THE DENVER HEALTH AND HOSPITALS FOUNDATION

Financial Statements
and
Independent Auditors' Report
December 31, 2017 and 2016

EKS&H

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Denver Health and Hospitals Foundation
Denver, Colorado

We have audited the accompanying financial statements of The Denver Health and Hospitals Foundation (the "Foundation"), which are comprised of the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Denver Health and Hospitals Foundation as of December 31, 2017, 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.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Denver, Colorado
June 19, 2018

THE DENVER HEALTH AND HOSPITALS FOUNDATION

Statement of Financial Position

		December 31, 2017		Summarized Financial Information as of December 31, 2016
Assets				
Cash and cash equivalents	$	3,572,137	$	3,284,932
Investments		5,626,318		5,535,510
Contributions and grants receivable		1,973,701		2,172,537
Beneficial interest in assets held by third party		10,780,269		9,668,413
Inventory		218,207		317,457
Prepaid expenses and other assets		103,788		24,725
Total assets	$	22,274,420	$	21,003,574
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	$	45,019	$	379,988
Amounts due to Denver Health and Hospital Authority		1,144,067		548,843
Note payable		617,709		949,936
Deferred revenues		127,602		8,606
Total liabilities		1,934,397		1,887,373
Net assets				
Unrestricted		27,126		(74,511)
Temporarily restricted		15,498,060		14,375,875
Permanently restricted		4,814,837		4,814,837
Total net assets		20,340,023		19,116,201
Total liabilities and net assets	$	22,274,420	$	21,003,574

See notes to financial statements.

THE DENVER HEALTH AND HOSPITALS FOUNDATION

Statement of Activities

	For the Year Ended December 31, 2017				Summarized Financial Information for the Year Ended December 31, 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains, and support					
Contributions and grants	$ 604,180	$ 3,139,026	$ -	$ 3,743,206	$ 5,606,596
Special events	1,346,933		-	1,346,933	1,765,814
Less direct event costs	(887,892)	-	-	(887,892)	(1,236,467)
Net revenue from special events	459,041	-	-	459,041	529,347
Change in beneficial interest in assets held by third party	14,574	1,465,806	-	1,480,380	457,689
Investment return	43,751	-	-	43,751	34,595
In-kind gifts and services	1,286,953	257,278	-	1,544,231	1,807,668
Net assets released from restrictions	3,739,925	(3,739,925)	-	-	-
	5,085,203	(2,016,841)	-	3,068,362	2,299,952
Total revenues, gains, and support	6,148,424	1,122,185	-	7,270,609	8,435,895
Expenditures					
Program services					
Trauma prevention and care	80,418	-	-	80,418	83,763
Women, children, and adolescents	151,656	-	-	151,656	63,633
Community health services	1,051,490	-	-	1,051,490	1,622,267
Behavioral health	242,994	-	-	242,994	187,260
Other	538,999	-	-	538,999	304,638
Volunteer	545,689	-	-	545,689	590,713
Emergency medicine	10,918	-	-	10,918	110,593
Medicine	1,107,609	-	-	1,107,609	1,218,680
Orthopedics	126,568	-	-	126,568	29,936
Pediatrics	1,471	-	-	1,471	-
Poison center	49,403	-	-	49,403	32,632
Managed care	154,681	-	-	154,681	54,787
Nursing	-	-	-	-	6,200
Public health	220,048	-	-	220,048	324,940
Southwest Health Clinic	150,000	-	-	150,000	702,500
Patient assistance	261,393	-	-	261,393	221,832
Total program services	4,693,337	-	-	4,693,337	5,554,374
Supporting services, including in-kind services					
General and administrative	658,440	-	-	658,440	708,575
Capital Campaign expenses	26,127	-	-	26,127	343,523
Fundraising	496,664	-	-	496,664	645,789
Marketing	137,170	-	-	137,170	117,753
Bad debt expense	35,049	-	-	35,049	475,000
Total supporting services	1,353,450	-	-	1,353,450	2,290,640
Total expenditures	6,046,787	-	-	6,046,787	7,845,014
Change in net assets	101,637	1,122,185	-	1,223,822	590,881
Net assets at beginning of year	(74,511)	14,375,875	4,814,837	19,116,201	18,525,320
Net assets at end of year	$ 27,126	$ 15,498,060	$ 4,814,837	$ 20,340,023	$ 19,116,201

See notes to financial statements.

