

# **The Colorado Trust**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

**The Colorado Trust**  
**December 31, 2021 and 2020**

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## Independent Auditor's Report

Board of Trustees  
The Colorado Trust  
Denver, Colorado

### ***Opinion***

We have audited the accompanying financial statements of The Colorado Trust (the Trust), 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 years 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 Trust as of December 31, 2021 and 2020, 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.

### ***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 Trust 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 the 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 Trust's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Trustees  
The Colorado Trust

### ***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 Trust'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 Trust'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 29, 2022

**The Colorado Trust**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

**Assets**

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 5,919,881	\$ 4,119,729
Investments	593,401,743	546,715,949
Interest receivable	53,209	24,449
Distributions receivable	716,771	145,219
Grant return receivable	-	3,303
Program related investments	15,463,311	7,664,154
Property and equipment, net	894,022	965,368
Investments held under deferred compensation agreements	398,781	377,773
Other assets	329,144	193,670
Total assets	<b>\$ 617,176,862</b>	<b>\$ 560,209,614</b>

**Liabilities and Net Assets**

Accounts payable and accrued liabilities	\$ 1,110,551	\$ 272,275
Grants payable	12,140,589	8,046,942
Current and deferred excise tax payable	807,073	538,562
Deferred gain on sale - leaseback	1,518,419	1,768,019
Deferred compensation	398,781	377,773
Total liabilities	15,975,413	11,003,571

**Net Assets Without Donor Restrictions**

Undesignated	601,201,449	549,206,043
Total liabilities and net assets	<b>\$ 617,176,862</b>	<b>\$ 560,209,614</b>

**The Colorado Trust**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Revenue, Gains (Losses) and Other</b>		
<b>Support Without Donor Restrictions</b>		
Interest and dividend income	\$ 2,585,125	\$ 212,922
Net realized and unrealized gains on investments	88,195,726	61,851,561
Income from real estate transactions	1,129,490	1,211,393
Investment management fees	<u>(5,987,981)</u>	<u>(467,408)</u>
 Total revenue, gains (losses) and other support without donor restrictions	 <u>85,922,360</u>	 <u>62,808,468</u>
 <b>Expenses</b>		
Program services		
Health Policy	5,917,715	6,905,734
Health Equity Data	1,052,544	885,565
Community Partnerships	8,754,984	9,476,719
Health and Well Being		
Other grant programs	<u>14,658,816</u>	<u>11,027,389</u>
 Total program services expenses	 <u>30,384,059</u>	 <u>28,295,407</u>
Supporting services		
Management and general	<u>3,542,895</u>	<u>2,270,289</u>
 Total supporting services expenses	 <u>3,542,895</u>	 <u>2,270,289</u>
 Total expenses	 <u>33,926,954</u>	 <u>30,565,696</u>
 <b>Change in Net Assets Without Donor Restrictions</b>	 51,995,406	 32,242,772
 <b>Net Assets Without Donor Restrictions, Beginning of Year</b>	 <u>549,206,043</u>	 <u>516,963,271</u>
 <b>Net Assets Without Donor Restrictions, End of Year</b>	 <u><u>\$ 601,201,449</u></u>	 <u><u>\$ 549,206,043</u></u>

