withdrawal is received by the 22nd day of the preceding month.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

- (c) The overall objective of this portfolio is to achieve maximum capital appreciation commensurate with reasonable risk. The portfolio is invested in hedge funds that pursue multiple strategies to diversify risk and reduce volatility by investing across all sectors and market capitalizations globally, including investments in equities and equity related instruments. The goal is to maintain a low net exposure and a low long/short ratio within every region and industry sector. Redemption frequency restrictions vary from quarterly to every three years upon 30 to 60 days' notice.
- (d) This category includes investments in limited domestic and foreign partnerships. Generally, these funds allocate capital across a variety of industries including illiquid special situation investments, diversified portfolios of venture capital partnerships, distressed and undervalued middle market companies, less liquid and/or longer-duration securities, equity-related securities and obligations of entities (i) formed to effect or that are the subject of leveraged buy-out transactions, (ii) that are being capitalized, or (iii) that require capital for operations or business expansion, and acquisition, holding, and distribution or other disposition of portfolio securities in companies that have primary business activities in the Asia Pacific Region. This category also includes a passive foreign investment corporation that seeks opportunities that have emerged as a result of dislocations and illiquidity in global capital markets with a specific focus on credit-related strategies.

In addition, this category includes a Delaware limited partnership that was formed to acquire a diversified portfolio of interests in established small and middle market U.S. buyout funds that are less than 50% invested through secondary market purchases. The funds in this category are subject to lockup periods that expire over the next 1 to 12 years. Certain of these lockup periods are subject to multiple one to three-year extensions.

- (e) This category includes one domestic partnership, one foreign private company and one Delaware Statutory Trust. The principal objective of the portfolio is investing in equity securities of non-U.S. domiciled issuers to take opportunistic advantage of market inefficiencies by trading securities with a shorter time horizon, investing in a diversified portfolio of small and mid-capitalization equity securities and companies located outside the United States and Canada, and to invest in the securities of companies located in the Asia-Pacific region, including Japan, Hong Kong/China, Singapore, South Korea, Taiwan, Malaysia, Thailand, Indonesia, the Philippines, Australia and New Zealand. Investments in securities of foreign companies involve special risks and considerations not typically associated with investing in U.S. companies. These funds have monthly or quarterly redemption frequencies upon 10 to 30 days' notice.
- (f) This category includes limited interests in four partnership funds. The principal objective of the portfolio is appreciation of capital primarily through investment in equity and equity-related securities of worldwide energy sector companies and investment vehicles that generally focus on investments in real estate assets or natural resources, and sometimes also hold publicly traded securities. All of the partnership investment funds are subject to lockup periods that expire over the next 1 to 5 years. The lockup periods are subject to 3 or 7 one-year extensions.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

- (g) This category includes investment in one Delaware LLC whose investment objective is to outperform the Barclays Aggregate Bond Index by utilizing a disciplined, bottom-up investment approach to seek inefficiently priced securities with strong fundamentals. This fund offers redemption on any business day with 2 days' notice.
- (h) Investment in several funds are currently in the liquidation process. Liquidity of these funds is available only as the underlying investments are liquidated and the funds expenses are paid. These liquidating funds are included in the following investment categories:

Absolute Return	\$ 14,038
Hedged Equity	<u>20,859</u>
Total funds in liquidation	\$ <u>34,897</u>

(4) Restricted Cash and Investments

Beginning June 1, 2011, the Foundation entered into a memorandum of understanding with certain other local foundations to develop and undertake a statewide oral disease prevention project called "Colorado Partnership for Children's Oral Health" ("COPCOH"). Pursuant to the memorandum of understanding, the Foundation agreed to serve as the fiscal agent for the project and to establish a restricted fund for the project exclusively for the purposes of receiving funding for COPCOH from each of the funding foundations, and for making payments on behalf of COPCOH. As of September 30, 2020 and 2019, the amount of unspent cash and investments restricted for COPCOH totaled \$123,792 and \$221,049, respectively. This amount is reported as restricted cash and investments and funds held in trust on the statements of financial position. The Colorado Department of Public Health and Environment (CDPHE) is to assume full administration of the COPCOH project in the future.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 461,642	110,799
Restricted cash and investments	<u>309,151</u>	<u>246,054</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ <u>770,793</u>	<u>356,853</u>