THE DENVER HEALTH AND HOSPITALS FOUNDATION

Statement of Cash Flows

	For the Year Ended December 31, 2017	Summarized Financial Information for the Year Ended December 31, 2016
Cash flows from operating activities		
Change in net assets	$ 1,223,822	$ 590,881
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Changes in beneficial interest in assets held by third party	(1,480,380)	(457,689)
Bad debt expense	35,049	475,000
Non-cash contributions of stock	(50,481)	-
Net realized and unrealized gains on investments	(40,327)	(5,757)
Changes in assets and liabilities		
Contributions and grants receivable	163,787	188,288
Inventory	99,250	(225,626)
Prepaid expenses and other assets	(79,063)	124,661
Accounts payable and accrued liabilities	(334,969)	352,388
Amounts due to Denver Health and Hospital Authority	595,224	(266,459)
Deferred revenue	118,996	(152,040)
Net cash provided by operating activities	250,908	623,647
Cash flows from investing activities		
Distributions of assets held by third party	368,524	352,430
Net purchases of investments	-	(1,452,198)
Net cash provided by (used in) investing activities	368,524	(1,099,768)
Cash flows from financing activities		
Principal payments on note payable	(332,227)	(322,318)
Net cash used in financing activities	(332,227)	(322,318)
Net increase (decrease) in cash and cash equivalents	287,205	(798,439)
Cash and cash equivalents at beginning of year	3,284,932	4,083,371
Cash and cash equivalents at end of year	$ 3,572,137	$ 3,284,932

Supplemental disclosure of cash flow information:

Cash paid for interest was $7,980 and $11,284 for the years ended December 31, 2017 and 2016, respectively.

See notes to financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

General

The Denver Health and Hospitals Foundation (the "Foundation") is a non-profit corporation organized to support Denver Health and Hospital Authority (the "Authority") in its mission to sustain and advance the health and well-being of Denver, Colorado, and the Rocky Mountain region, including its educational and research activities to improve the quality and management of patient care provided by the Authority. Significant areas of support include, but are not limited to, maternal and child health, community health, volunteer auxiliary, trauma prevention and care, Rocky Mountain Poison and Drug Center, behavioral health, orthopedics, and pediatrics. Fundraising efforts for other program areas are pursued as needs and funding opportunities arise.

The Foundation is governed by a volunteer Board of Directors (the "Board"). The Authority may appoint up to two members of its Board of Directors to the Foundation's Board. The CEO of the Authority holds an ex-officer position on the Foundation's Board; however, the Foundation's bylaws stipulate that the Authority's representatives may not constitute a majority of the Foundation's Board. A majority of the administrative, accounting, and clerical functions of the Foundation are performed at no charge by the employees of the Authority.

Prior-Year Comparative Information

The financial statements include certain prior-year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Financial Statement Presentation

Information regarding the financial position and activities of the Foundation is reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

> Unrestricted net assets are those currently available at the discretion of the Board for use in the Foundation's operations.
>
> Temporarily restricted net assets are monies restricted by donors specifically for certain time periods, purposes, or programs.
>
> Permanently restricted net assets are assets that must be maintained permanently by the Foundation as required by the donor, but the Foundation is permitted to use or expend part or all of any income derived from those assets for specific or general purposes.

Cash and Cash Equivalents

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

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Foundation recognizes a set revenue percentage of general donations, contributions, grants passing through to the Authority, and special events as a means to fund operations. The percentages range from 0% to 15% for grants passing through to the Authority and are based on donor criteria. Up to 20% is recognized on general donations and contributions.