**The Colorado Trust**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

	<b>Program Services</b>				<b>Total Program Services</b>	<b>Support Services</b>	<b>Total</b>
	<b>Health Policy</b>	<b>Health Equity Data</b>	<b>Community Partnerships</b>	<b>Health and Well Being - Other</b>		<b>Management and General</b>	
Grants and other assistance	\$ 3,447,418	\$ 774,463	\$ 3,130,209	\$ 12,300,469	\$ 19,652,559	\$ -	\$ 19,652,559
Salaries, taxes and benefits	648,196	115,290	3,444,838	1,405,155	5,613,479	2,179,371	7,792,850
Professional services	1,325,389	122,036	1,522,782	456,462	3,426,669	190,035	3,616,704
Office expenses	49,059	8,436	145,224	102,822	305,541	49,458	354,999
Occupancy	111,655	19,859	216,314	242,046	589,874	140,775	730,649
Travel, training and meetings	291,741	4,588	223,813	55,922	576,064	64,283	640,347
Insurance	8,486	1,509	12,555	18,396	40,946	10,699	51,645
Depreciation	17,916	3,187	26,506	38,838	86,447	22,588	109,035
Excise tax	-	-	-	-	-	733,377	733,377
Other	17,855	3,176	32,743	38,706	92,480	152,309	244,789
Total expenses included in the expense section on the statement of activities	<u>\$ 5,917,715</u>	<u>\$ 1,052,544</u>	<u>\$ 8,754,984</u>	<u>\$ 14,658,816</u>	<u>\$ 30,384,059</u>	<u>\$ 3,542,895</u>	<u>\$ 33,926,954</u>

**The Colorado Trust**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	<b>Program Services</b>				<b>Total Program Services</b>	<b>Support Services</b>	<b>Total</b>
	<b>Health Policy</b>	<b>Health Equity Data</b>	<b>Community Partnerships</b>	<b>Health and Well Being - Other</b>		<b>Management and General</b>	
Grants and other assistance	\$ 4,536,800	\$ 625,588	\$ 4,518,834	\$ 9,168,644	\$ 18,849,866	\$ -	\$ 18,849,866
Salaries, taxes and benefits	889,859	114,112	2,613,720	1,185,103	4,802,794	1,616,472	6,419,266
Professional services	1,139,392	110,880	1,695,462	310,321	3,256,055	165,811	3,421,866
Office expenses	54,590	6,366	120,840	66,109	247,905	44,650	292,555
Occupancy	132,876	17,040	191,341	176,963	518,220	135,919	654,139
Travel, training and meetings	97,039	4,642	256,808	48,204	406,693	53,497	460,190
Insurance	9,949	1,276	13,653	13,250	38,128	11,399	49,527
Depreciation	18,239	2,339	25,030	24,291	69,899	20,897	90,796
Excise tax	-	-	-	-	-	201,437	201,437
Other	26,990	3,322	41,031	34,504	105,847	20,207	126,054
Total expenses included in the expense section on the statement of activities	<u>\$ 6,905,734</u>	<u>\$ 885,565</u>	<u>\$ 9,476,719</u>	<u>\$ 11,027,389</u>	<u>\$ 28,295,407</u>	<u>\$ 2,270,289</u>	<u>\$ 30,565,696</u>



**The Colorado Trust**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Change in net assets	\$ 51,995,406	\$ 32,242,772
Items not requiring (providing) cash		
Depreciation expense	109,035	90,796
Recognition of deferred gain	(249,600)	(249,600)
Deferred excise tax expense	537,020	(266,070)
Net realized and unrealized gain on investments	(88,195,726)	(61,851,561)
Change in operating assets		
Other assets	(156,482)	(93,647)
Change in operating liabilities		
Accounts payable and accrued expenses	838,276	(199,902)
Other accrued liabilities	21,008	(80,873)
Grants payable	4,093,647	3,053,074
Distributions receivable	(571,552)	11,059
Grant return receivable	3,303	49,625
Interest receivable	(28,760)	(7,143)
Excise tax payable	(268,511)	133,035
	<b>(31,872,936)</b>	<b>(27,168,435)</b>
Net cash used in operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(37,687)	(186,155)
Proceeds from sale of investments	174,830,801	128,483,545
Purchases of investments	(133,320,869)	(100,276,355)
Program-related loans	(8,492,000)	(1,100,000)
Payments received from program-related loans	692,843	689,174
	<b>33,673,088</b>	<b>27,610,209</b>
Net cash provided by investing activities		
<b>Increase in Cash and Cash Equivalents</b>	<b>1,800,152</b>	<b>441,774</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,119,729</b>	<b>3,677,955</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,919,881</b>	<b>\$ 4,119,729</b>