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(5) Furniture and Equipment

Furniture and equipment consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Office furniture	\$ 161,542	129,149
Equipment	113,006	102,289
Leasehold improvements	-	37,254
Software	-	<u>34,029</u>
	<u>274,548</u>	<u>302,721</u>
Less accumulated depreciation	<u>(28,712)</u>	<u>(279,141)</u>
	<u>\$ 245,836</u>	<u>23,580</u>

(6) Operating Lease Right-of-use Asset and Operating Lease Liability

The Foundation is obligated under operating leases for rental of office space and certain office equipment with remaining terms of 5 year to 10 years. The office lease has variable lease payments that increase 3% every twelve months. Rent expense, or lease costs, under the operating leases totaled \$128,491 and \$154,948 during the years ended September 30, 2020 and 2019.

Weighted average term and discount rates for operating leases outstanding as of September 30, 2020 are as follows:

Weighted-average term (years)	9.94
Weighted-average discount rate	3.02%

Future payments due under operating leases as of September 30, 2020 are as follows:

Undiscounted cash flows due in:

2021	\$ 204,289
2022	235,164
2023	241,957
2024	249,065
2025	255,264
Thereafter	<u>1,365,901</u>
Total undiscounted cash flows	2,551,640
Impact of present value discount	<u>(333,728)</u>
Lease liability recognized	\$ <u>2,217,912</u>

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(7) Grants

Grants awarded by the Foundation fall into two categories: *unconditional* grants, which are recorded as expense when approved by the board of directors; and *conditional* grants, which are not recorded as expense until the grantee fulfills the conditions associated with the grant award. Grant expense of \$8,736,748 and \$8,092,519 for the years ended September 30, 2020 and 2019, respectively, consists of unconditional grants awarded during the year plus conditional grants for which the grantee fulfilled all conditions.

Grants payable at September 30, 2020 and 2019 were \$1,179,254 and \$1,526,973, respectively, and consist of the unpaid portion of unconditional grants awarded by the Foundation. At September 30, 2020, all grants payable are scheduled for payment in fiscal 2021. Conditional grants awarded by the Foundation generally fall into two categories: conditions requiring the grantee to obtain matching funds, and conditions requiring the grantee to achieve specific project milestones before funding is approved for the subsequent installments of the grant. At September 30, 2020 and 2019, the Foundation had no conditional grants outstanding.

(8) Net Assets

Designated Net Assets without Donor Restrictions

The Caring for Colorado Opportunity Fund (Opportunity Fund) is a board designated fund established as a result of a \$20 million payment from Anthem, Inc. in 2016. The Board has set aside these funds plus accumulated investment earnings as of September 30, 2018 and designated them for rapid response to urgent needs or high impact funding opportunities for Colorado communities. These funds are included in the Foundation's distributable assets at the point in time when the Board identifies a specific funding opportunity.

During 2020, the Board approved the use of \$9 million of the Opportunity Fund for COVID response and relief over the next two years, and \$1,000,000 to support the Human Centered Design program of the Colorado Centennial Fund over the next two years. At September 30, 2020 and 2019, board designated net assets total \$5,021,997 and \$15,021,997, respectively.