Contributions and Grants Receivable

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable as of December 31, 2017 because management believes that all contributions will be received.

Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. There were no conditional contributions as of December 31, 2017.

During the year ended December 31, 2017, the Foundation recognized bad debt expense of $35,049.

Inventory

Inventory consists of items used for the Foundation's Newborns in Need program and is valued at the lower of cost or net realizable value for purchased items or estimated market value if donated. Cost is determined using the first-in, first-out method of accounting.

Donated inventory items totaled $257,278 during the year ended December 31, 2017.

Investments

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with unrealized gains and losses included in the statement of activities. CDs are reported at amortized cost.

The Foundation's investments consist primarily of CDs and government bonds (Note 4) with redemptions between one and three years. At times, investments may include donated stock and other donated equity securities until the donated asset is liquidated.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Deferred Revenue

Prepayments for special events are deferred and recognized as revenue in the applicable future period when the related event occurs.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, short-term investments, beneficial interest in assets held by third party, and contributions and grants receivable. The Foundation places its cash and cash equivalents and short-term investments with creditworthy, high-quality financial institutions, and accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. From time to time, the Foundation's cash and cash equivalents may exceed the FDIC-insured limit. The Foundation's investment policy requires management to maintain CDs at a balance of $250,000 or less to ensure that CDs are fully insured under the FDIC. There were no CD balances greater than $250,000 at any one institution at December 31, 2017.

The Foundation has deposited funds with The Denver Foundation in a beneficial interest in assets held by third party. Investment managers engaged by The Denver Foundation make investments and are monitored on an ongoing basis. Though the market value of the underlying investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk related to contributions and grants receivable is limited due to the number and creditworthiness of the individuals and organizations from which amounts are due.

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 disclosures 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.

Donated Gifts and Services

Volunteers from the community have donated a significant number of hours in assisting the Foundation in achieving the goals of its various service programs. The value of this contributed time is not reflected in the accompanying financial statements. The Foundation received the following donated gifts and services in 2017:

Newborns in Need inventory	$ 257,278
Authority in-kind office space and employees (Note 8)	1,061,475
Other in-kind gifts and services	225,478
	$ 1,544,231

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent by employees on those activities.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction; however, income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income in 2017.

Management is required to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Foundation believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements.

If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as general and administrative expenses. No interest or penalties have been assessed as of December 31, 2017.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017. The Tax Act includes significant changes to the U.S. corporate income tax system, including a federal corporate rate reduction from 35% to 21% effective January 1, 2018; limitations on the deductibility of interest expense and executive compensation; eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; changing the rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The Foundation does not expect the Tax Act to have a significant financial impact because, as a not-for-profit organization, it is not subject to federal income tax.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Foundation is required to adopt the new standard in 2019 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods. The Foundation is continuing to evaluate the provisions of this new guidance and has not determined the impact this standard may have on its financial condition, results of operations, cash flows, and related disclosures or decided upon the method of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017, with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented. The Foundation is currently evaluating the new standard and its impact on the Foundation's financial statements.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent Events

The Foundation has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no significant subsequent events requiring additional recognition or disclosure.

Note 2 - Contributions and Grants Receivable

Contributions and grants receivable consist of the following at December 31, 2017:

Due in less than one year	$ 1,672,757
Due in one to five years	300,944
	$ 1,973,701

The discount on contributions and grants receivable due in one to five years is considered de minimis.

Note 3 - Beneficial Interest in Assets Held by Third Party

The Denver Foundation, a Colorado non-profit corporation, holds all of the Foundation's investments included in beneficial interest in assets held by third party in the accompanying financial statements, including those that are endowments and were formed for the benefit of the Foundation. The Denver Foundation has no variance power and pays distribution amounts from the funds as required by virtue of the existing and future endowment fund agreements and as directed by the Foundation in writing. The Denver Foundation also distributes all or part of the income and principal of the advised funds for the benefit of the Foundation, which is calculated using a formula developed and approved by the Foundation's Board and in accordance with The Denver Foundation's guidelines for advised funds.