# **The Colorado Trust**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### **Note 1: Nature of Operations**

The Colorado Trust (the Trust) was established in 1985 and endowed by the proceeds of the sale of PSL Healthcare Corporation, a Colorado not-for-profit corporation. The Trust was formed as a not-for-profit charitable foundation whose mission is to improve the health and well-being of the people of the state of Colorado. The Trust's vision and the focus of its grant making is for all Coloradans to have fair and equal opportunities to lead healthy, productive lives regardless of race, ethnicity, income or where they live. The Trust's operations and grant making activities are funded by investments and earnings thereon.

#### **Note 2: Summary of Significant Accounting Policies**

##### ***Basis of Financial Presentation***

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

##### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

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

The Trust considers all unrestricted liquid investments with original maturities of three months or less, and which are not held as part of an investment portfolio or on behalf of others, to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2021 and 2020, the Trust's cash held in its operating account and its investment accounts exceeded federally insured limits by approximately \$0 and \$801,912, respectively.

##### ***Investments and Investment Return***

The Trust measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

# **The Colorado Trust**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### ***Net Investment Return***

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Investment management fees are recorded net of investment income. The Trust began to specifically identify the management fees at December 31, 2021.

#### ***Investment Risk***

Investment securities are exposed to various risks, such as interest rate, market and credit. Though the market value of investments is subject to fluctuations on a year to year basis, the Trust believes that the investment policy is appropriate for meeting the long-term mission of the Trust.

#### ***Program Related Investments***

The Trust has program-related investments in the form of below-market rate notes issued to organizations that fulfill the Trust's mission.

#### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. The Trust capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life exceeding one year. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset ranging from 3 to 20 years.

#### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor (*or* certain grantor) restrictions.

#### ***Grants***

The Board of Trustees approves expenditures for specific community partnerships and grant strategies in support of the Trust's mission. Grant expense is recognized when the Trust identifies a grantee and awards a grant contract. Grants authorized but unpaid at year-end are reported as liabilities in accordance with GAAP. Grants scheduled for payments more than one year in the future are discounted using an appropriate discount rate.

#### ***Tax Status***

The Trust has been classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code (the Code) and is exempt from federal income tax under Section 501(c)(3) of the Code. Private foundations are subject to an excise tax on net investment income, which includes realized gains on the sale of assets. The tax is equal to 1.4% of net investment income.

**The Colorado Trust**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

Management evaluates uncertain tax positions for more-likely-than-not sustainability. Management has concluded that as of December 31, 2021 and 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Certain of the Trust’s investments generate unrelated business taxable income. The Trust did not incur income taxes related to those activities in 2021 and 2020. Tax generated related to unrelated business taxable income is subject to the application of net operating losses carried forward from prior years.

***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 the program and management and general categories based on salaries and benefits costs allocated to each function as a measurement of efforts expended on the Trust’s programs.

**Note 3: Grant and Contract Commitments**

Grants payable is determined by discounting multi-year grants to net present value using a discount rate commensurate with market conditions and the grant payment schedule at the time the grant is committed. The discount rate used by the Trust is 3.5% for years 1-2, and 5.5% years 3-5 based on the estimated rate of return for investments for such durations.

Grants which have been approved but not paid are scheduled for payment as follows:

2022		\$ 6,129,076
2023		3,844,007
2024		1,568,895
2025		978,067
Less present value of adjustments for payments scheduled after 2022		(379,456)
		\$ 12,140,589

**Note 4: Investments and Investment Returns**

The investment goal of the Trust is to invest its assets in a manner that will maintain, over the long-term, the real value of its investments while allowing for suitable grant expenditures that facilitate the fulfillment of the Trust’s mission.

