

# **The Denver Health and Hospitals Foundation**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

**The Denver Health and Hospitals Foundation**  
**December 31, 2021 and 2020**

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## Independent Auditor's Report

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

### ***Opinion***

We have audited the financial statements of The Denver Health and Hospitals Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the 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, and for 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.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

**FORVIS,LLP**

Denver, Colorado  
August 30, 2022

**The Denver Health and Hospitals Foundation**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,231,192	\$ 5,841,419
Contributions and grants receivable, net	2,920,759	3,206,286
Inventory	439,121	593,034
Prepaid expenses and other assets	54,521	36,975
Investments	7,244,557	4,250,338
Beneficial interest in assets held by third party	14,643,485	13,608,145
Total assets	\$ 28,533,635	\$ 27,536,197
<b>Liabilities</b>		
Deferred revenue	\$ 25,000	\$ -
Note payable	1,000,000	1,000,000
Amounts due to Denver Health and Hospital Authority	1,367,040	2,605,545
Total liabilities	2,392,040	3,605,545
<b>Net Assets</b>		
Without donor restrictions	2,002,387	723,174
With donor restrictions	24,139,208	23,207,478
Total net assets	26,141,595	23,930,652
Total liabilities and net assets	\$ 28,533,635	\$ 27,536,197

**The Denver Health and Hospitals Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions and grants	\$ 577,220	\$ 5,056,410	\$ 5,633,630
Change in beneficial interest in assets held by third party	-	2,014,300	2,014,300
Net investment return	(110,653)	-	(110,653)
In-kind gifts and services	4,110,586	299,294	4,409,880
Net assets released from restrictions	6,438,274	(6,438,274)	-
	<u>11,015,427</u>	<u>931,730</u>	<u>11,947,157</u>
<b>Expenses and Losses</b>			
Program activities	6,352,378	-	6,352,378
Supporting services			
Management and general	2,050,983	-	2,050,983
Fundraising	1,332,853	-	1,332,853
	<u>9,736,214</u>	<u>-</u>	<u>9,736,214</u>
<b>Change in Net Assets</b>	<u>1,279,213</u>	<u>931,730</u>	<u>2,210,943</u>
Net assets, beginning of year	<u>723,174</u>	<u>23,207,478</u>	<u>23,930,652</u>
Net assets, end of year	<u>\$ 2,002,387</u>	<u>\$ 24,139,208</u>	<u>\$ 26,141,595</u>

**The Denver Health and Hospitals Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2020**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions and grants	\$ 2,310,899	\$ 6,006,247	\$ 8,317,146
Change in beneficial interest in assets held by third party	-	1,428,453	1,428,453
Net investment return	38,198	-	38,198
In-kind gifts and services	2,808,918	697,299	3,506,217
Net assets released from restrictions	5,552,143	(5,552,143)	-
	<u>10,710,158</u>	<u>2,579,856</u>	<u>13,290,014</u>
<b>Expenses and Losses</b>			
Program activities	7,297,458	-	7,297,458
Supporting services			
Management and general	1,425,421	-	1,425,421
Fundraising	1,445,895	-	1,445,895
	<u>10,168,774</u>	<u>-</u>	<u>10,168,774</u>
<b>Change in Net Assets</b>	<u>541,384</u>	<u>2,579,856</u>	<u>3,121,240</u>
Net assets, beginning of year	<u>181,790</u>	<u>20,627,622</u>	<u>20,809,412</u>
Net assets, end of year	<u>\$ 723,174</u>	<u>\$ 23,207,478</u>	<u>\$ 23,930,652</u>

