




The Colorado Trust

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



The Colorado Trust
December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 30, 2023

The Colorado Trust
Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	\$ 3,669,396	\$ 5,919,881
Investments	476,930,841	593,401,743
Interest receivable	105,765	53,209
Distributions receivable	24,566,694	716,771
Grant return receivable	8,500	-
Program related investments	19,765,240	15,463,311
Property and equipment, net	647,326	894,022
Investments held under deferred compensation agreements	339,859	398,781
Current and deferred excise tax receivable	1,556,661	-
Other assets	165,367	329,144
Total assets	\$ 527,755,649	\$ 617,176,862

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 764,521	\$ 1,110,551
Grants payable	8,208,438	12,140,589
Current and deferred excise tax payable	-	807,073
Line of credit payable	5,020,476	-
Deferred gain on sale - leaseback	1,268,819	1,518,419
Deferred compensation	339,526	398,781
Total liabilities	15,601,780	15,975,413

Net Assets Without Donor Restrictions

Undesignated	512,153,869	601,201,449
Total liabilities and net assets	\$ 527,755,649	\$ 617,176,862

The Colorado Trust
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue, Gains (Losses) and Other		
Support Without Donor Restrictions		
Interest and dividend income	\$ 2,910,432	\$ 2,585,125
Net realized and unrealized gains (losses) on investments	(60,450,813)	88,195,726
Income from real estate transactions	1,441,470	1,129,490
Investment management fees	(4,078,242)	(5,987,981)
Total revenue, gains (losses) and other support without donor restrictions	(60,177,153)	85,922,360
Expenses		
Program services		
Health policy	4,459,648	5,917,715
Health equity data	380,546	1,052,544
Community partnerships	6,071,552	8,754,984
Health and well being - other	15,117,563	14,658,816
Total program services expenses	26,029,309	30,384,059
Supporting services		
Management and general	2,841,118	3,542,895
Total supporting services expenses	2,841,118	3,542,895
Total expenses	28,870,427	33,926,954
Change in Net Assets Without Donor Restrictions	(89,047,580)	51,995,406
Net Assets Without Donor Restrictions, Beginning of Year	601,201,449	549,206,043
Net Assets Without Donor Restrictions, End of Year	\$ 512,153,869	\$ 601,201,449

The Colorado Trust
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				Support Services		Total
	Health Policy	Health Equity Data	Community Partnerships	Health and Well Being - Other	Total Program Services	Management and General	
Grants and other assistance	\$ 2,363,657	\$ 91,899	\$ 2,335,731	\$ 10,337,627	\$ 15,128,914	\$ -	\$ 15,128,914
Salaries, taxes and benefits	1,125,120	154,944	2,005,375	2,565,852	5,851,291	2,682,975	8,534,266
Professional services	628,336	86,531	1,119,925	1,432,930	3,267,722	321,224	3,588,946
Office expenses	50,442	6,947	89,906	115,033	262,328	78,763	341,091
Occupancy	86,435	11,903	154,058	197,115	449,511	177,869	627,380
Travel, training and meetings	153,725	21,170	273,994	350,572	799,461	162,589	962,050
Insurance	2,736	377	4,876	6,239	14,228	5,630	19,858
Depreciation	33,260	4,580	59,281	75,849	172,970	68,443	241,413
Excise tax	-	-	-	-	-	(818,909)	(818,909)
Other	15,937	2,195	28,406	36,346	82,884	162,534	245,418
	<u>15,937</u>	<u>2,195</u>	<u>28,406</u>	<u>36,346</u>	<u>82,884</u>	<u>162,534</u>	<u>245,418</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 4,459,648</u>	<u>\$ 380,546</u>	<u>\$ 6,071,552</u>	<u>\$ 15,117,563</u>	<u>\$ 26,029,309</u>	<u>\$ 2,841,118</u>	<u>\$ 28,870,427</u>