To achieve this goal, some investment risk must be taken. The Trust diversifies its investment portfolio among various financial instruments and asset categories, using multiple investment strategies to mitigate investment risks. The Trust’s investments are managed by independent professional investment management firms and are held in various investment structures such as limited partnerships, foreign domiciled funds, and pooled investments.

**The Colorado Trust**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

Investments at December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Domestic equities	\$ 149,624,067	\$ 150,120,162
International equities	92,742,045	121,732,960
Global equities	52,631,349	-
Fixed income funds	58,036,203	71,056,689
Private equity	143,280,790	115,424,302
Hedge funds/multi-strategy	37,621,474	36,648,164
Real estate	<u>59,465,815</u>	<u>51,733,672</u>
Total investments	<u>\$ 593,401,743</u>	<u>\$ 546,715,949</u>

***Domestic Equities, International Equities and Fixed-income Funds***

These categories consist of investments in mutual funds, partnerships and commingled funds. All of these investments are in funds which are in publicly traded companies on various major stock exchanges. Certain funds cannot be valued directly, and therefore are valued by reference to the fair value of the underlying publicly traded equities. Liquidity is available monthly upon 30 days or less notice, at which time the underlying investments are sold and the proceeds are distributed.

***Global Equities***

A global equity fund has the latitude to buy shares of companies from any country including the United States. A global equity fund can be divided into three type of country categories: U.S. stocks, non-U.S. stocks and emerging market stocks. Most global equity funds will report how the assets are divided based on these or similar categories. The vehicles for global equities include mutual funds, separate accounts and commingled funds. In terms of liquidity, mutual funds and separate are the most liquid options by being available on a daily/weekly basis depending on the fund; whereas commingled funds liquidity is available on a monthly basis.

***Private Equity***

This category includes a variety of private equity strategies including private equity, global distressed debt, natural resources and venture capital. At December 31, 2021, the total committed was \$176,750,000, of which \$49,339,613 remains to be called. At December 31, 2020, the total committed was \$150,750,000, of which \$41,397,029 remains to be called. Each fund is allocated to fund managers over a period of three to five years and is designed to have a lifespan of 7 to 10 years before it is fully liquidated. Liquidity is only available through distributions as the underlying investments mature or are sold.

# The Colorado Trust

## Notes to Financial Statements

### December 31, 2021 and 2020

#### ***Hedge Funds/Multi-strategy***

Hedge funds consist of a combination of investments in fund-of-funds, each managed by a single fund manager, as well as direct investments in single funds. Fund-of-fund managers are free to invest in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. These include relative value, event driven and tactical strategies and represent multiple core investment holdings. Single fund managers consist of multi-strategy investments including long/short equity, distressed debt, arbitrage, and credit instruments. At December 31, 2021 and 2020, the total committed was \$24,745,812, all of which has been called. This category also includes a multi-strategy fund invested in domestic equities traded on major stock exchanges. One fund included in this category valued at a total of approximately \$16,697,000 has a three-year lock-up period. All other investments do not currently have any lock ups, gates or other redemption restrictions, and quarterly liquidity is available upon 45-95 days' notice.

#### ***Real Estate***

This category includes commercial real estate owned through limited partnership funds and a Real Estate Investment Trust. These funds are broadly diversified across real estate asset classes and are further diversified geographically. Liquidity varies based on the amount the owners collectively wish to redeem and executed sales by the investment managers of the underlying real estate properties. Quarterly redemptions are made 60-90 days after written notice. All valuations are based on annual appraisals of the underlying properties conducted by independent appraisers generally on a rolling quarterly basis.

#### **Note 5: Fair Value of Investments**

The Trust reports its investments in accordance with fair value 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs to determine fair value.

Fair value measurement standards require the Trust to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- 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 are significant to the fair value of the assets or liabilities

**The Colorado Trust**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

Level 1 and Level 2 assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. However, the underlying assets may be actively traded. The investment managers utilize a combination of market and income approaches. One or more of the following inputs are used: quoted market prices, appraisals, and assumptions about discounted cash flow and other present value techniques depending on the type of investment. There were no changes in the valuation techniques during the current year.