# The Denver Health and Hospitals Foundation

## Statement of Functional Expenses

### Year Ended December 31, 2021

	Program Services										Support Services			Total	
	Trauma and Emergency Medicine	Women, Children, and Adolescents	Community Health	Behavioral Health	Volunteer Services	Medicine	Orthopedics	Patient Assistance	COVID-19 Response	Other	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries and wages	\$ 38,219	\$ 31,483	\$ 830,000	\$ 254,302	\$ 24,810	\$ 307,691	\$ -	\$ -	\$ -	\$ 529,578	\$ 2,016,083	\$ 1,297,506	\$ 790,734	\$ 2,088,240	\$ 4,104,323
Contracted services	33,980	1,937	153,033	1,982	-	85,477	-	10	-	104,880	381,299	270,329	484,061	754,390	1,135,689
Grants to individuals	599	-	364	-	250	21,433	-	40,932	-	191,914	255,492	-	-	-	255,492
Investment and interest	-	-	-	-	-	17,400	-	-	-	47,625	65,025	-	-	-	65,025
Advertising and promotion	-	-	-	-	-	40	-	-	-	-	40	64	11,550	11,614	11,654
Office supplies	11,362	2,186	50,498	15,401	64,586	24,278	2,543	18,500	-	85,387	274,741	9,549	34,318	43,867	318,608
Information technology	-	302	452,295	2,223	453	82,034	-	748	-	301,327	839,382	37,210	731	37,941	877,323
Travel and entertainment	633	500	268	-	4,466	25,938	-	678	-	58,880	91,363	15,274	6,416	21,690	113,053
Donor recognition	4,873	-	-	-	363	7,220	-	-	-	5,732	18,188	23,605	1,217	24,822	43,010
Donated gifts and services	-	-	110	-	514,500	2,000	-	-	-	363,175	879,785	47,700	-	47,700	927,485
Memberships and other fees	6,085	2,031	15,069	4,747	53	20,778	119	33	-	4,024	52,939	59,318	3,143	62,461	115,400
Other	95,527	33,105	577,607	83,896	2,617	318,584	7,012	2,019	-	236,539	1,356,906	29,820	683	30,503	1,387,409
Grant administrative fees to the Authority	-	-	92,549	15,550	-	8,886	254	-	-	3,896	121,135	-	-	-	121,135
Bad debt	-	-	-	-	-	-	-	-	-	-	-	260,608	-	260,608	260,608
<b>Total expenses</b>	<b>\$ 191,278</b>	<b>\$ 71,544</b>	<b>\$ 2,171,793</b>	<b>\$ 378,101</b>	<b>\$ 612,098</b>	<b>\$ 921,759</b>	<b>\$ 9,928</b>	<b>\$ 62,920</b>	<b>\$ -</b>	<b>\$ 1,932,957</b>	<b>\$ 6,352,378</b>	<b>\$ 2,050,983</b>	<b>\$ 1,332,853</b>	<b>\$ 3,383,836</b>	<b>\$ 9,736,214</b>



**The Denver Health and Hospitals Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services										Support Services			Total	
	Trauma and Emergency Medicine	Women, Children, and Adolescents	Community Health	Behavioral Health	Volunteer Services	Medicine	Orthopedics	Patient Assistance	COVID-19 Response	Other	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries and wages	\$ 5,000	\$ 227,545	\$ 716,981	\$ 384,337	\$ 23,745	\$ 258,249	\$ 24,482	\$ -	\$ 357,180	\$ 103,347	\$ 2,100,866	\$ 737,174	\$ 781,704	\$ 1,518,878	\$ 3,619,744
Contracted services	-	603	555,195	61,081	140	38,012	-	-	2,461	231,454	888,946	341,008	579,019	920,027	1,808,973
Grants to individuals	-	11,808	17,371	618	375	11,676	-	166,908	995	520,119	729,870	-	-	-	729,870
Investment and interest	-	-	-	-	-	18,750	-	-	-	33,875	52,625	-	-	-	52,625
Advertising and promotion	-	-	-	-	-	-	-	-	-	(1)	(1)	-	4,058	4,058	4,057
Office supplies	17,783	2,689	10,056	5,530	98,709	19,061	39,655	488	216,979	84,827	495,777	15,643	3,136	18,779	514,556
Information technology	-	-	365,032	-	124	828,556	-	-	101,833	36,719	1,332,264	13,532	-	13,532	1,345,796
Travel and entertainment	(1,870)	-	(122)	16	25	12,737	577	241	-	48,372	59,976	15,129	909	16,038	76,014
Conferences, conventions and meetings	-	-	-	-	-	810	-	-	-	2,905	3,715	163	-	163	3,878
Donor recognition	-	-	(400)	-	591	5,982	-	-	-	10,774	16,947	5,219	-	5,219	22,166
Donated gifts and services	-	-	-	-	341,584	12,500	-	500	-	678,791	1,033,375	53,833	-	53,833	1,087,208
Memberships and other fees	2,465	866	3,801	1,860	250	9,616	(531)	(99)	-	(451)	17,777	48,228	69	48,297	66,074
Other	74,529	(1,834)	150,380	2,039	2,273	100,637	(98)	(1,071)	8,736	32,474	368,065	89,968	77,000	166,968	535,033
Grant administrative fees to the Authority	2,812	16,738	88,378	29,954	-	18,990	2,248	-	18,176	19,960	197,256	9,930	-	9,930	207,186
Allowance for uncollectible contributions	-	-	-	-	-	-	-	-	-	-	-	95,594	-	95,594	95,594
<b>Total expenses</b>	<b>\$ 100,719</b>	<b>\$ 258,415</b>	<b>\$ 1,906,672</b>	<b>\$ 485,435</b>	<b>\$ 467,816</b>	<b>\$ 1,335,576</b>	<b>\$ 66,333</b>	<b>\$ 166,967</b>	<b>\$ 706,360</b>	<b>\$ 1,803,165</b>	<b>\$ 7,297,458</b>	<b>\$ 1,425,421</b>	<b>\$ 1,445,895</b>	<b>\$ 2,871,316</b>	<b>\$ 10,168,774</b>