Net Assets with Donor Restrictions

Restricted net assets consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
The Sperry S. and Ella Graber Packard Fund for Pueblo	\$ 23,748,952	22,339,326
Rural response and recovery	20,000	-
Colorado Collaborative for Reproductive Health Equity	<u>185,359</u>	<u>25,005</u>
Total net assets with donor restrictions	\$ <u>23,954,311</u>	<u>22,364,331</u>

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(8) Net Assets, Continued

Net assets were released from restriction due to the satisfaction of the following purpose restrictions during the years ended September 30:

	<u>2020</u>	<u>2019</u>
Packard Foundation Fund for Pueblo	\$ 877,597	19,151
Colorado Collaborative to Reduce Unintended Pregnancies initiative	839,906	913,062
Rural response and recovery	352,000	–
Rose Community Foundation	10,000	–
SMILES Dental Home initiative	<u>–</u>	<u>151,546</u>
Total net assets released from restrictions	\$ <u>2,079,503</u>	<u>1,083,759</u>

(9) Employee Retirement Plan

The Foundation provides a 401(k) plan for all eligible employees. Participants are eligible to contribute a fixed percentage of their earnings, not to exceed the annual limit set by the Internal Revenue Service. The Foundation matches 100% of the employee's contribution after six months of employment, up to 6% of the employee's compensation. Employer contributions vest immediately. During the years ended September 30, 2020 and 2019, Foundation contributions totaled \$64,211 and \$69,531, respectively.

(10) Deferred Compensation Plan

The Foundation provides a non-qualified deferred compensation plan under Section 457(f) of the Internal Revenue Code to the Foundation's president. Contributions to the plan consist of Foundation contributions up to \$12,500 per year or such other amount determined by the Foundation, and employee contributions in the amount elected annually by the Foundation's president. The Foundation made no contributions to the plan during either fiscal year 2020 or 2019. Upon the retirement of the president in April 2020, the plan was liquidated and discontinued. At September 30, 2020 and 2019, the assets and liabilities of the plan were recorded at the fair values of \$0 and \$71,767 respectively.

(11) Packard Foundation Fund for Pueblo

On January 20, 2016 the Foundation entered into a services agreement with the David and Lucile Packard Foundation ("Packard Foundation") whereby the Foundation operates and manages an office in Pueblo, Colorado for the purpose of administering Packard Foundation grants in that city. The name assigned to this office is the "Packard Foundation Fund for Pueblo". The Foundation is reimbursed for its costs associated with executing this services agreement. During the years ended September 30, 2020 and 2019, the Foundation earned \$49,337 and \$213,406 respectively, in cost reimbursements under the agreement, of which \$0 and \$50,074 is recorded as a receivable at September 30, 2020 and 2019, respectively. All activities under this service agreement ended on December 31, 2019.

Caring for Colorado Foundation

Notes to Consolidated Financial Statements, Continued

(11) Packard Foundation Fund for Pueblo, Continued

Beginning in January 2020, the Fund fully manages the grant making process and award funding directly from The Sperry S. and Ella Graber Packard Fund for Pueblo.

(12) Related Party Transactions

It is not uncommon for members of the Foundation's board of directors to be associated with grantees either as board members or paid staff of these organizations. In these instances, the impacted board member discloses the conflict of interest and recuses him/herself from grant award deliberations.

The Fund's investments are pooled with the Foundation's and the books and records of the Fund are kept by Foundation staff. The Fund may determine its own spending policy, separate from the Foundation. For the year ended September 30, 2020, the Foundation allocated expenses totaling \$251,868 to the Fund for operational administrative expenses incurred by the Foundation on behalf of the Fund. This amount has been eliminated in the consolidated financial statements. No overhead was allocated to the Fund for the year ended September 30, 2019 as these amounts were immaterial.

(13) Impact of COVID-19

The COVID-19 pandemic has caused business disruption and economic uncertainties in numerous sectors of the economy. The related financial impact on the future operations of the Foundation cannot be reasonably estimated at this time. Management and the Board of Directors continue to monitor and evaluate the situation as it evolves.