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 (Levels 1, 2 and 3) are intended to reflect the ability to observe the 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 observation and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Trust's financial statements.

The following tables present the fair value measurements of assets 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>2021</b>			
	<b>Total</b>	<b>Fair Value Measurements Using</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>
Investments measured using market approach				
Fixed income funds	\$ 58,036,203	\$ 49,507,262	\$ 8,528,941	\$ -
	58,036,203	<u>\$ 49,507,262</u>	<u>\$ 8,528,941</u>	<u>\$ -</u>
Alternative investments measured at net asset value per share (A)				
Domestic equities	149,624,067			
International equities	92,742,045			
Global Equities	52,631,349			
Private equity	143,280,790			
Hedge funds/multi-strategy	37,621,474			
Real estate	59,465,815			
	<u>593,401,743</u>			
Total investments	<u>\$ 593,401,743</u>			

**The Colorado Trust**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

	<b>2020</b>			
	<b>Total</b>	<b>Fair Value Measurements Using</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>
Investments measured using market approach				
Fixed income funds	\$ 71,011,159	\$ 62,353,219	\$ 8,657,940	\$ -
	71,011,159	<u>\$ 62,353,219</u>	<u>\$ 8,657,940</u>	<u>\$ -</u>
Alternative investments measured at net asset value per share (A)				
Domestic equities	150,120,162			
International equities	121,732,960			
Fixed income funds	45,530			
Private equity	115,424,302			
Hedge funds/multi-strategy	36,648,164			
Real estate	<u>51,733,672</u>			
Total investments	<u>\$ 546,715,949</u>			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.



**The Colorado Trust**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 6: Program Related Investments**

The Trust issued a note receivable to various entities as program-related investments. The balance of program related investments at December 31, 2021 and 2020 are comprised of the following:

Terms	2021	2020
Interest at 2.50% due annually beginning November 2016, with total principal due at maturity in October 2024	\$ -	\$ 492,400
Interest at 2.00% due quarterly beginning June 2016, with total principal due at maturity in December 2024	875,000	875,000
Interest at 3.00% due monthly beginning February 2018. Principal payments due quarterly beginning February 2018, ending at maturity in January 2025	848,311	888,754
Interest at 1.00% annum with total principal due at maturity in February 2024	58,000	58,000
Interest at 2.00% due quarterly beginning March 2019, with total principal due at maturity in December 2023	1,500,000	1,500,000
Interest at 1.00% due semi-annually beginning January 2020, with total principal due at maturity in July 2024	1,000,000	1,000,000
Interest at 1.00% due semi-annually beginning January 2020, with total principal due at maturity in July 2025	2,000,000	1,000,000
Interest at 1.00% due semi-annually beginning January 2020, with total principal due at maturity in December 2022	750,000	750,000
Interest at 0.00% due semi-annually beginning December 2020, with total principal due at maturity in December 2025	300,000	300,000
Interest at 0.00% due semi-annually beginning December 2020, with total principal due at maturity in December 2025	300,000	300,000
Interest at 1.00% due quarterly beginning April 2021, with total principal due at maturity in July 2025	500,000	500,000
Interest at 2.00% due quarterly beginning March 2021, with total principal due at maturity in December 2028	1,000,000	-