**The Denver Health and Hospitals Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Change in net assets	\$ 2,210,943	\$ 3,121,240
Items not requiring (providing) cash flow		
Change in beneficial interest in assets held by third party	(2,014,300)	(1,428,453)
Noncash contribution of inventory	153,913	(356,838)
Net realized and unrealized loss (gain) on investments	136,299	(34,398)
Allowance for uncollectible contributions	260,608	95,594
Amortization of discount on contributions receivable	-	(1,044)
Changes in		
Contributions and grants receivable	24,919	(99,767)
Prepaid expenses and other assets	(17,546)	(20,975)
Accounts payable and accrued liabilities	-	(107,990)
Amounts due to Denver Health and Hospital Authority	(1,238,505)	1,263,284
Deferred revenue	25,000	(12,499)
	<u>(458,669)</u>	<u>2,418,154</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Distributions of assets held by third party	349,919	348,548
Addition to assets held by third party	-	(1,221,812)
Purchase of investments	(5,990,588)	(7,177,783)
Proceeds from sales of investments	3,489,111	5,304,493
	<u>(2,151,558)</u>	<u>(2,746,554)</u>
Net cash used in investing activities		
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(2,610,227)</u>	<u>(328,400)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,841,419</u>	<u>6,169,819</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,231,192</u>	<u>\$ 5,841,419</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	<u>\$ 17,400</u>	<u>\$ 18,750</u>

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 1: Summary of Significant Accounting Policies

#### ***Nature of Operations***

The Denver Health and Hospitals Foundation (the Foundation) is a nonprofit entity 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 officio 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.

#### ***Use of 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, gains, and support and expenses during the period. Actual results could differ significantly from those estimates.

#### ***Cash and Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including beneficial interest in assets held by third party, are not considered to be cash and cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted of certificates of deposit. Cash and cash equivalents included in investments are not considered to be cash and cash equivalents.

At December 31, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,741,000.

#### ***Inventories***

Inventory consists of items used for the Foundation's Newborns in Need, Refugee Outreach Clothing for Kids, and other programs. Inventories are stated at the lower of cost or net realizable value. Costs of inventory items are determined using the first-in, first-out method.

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### **Investments**

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value.

### **Net Investment Return**

Investment return includes dividend and interest income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, net of external and internal investment expense. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is reported as without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

### **Contributions**

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met

**The Denver Health and Hospitals Foundation**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

***Special Events Revenue and Deferred Revenue***

Special events revenue represents ticket sales to the annual Gala. The ticket sales are divided between contributions and revenue from exchange transactions for financial reporting purposes. The exchange portion of the ticket is measured at the fair value of the direct donor benefits, and the excess for the ticket price over the fair value of the direct donor benefits is the contribution portion. The contribution portion of the ticket is considered conditional upon the event occurring, as the donor has not waived his or her right to a refund. Both the fair value of the direct donor benefits and the contribution is recorded into revenue when the event occurs. Prepayments for special events are recorded as deferred revenue in the statements of financial position and recognized as revenue in the applicable future period when the related event occurs. The Foundation did not hold an annual Gala for calendar year 2021 or 2020.

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

### December 31, 2021 and 2020

#### ***In-kind Contributions and Contributed Services***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate.

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as inventory in its financial statements, and similarly increase contribution revenue by the same amount.

For the years ended December 31, 2021 and 2020, the Foundation received in-kind contributions, contributed services, and operating expense reimbursements from the Authority of \$4,409,8800 and \$3,506,217, respectively.