The Foundation's investments at The Denver Foundation consist of units purchased of The Denver Foundation's total investment portfolio. The fair value of these investments represents the Foundation's pro rata interest in The Denver Foundation's total investment portfolio and is based on monthly statements received from The Denver Foundation.

The Denver Foundation's investment portfolio consists of mutual funds invested in fixed income securities, mutual funds invested in domestic and international equity securities, cash equivalents, and alternative investments. Alternative investments in The Denver Foundation's portfolio include hedged equity funds, private equity funds, absolute return funds, and real estate. 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.

Realized and unrealized gains and losses and investment income are recognized based upon the Foundation's pro rata share of The Denver Foundation's realized and unrealized gains and losses and investment income. In addition, distributive shares of income or loss from "pass-through" entities such as partnerships and trusts are recorded as income or loss in the year such items are recognized by the Foundation.

The Denver Foundation endowment funds totaled $10,780,269 at December 31, 2017.

Note 4 - Fair Value Measurements

The Foundation reports required types of financial instruments in accordance with fair value accounting standards. Fair value is 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and to minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. Instruments that are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, and cash and cash equivalents.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate and government bonds, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interest in corporate private equity and real estate funds, funds of hedge funds, distressed debt, and the fair value for beneficial interest in remainder trusts.

In some instances, the inputs used to measure fair value may fall in to different levels of the fair value hierarchy. In such instances, an instrument'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 (Levels 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.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest, and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Foundation's financial statements.

Note 4 - Fair Value Measurements (continued)

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

Beneficial interest in assets held by third party: Valued based upon information determined and reported by The Denver Foundation and corroborated to The Denver Foundation's audited financial statements by management.

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

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

There were no changes in valuation methodologies during the year ended December 31, 2017.

The following table summarizes the Foundation's investments by the above fair value hierarchy level as of December 31, 2017:

Description	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by third party	$ -	$ -	$ 10,780,269	$ 10,780,269
Government bonds	-	4,369,026	-	4,369,026
Stocks	52,204	-	-	52,204
Total	$ 52,204	$ 4,369,026	$ 10,780,269	$ 15,201,499

The changes in Level 3 investments measured at fair value during the year ended December 31, 2017 are as follows:

Beginning balance	$ 9,668,413
Change in beneficial interest	1,480,380
Distributions	(368,524)
	$ 10,780,269

The following is a reconciliation of the fair value of assets above to amounts presented on the statement of financial position as of December 31, 2017:

Total financial assets from fair value tables above	$ 15,201,499
Certificates of deposit	1,182,121
Cash and cash equivalents	22,967
	$ 16,406,587
Investments	$ 5,626,318
Beneficial interest in assets held by third party	10,780,269
	$ 16,406,587

Note 5 - Note Payable

On September 1, 2014, the Foundation signed a five-year loan agreement with The Colorado Health Foundation in support of the Federico F. Peña Southwest Family Health Center Capital Campaign for $1,500,000. Principal payments of $27,778 began on May 1, 2015 and continued for the next six months of the loan. No interest accrued for the first twelve months of the loan. Payments of principal and interest of $28,348 were due November 1, 2015 and will continue monthly until maturity on October 31, 2019.

The Foundation's minimum maturities of long-term debt obligations are as follows:

For the Year Ending December 31,	
2018	$ 335,518
2019	282,191
	$ 617,709

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following programs at December 31, 2017:

Community health services	$ 5,913,187
Surgery	985,796
Managed care	249,158
Women, children, and adolescents	523,088
Orthopedics	243,674
Volunteer auxiliary	222,619
Behavioral health	1,947,652
Medicine	212,558
Emergency medicine	643,828
Endowment earnings	2,276,489
Other	2,280,011
Total	$ 15,498,060

During the year ended December 31, 2017, there was $3,739,925 in temporarily restricted net assets released from restriction upon satisfaction of expenditures for specific programs.