Caring for Colorado Foundation
Consolidating Statement of Financial Position
September 30, 2020

	Foundation	Centennial Fund	Eliminating	Total
Assets				
Cash and cash equivalents	\$ 80,108	381,534	–	461,642
Restricted cash and investments	123,792	185,359	–	309,151
Accounts receivable	–	960,887	(960,887)	–
Investments	231,702,200	23,920,437	(23,920,437)	231,702,200
Prepaid expenses and deposits	59,998	–	–	59,998
Furniture and equipment, net	245,836	–	–	245,836
Operating lease right-of-use asset	2,217,912	–	–	2,217,912
Investments-deferred compensation	–	–	–	–
Total assets	<u>\$ 234,429,846</u>	<u>25,448,217</u>	<u>(24,881,324)</u>	<u>234,996,739</u>
Liabilities and Net Assets				
Grants payable	\$ 827,254	352,000	–	1,179,254
Accounts payable and accrued expenses	1,242,197	11,700	(960,887)	293,010
Investments-deferred compensation	–	–	–	–
Lease obligation	2,217,912	–	–	2,217,912
Funds held in trust	24,044,229	–	(23,920,437)	123,792
Total liabilities	<u>28,331,592</u>	<u>363,700</u>	<u>(24,881,324)</u>	<u>3,813,968</u>
Net Assets				
Without donor restrictions				
Undesignated	201,076,257	451,397	678,809	202,206,463
Board designated	5,021,997	–	–	5,021,997
Total without donor restrictions	<u>206,098,254</u>	<u>451,397</u>	<u>678,809</u>	<u>207,228,460</u>
With donor restrictions	–	24,633,120	(678,809)	23,954,311
Total net assets	<u>206,098,254</u>	<u>25,084,517</u>	<u>–</u>	<u>231,182,771</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 234,429,846</u>	<u>25,448,217</u>	<u>(24,881,324)</u>	<u>234,996,739</u>

See the accompanying independent auditor's report.

Caring for Colorado Foundation
Consolidating Statement of Activities
Year Ended September 30, 2020

	Without donor restrictions				With donor restrictions				Total
	Foundation	Centennial Fund	Eliminating	Total	Foundation	Centennial Fund	Eliminating	Total	
Revenue, gains and support									
Grant income	\$ –	1,024,713	(500,000)	524,713	814,641	1,567,359	(1,000,000)	1,382,000	1,906,713
Interest and dividends	1,683,305	–	–	1,683,305	260	191,558	–	191,818	1,875,123
Net realized and unrealized gains on investments	18,660,490	–	–	18,660,490	–	2,095,665	–	2,095,665	20,756,155
Other income	301,205	–	(251,868)	49,337	–	–	–	–	49,337
Loss on disposal of furniture and equipment	(8,220)	–	–	(8,220)	–	–	–	–	(8,220)
Net assets released from restrictions	839,906	1,560,788	(321,191)	2,079,503	(839,906)	(1,560,788)	321,191	(2,079,503)	–
Total revenue, gains, and support	21,476,686	2,585,501	(1,073,059)	22,989,128	(25,005)	2,293,794	(678,809)	1,589,980	24,579,108
Expenses									
Program services									
Grant making expenses	10,897,807	2,065,229	(1,500,000)	11,463,036	–	–	–	–	11,463,036
Total program service expenses	10,897,807	2,065,229	(1,500,000)	11,463,036	–	–	–	–	11,463,036
Supporting services									
General and administrative expenses	891,976	87,758	(251,868)	727,866	–	–	–	–	727,866
Total expenses	11,789,783	2,152,987	(1,751,868)	12,190,902	–	–	–	–	12,190,902
Change in net assets	9,686,903	432,514	678,809	10,798,226	(25,005)	2,293,794	(678,809)	1,589,980	12,388,206
Net assets, beginning of year	196,411,351	18,883	–	196,430,234	25,005	22,339,326	–	22,364,331	218,794,565
Net assets, end of year	\$ 206,098,254	451,397	678,809	207,228,460	–	24,633,120	(678,809)	23,954,311	231,182,771

See the accompanying independent auditor's report.