In addition, volunteers from the community have contributed 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 financials statements.

#### ***Grants***

Support funded by grants is recognized as the Foundation meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

#### ***Income Taxes***

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among program, management and general and fundraising categories based on time and effort and the direct coding of expenses.

**The Denver Health and Hospitals Foundation**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 2: Contributions Receivable and Conditional Gifts**

Contributions receivable consisted of the following:

	<b>2021</b>	<b>2020</b>
Due within one year	\$ 2,270,019	\$ 1,176,061
Due within one to five years	679,990	2,150,464
	2,950,009	3,326,525
Less		
Allowance for uncollectible contributions	-	95,594
Unamortized discount	29,250	24,645
	<u>\$ 2,920,759</u>	<u>\$ 3,206,286</u>

Discount rates ranged from 2.03% and 2.82% and 0.14% to 2.52% for 2021 and 2020, respectively.

The organization received conditional promises to give at December 31, 2021 of approximately \$1,400,000 that are not recognized in the financial statements. These conditional promises to give will be recognized upon the Foundation achieving milestones or grantor review and approval.

**Note 3: Beneficial Interest in Assets Held by Third Parties**

The Foundation has an agreement with the Denver Foundation, a Colorado nonprofit corporation, to hold the Foundation's investments, including endowments. These investments are reported in the beneficial interest in assets held by third party in the accompanying statements of financial position and include funds designated by donors to be held in perpetuity as endowments and donor restricted investments without permanent restrictions and are included in net assets with donor restrictions.

The Foundation makes all investment decisions and distributions are appropriated annual for the endowment funds as well as restricted investments.

The fair value of the beneficial interest included in the statements of financial position was \$14,643,485 and \$13,608,145 at December 31, 2021 and 2020, respectively.

**Note 4: Note Payable**

On October 31, 2019, the Foundation signed a promissory note with an individual for \$1,000,000 at a 1.85% interest rate compounded annually. The rate is adjusted on an annual basis each September to align with federal rates. For the years ended December 31, 2021 and 2020 the interest rate was 1.74% and 1.85%, respectively, and the Foundation paid interest of \$17,400 and \$18,750, respectively. Accrued interest and principal is due in full on October 31, 2029.

**The Denver Health and Hospitals Foundation**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 5: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specified purpose		
Community health services	\$ 5,726,979	\$ 6,100,372
Surgery	712,136	800,163
Managed care	109,032	121,782
Women, children and adolescents	658,425	514,580
Orthopedics	328,577	349,175
Volunteer auxiliary	176,061	383,645
Behavioral health	2,788,024	2,617,989
Medicine	2,120,644	2,490,063
Emergency medicine	372,752	458,963
Other	2,611,101	1,638,109
	<u>15,603,731</u>	<u>15,474,841</u>
Endowments		
Investments to be held in perpetuity, the income is expendable for the following purposes		
McNeil Research Endowment in Clinical Analgesia	1,500,500	1,500,500
Shana Glassman Memorial Endowed Chair in General Internal Medicine	1,212,300	1,212,300
Bruce M. Rockwell Distinguished Chair in Trauma Surgery	966,525	966,525
Patricia A. Babow Endowment for Vulnerable Populations	1,135,512	1,135,512
	<u>4,814,837</u>	<u>4,814,837</u>
Subject to spending policy and appropriation		
McNeil Research Endowment in Clinical Analgesia	1,086,305	843,000
Shana Glassman Memorial Endowed Chair in General Internal Medicine	871,755	675,719
Bruce M. Rockwell Distinguished Chair in Trauma Surgery	988,852	804,934
Patricia A. Babow Endowment for Vulnerable Populations	773,728	594,147
	<u>3,720,640</u>	<u>2,917,800</u>
Total endowments	<u>8,535,477</u>	<u>7,732,637</u>
	<u>\$ 24,139,208</u>	<u>\$ 23,207,478</u>



# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### ***Net Assets Released from Restrictions***

During the years ended December 31, 2021 and 2020, net assets were released from donor restrictions of \$6,438,274 and \$5,552,143, respectively, by incurring expenses satisfying the restricted purposes specified by donors.

### **Note 6: Endowment**

The Foundation's governing body is subject to the State Prudent Management of Institutional Funds Act (SPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation's endowment consists of four individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds required to be held in perpetuity were \$4,814,837 as of December 31, 2021 and 2020.