Note 7 - Permanently Restricted Net Assets and Endowment

Endowment fund assets are to be held indefinitely, but the income earned on these assets may be used to support the following activities of the Foundation at December 31, 2017:

McNeil Research Endowment in Clinical Analgesia	$ 1,500,500
Shana Glassman Memorial Endowed Chair in General Internal Medicine	1,212,300
Bruce M. Rockwell Distinguished Chair in Trauma Surgery	966,525
Patricia A. Gabow Endowment for Vulnerable Populations	1,135,512
Total permanently restricted	$ 4,814,837

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All of the Foundation's endowment funds are held by The Denver Foundation. The endowment consists of four individual funds established for a variety of purposes. The Foundation does not have any Board-designated endowment funds.

The state of Colorado adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective September 1, 2008. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation and in the absence of explicit donor stipulations to the contrary, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the endowment and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources
7. The investment policies of the Foundation

Endowment net assets consist of donor-restricted endowment funds that are all permanently restricted at December 31, 2017.

Note 7 - Permanently Restricted Net Assets and Endowment (continued)

Following are the changes in the endowment net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at December 31, 2016	$ -	$ 1,649,429	$ 4,814,837	$ 6,464,266
Investment return				
Net appreciation - interest, realized and unrealized	-	984,564	-	984,564
Appropriation of endowment assets for expenditure	-	(357,504)	-	(357,504)
Endowment net assets at December 31, 2017	$ -	$ 2,276,489	$ 4,814,837	$ 7,091,326

Return Objectives and Risk Parameters

Endowment assets include donor-restricted funds that must be held in perpetuity. The Board has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable, and sustainable level of distribution to the Foundation that supports current needs and provides for growth in assets and income over time. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is at least 5% plus the Consumer Price Index. The rate of return has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the investment portfolio. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest). The Foundation targets a diversified asset allocation that places a greater emphasis on units purchased of The Denver Foundation's total asset portfolio to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Through December 31, 2017, the Board had a policy of appropriating for distribution each year 5% of the three-year average fair market value of permanent endowments held at The Denver Foundation; 4% is distributed to the Authority endowment manager and 1% to the Foundation. These balances comprised approximately 5.04% of the total endowment funds of the Authority.

Note 7 - Permanently Restricted Net Assets and Endowment (continued)

Distribution Policy and How the Investment Objectives Relate to Distribution Policy (continued)

In establishing the distribution policy, the Board considered the long-term expected return on its investments. Accordingly, over the long term, the Board expects the current spending policy to allow its endowment to grow at an average of 5% plus the Consumer Price Index annually. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

In determining the annual grant, the Board may make an exception to the distribution policy.

Note 8 - Denver Health and Hospital Authority

The Foundation's mission is to support the Authority. The Foundation's office space was donated by the Authority with a fair value of $25,008 for the year ended December 31, 2017.

The Authority also provides significant management and administrative staff to the Foundation. The donated salaries and benefits totaled $1,036,467 for the year ended December 31, 2017. Additionally, the Foundation reimbursed the Authority for approximately $19,841 for certain leased personnel for 2017.

The value of the in-kind rent and personnel costs were allocated between the following supporting services at December 31, 2017:

General and administrative	$ 721,154
Fundraising	340,321
	$ 1,061,475

The Foundation paid approximately $1,600,000 in grants and contributions to the Authority. Although most of these grants and contributions are specifically designated by the donor to the Authority, these contributions are recorded as contribution revenue by the Foundation, as the Foundation and the Authority are financially interrelated entities.

At December 31, 2017, the Foundation owed the Authority $1,144,067 for grants and reimbursement of salaries.