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Terms	2021	2020
Interest at 2.00% due quarterly beginning September 2021, with total principal due at maturity in June 2026	1,000,000	-
Interest at 1.00% due quarterly beginning October 2021, with total principal due at maturity in June 2026	1,000,000	-
Interest at 0.00% due semi-annually beginning August 2021, with total principal due at maturity in July 2026	250,000	-
Interest at 1.00% due quarterly beginning December 2021, with total principal due at maturity in August 2026	750,000	-
Interest at 0.00% due semi-annually beginning October 2021, with total principal due at maturity in August 2026	500,000	-
Interest at 0.00% due semi-annually beginning December 2020, with total principal due at maturity in June 2025	832,000	-
Interest at 1.00% due annually beginning December 2021, with total principal due at maturity in December 2028	1,000,000	-
Interest at 1.00% due quarterly beginning December 2021, with total principal due at maturity in December 2028	1,000,000	-
	<u>15,463,311</u>	<u>7,664,154</u>
	<u>\$ 15,463,311</u>	<u>\$ 7,664,154</u>

Management has determined that the value of the notes receivable discounted at market rates compared to its stated value is not material to the financial statements.

**Note 7: Property and Equipment**

Property and equipment at December 31 consists of:

	2021	2020
Projects in process	\$ 686,767	\$ 686,579
Building improvements	61,399	66,877
Machinery and equipment	888,305	1,011,999
Furniture and fixtures	325,425	333,167
	1,961,896	2,098,622
Less accumulated depreciation	<u>(1,067,874)</u>	<u>(1,133,254)</u>
Property and equipment, net	<u>\$ 894,022</u>	<u>\$ 965,368</u>

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**Note 8: Sale-leaseback Transaction Note Payable to Bank**

On January 31, 2008, the Trust sold its real estate investment in the Capitol Center at 225 East Sixteenth Avenue, Denver, Colorado, the adjacent parking structure, and The Colorado Trust Building at 1600 Sherman Street, Denver, Colorado, to Capitol Center LLC, a Colorado limited liability company, for \$21,500,000. At that time, the net proceeds received by the Trust were reinvested in its investment portfolio to support future grant making. Concurrently, the Trust leased back the Colorado Trust Building under a 20-year lease agreement with four optional 5-year renewal periods. In accordance with generally accepted accounting principles, the Trust accounted for the transaction as a sale-leaseback and deferred a portion of the gain on the sale equal to the net present value of the Trust's future minimum lease payments, \$3,473,566. The deferred gain is being amortized on a straight-line basis over the 20-year life of the lease in the amount of \$249,600 per year.

Rent expense in 2021 and 2020 was \$693,416 and \$659,537, respectively. Rent expense includes rent escalation for property maintenance of \$180,664 and \$134,378 for 2021 and 2020, respectively.

Future minimum lease payments under the operating lease, before amortization of the deferred gain or rent escalation charges, are as follows for years ending December 31:

2022	\$ 547,730
2023	557,311
2024	567,121
2025	577,159
2026	587,425
2027-2028	<u>636,820</u>
	<u>\$ 3,473,566</u>

**Note 9: Deferred Compensation Agreement**

Effective January 1, 2002, the Trust adopted a non-qualified deferred compensation plan under Section 457(b) of the Code. The plan is available to certain employees. Participants may make an election each year to defer up to the maximum amount permitted by law. There are no employer matching contributions. Participant contributions are not subject to vesting.

At December 31, 2021 and 2020, the assets and related liabilities of the Section 457(b) deferred compensation plan were recorded at the fair market values of \$398,781 and \$377,773, respectively.

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**Note 10: Agreements with Dioceses/Churches**

The Episcopal Dioceses of Colorado (the Dioceses) and the Presbytery of Denver (the Churches) are beneficiaries of a 1985 agreement between the Trust and the PSL Healthcare Corporation. The agreement, which was subsequently amended in 1989 to clarify its provisions, requires distribution to each organization equal to 5% of the total grant expenditures each year, excluding amounts paid to the organizations. Distributions to each organization in 2021 based on grant expenditures paid in 2020 were \$915,210, for a total of \$1,830,419. Included in grants payable at December 31, 2021 is \$1,898,350, representing the payments due to the organizations in 2022 for grant expenditures paid in 2021. Distributions to each organization in 2020 based on grant expenditures paid in 2019 were \$677,550 for a total of \$1,355,100. Included in grants payable at December 31, 2020 is \$1,830,419, representing the payments due to the organizations in 2021 for grant expenditures paid in 2020.