**The Denver Health and Hospitals Foundation**  
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Change in endowment net assets for the years ended December 31, 2021 and 2020 were:

	<b>With Donor Restriction</b>
Endowment net assets, January 1, 2020	\$ 7,195,335
Net investment return	885,850
Appropriation of endowment assets for expenditures	(348,548)
Endowment net assets, December 31, 2020	7,732,637
Net investment return	1,152,759
Appropriation of endowment assets for expenditures	(349,919)
Endowment net assets, December 31, 2021	\$ 8,535,477

***Investment and Spending Policies***

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation’s policies, endowment assets are invested to provide an average rate of return of approximately 5%, net of inflation, annually over time. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a spending policy of appropriating for expenditure each year 5% of its endowment fund’s average fair value over the prior three years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation 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 endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

### December 31, 2021 and 2020

#### ***Underwater Endowments***

The governing body of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At December 31, 2021 and 2020, the endowment funds were not underwater.

#### **Note 7: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	<b>2021</b>	<b>2020</b>
Total assets	\$ 28,533,635	\$ 27,536,197
Less: Donor imposed restrictions and nonfinancial assets		
Inventory	439,121	593,034
Prepaid expenses and other assets	54,521	36,975
Beneficial interest in assets held by third party	14,643,485	13,608,145
Contributions and grants receivable expected to be collected in one to five years	679,990	2,150,464
	<u>15,817,117</u>	<u>16,388,618</u>
Financial assets available to meet cash needs for general expenditures within one year after donor imposed restrictions	<u>\$ 12,716,518</u>	<u>\$ 11,147,579</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2021 and 2020, restricted contributions of \$2,240,769 and \$1,055,822, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

### December 31, 2021 and 2020

#### **Note 8: Related-party Transactions**

The Foundation's mission is to support the Authority. The Authority authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the Authority.

The Foundation paid approximately \$5,225,600 and \$4,900,000 in grants and contributions to the Authority for the years ended December 31, 2021 and 2020, respectively.

The Authority provides significant management and administrative staff to the Foundation. The donated salaries and benefits totaled \$1,986,708 and \$1,361,029 for the years ended December 31, 2021 and 2020, respectively. Additionally, the Authority reimbursed the Foundation \$470,000 for fundraising consulting services and \$1,562,040 for other operating expenses in 2021. In 2020 the Authority reimbursed the Foundation \$420,000 for fundraising consulting service expenses and \$562,849 for other operating expenses.

At December 31, 2021 and 2020, the Foundation owed the Authority \$1,367,040 and \$2,605,545, respectively, for grants and reimbursement of salaries.

#### **Note 9: Disclosure About Fair Value of Assets and Liabilities**

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

<b>Fair Value Measurements at December 31, 2021</b>				
	<b>Total Fair Value 2021</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Beneficial interest in assets held by third party	\$ 14,643,485	\$ -	\$ -	\$ 14,643,485
Corporate bonds	<u>7,244,557</u>	<u>-</u>	<u>7,244,557</u>	<u>-</u>
Total investments	<u>\$ 21,888,042</u>	<u>\$ -</u>	<u>\$ 7,244,557</u>	<u>\$ 14,643,485</u>

<b>Fair Value Measurements at December 31, 2020</b>				
	<b>Total Fair Value 2020</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Certificates of Deposit	\$ 235,204	\$ -	\$ 235,204	\$ -
Beneficial interest in assets held by third party	13,608,145	-	-	13,608,145
Government bonds	1,397,676	-	1,397,676	-
Mutual funds	<u>1,407,248</u>	<u>1,407,248</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 16,648,273</u>	<u>\$ 1,407,248</u>	<u>\$ 1,632,880</u>	<u>\$ 13,608,145</u>

Included in investments for the years ended December 31, 2021 and 2020 was cash balances of \$0 and \$1,210,210, respectively.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

# The Denver Health and Hospitals Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

### ***Investment Held at a Private Foundation***

The Foundation has an investment held at the Denver Foundation. The 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 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. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

## **Note 10: Significant Estimates and Contribution Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

### ***Contributions***

Approximately 14% and 16% and of the Foundation's contributions were received from one donor at December 31, 2021 and 2020, respectively.

### ***Investments***

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

# **The Denver Health and Hospitals Foundation**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### **Note 11: Subsequent Events**

Subsequent events have been evaluated through August 30, 2022, which is the date the financial statements were available to be issued.