**Note 11: Employee Benefit Plans**

The Trust provides a money purchase pension plan for all eligible employees. The Trust contributes an amount equal to 12.5% of the annual compensation of each employee enrolled in the plan. Contributions to the plan vest over a period of three years. There are no employee contributions. Employer contributions to the plan were \$693,502 and \$542,399 in 2021 and 2020, respectively.

The Trust has a tax-sheltered annuity plan under Section 403(b) of the Code available to all employees. Under the plan, each participating employee has the option to contribute amounts, on a pre-tax or post-tax basis, up to the maximum allowable by the Code. Contributions to the plan vest immediately. There are no employer matching contributions.

**Note 12: Federal Excise Taxes**

Deferred taxes are recognized in the financial statements for the excise tax on the unrealized gains on investments. The liability for deferred excise tax on unrealized gains included in excise tax payable was \$470,202 per the statements of financial position at December 31, 2021 and \$420,199 at December 31, 2020. The current provision for federal excise taxes are provided for at 1.4% for the years ended December 31, 2021 and 2020, and deferred taxes are provided for at 1.4% for both years. The following are federal excise tax components.

Excise tax expense consists of the following at December 31:

	<b>2021</b>	<b>2020</b>
Current excise tax expense	\$ 683,374	\$ 396,618
Deferred excise tax expense	50,003	(195,181)
	<b>\$ 733,377</b>	<b>\$ 201,437</b>

**The Colorado Trust**  
**Notes to Financial Statements**  
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**Note 13: Liquidity and Availability**

The Trust considers investment income for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Trust's fiscal year.

The principle investment objective of the Trust is to maintain the real value of its investments in perpetuity while allowing for suitable grant expenditures that facilitate the fulfillment of the Trust's mission.

The Board of Trustees of the Trust is responsible for grant-making and investment decisions.

The Trust manages its cash and investments available to meet general expenditures following four guiding principles:

- Operating and acting with judgment and care in which persons of prudence, discretion and intelligence would observe
- Maintaining adequate liquid assets to meet the current Internal Revenue Code required for grant payout and administrative and investment expenses
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Trust
- The Trust will maintain sufficient liquidity to meet at least two years of spending needs for operations, grants and capital call requirements. To achieve this, the Trust will maintain investments with weekly liquidity not less than 20% of the portfolio. No more than 40% of the portfolio will be invested in investments with lock-ups or liquidity in excess of one year.

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The table below presents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Financial assets at year-end</b>		
Cash and cash equivalents	\$ 5,919,881	\$ 4,119,729
Investments	593,401,743	546,715,949
Interest receivable	53,209	24,449
Distribution receivable	716,771	145,219
Program-related investments	15,463,311	7,664,154
Investments held under deferred compensation agreements	<u>398,781</u>	<u>377,773</u>
Total financial assets	<u>615,953,696</u>	<u>559,047,273</u>
Less amounts not available to be used within one year as they have lock-up periods extending past one year		
Private equities	143,280,790	115,424,302
Hedge funds	<u>15,392,751</u>	<u>14,642,052</u>
	<u>158,673,541</u>	<u>130,066,354</u>
Less amounts not available within one year		
Program-related investments	<u>14,713,311</u>	<u>7,664,154</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 442,566,844</u>	<u>\$ 421,316,765</u>

**Note 14: Contingencies**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Trust. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Colorado Trust is exploring ways to leverage their balance sheet to further the impact of the charitable contributions using non-cash instruments, like loan guarantees, that are in alignment with our mission. At December 31, 2021, the Trust has entered into two transactions that are contingent on the recipient organization.

**Note 15: Subsequent Events**

Subsequent events have been evaluated through August 29, 2022, which is the date the financial statements were available to be issued.