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

	Program Services				Support Services		Total
	Health Policy	Health Equity Data	Community Partnerships	Health and Well Being - Other	Total Program Services	Management and General	
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
	<u>17,855</u>	<u>3,176</u>	<u>32,743</u>	<u>38,706</u>	<u>92,480</u>	<u>152,309</u>	<u>244,789</u>
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
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ (89,047,580)	\$ 51,995,406
Items not requiring (providing) cash		
Depreciation expense	241,414	109,035
Recognition of deferred gain	(249,600)	(249,600)
Deferred excise tax expense	(1,618,967)	537,020
Discount on PRI	1,462,505	-
Interest income on PRI discount	(70,745)	-
Net realized and unrealized loss (gain) on investments	60,450,813	(88,195,726)
Change in operating assets		
Other assets	174,964	(156,482)
Change in operating liabilities		
Accounts payable and accrued expenses	(346,030)	838,276
Other accrued liabilities	(59,255)	21,008
Grants payable	(3,932,151)	4,093,647
Line of credit payable	5,020,476	-
Distributions receivable	(23,849,923)	(571,552)
Grant return receivable	(8,500)	3,303
Interest receivable	-	(28,760)
Excise tax receivable	(1,556,661)	-
Excise tax payable	807,073	(268,511)
Net cash used in operating activities	<u>(52,582,167)</u>	<u>(31,872,936)</u>
Investing Activities		
Purchase of property and equipment	-	(37,687)
Disposal of property and equipment	5,282	
Proceeds from sale of investments	78,185,500	174,830,801
Purchases of investments	(22,165,411)	(133,320,869)
Program-related loans	(7,900,000)	(8,492,000)
Payments received from program-related loans	<u>2,206,311</u>	<u>692,843</u>
Net cash provided by investing activities	<u>50,331,682</u>	<u>33,673,088</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,250,485)	1,800,152
Cash and Cash Equivalents, Beginning of Year	<u>5,919,881</u>	<u>4,119,729</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,669,396</u>	<u>\$ 5,919,881</u>

The Colorado Trust

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2022 and 2021, the Trust's cash held in its operating account and its investment accounts exceeded federally insured limits by approximately \$2,824,000 and \$0, 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, 2022 and 2021

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.

Distributions Receivable

Distributions receivable consists of distribution notices received and redemption requests executed prior to year-end where the cash has not yet been received at year-end. The Trust has \$24,566,694 and \$716,771 in distributions receivable at December 31, 2022 and 2021, respectively.

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.

Line of Credit

During 2022, the Trust entered into a revolving line of credit agreement with total available credit of \$5,000,000. Interest is due monthly at a rate of 1.89% plus Daily Simple SOFR. The line of credit is collateralized with a security interest in the Trust's US Bank pledge account. Availability under the line of credit is determined by the value of eligible marginable security in the US Bank pledge account. The Trust has an outstanding line of credit payable balance of \$5,020,476 at December 31, 2022, which consists of \$5,000,000 in principal and \$20,476 in interest.

The Colorado Trust

Notes to Financial Statements

December 31, 2022 and 2021

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.

Management evaluates uncertain tax positions for more-likely-than-not sustainability. Management has concluded that as of December 31, 2022 and 2021, 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 2022 and 2021. 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 one - two, and 5.5% years three - five based on the estimated rate of return for investments for such durations.

The Colorado Trust
Notes to Financial Statements
December 31, 2022 and 2021

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

2023	\$ 6,099,973
2024	1,237,274
2025	978,067
Less present value of adjustments for payments scheduled after 2023	<u>(106,876)</u>
	<u>\$ 8,208,438</u>

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.

Investments at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Domestic equities	\$ 119,258,233	\$ 149,624,067
International equities	65,330,100	92,742,045
Global equities	44,824,187	52,631,349
Fixed income funds	49,603,706	58,036,203
Private equity	144,320,864	143,280,790
Hedge funds/multi-strategy	15,581,974	37,621,474
Real estate	<u>38,011,777</u>	<u>59,465,815</u>
Total investments	<u>\$ 476,930,841</u>	<u>\$ 593,401,743</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.

The Colorado Trust

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022, the total committed was \$153,792,000, of which \$32,933,441 remains to be called. At December 31, 2021, the total committed was \$176,750,000, of which \$49,339,613 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 seven to ten years before it is fully liquidated. Liquidity is only available through distributions as the underlying investments mature or are sold.

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. No investments currently have any lock ups, gates or other redemption restrictions, and quarterly liquidity is available upon 65-90 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.

The Colorado Trust
Notes to Financial Statements
December 31, 2022 and 2021

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

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 Colorado Trust
Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021:

		2022			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		Total			
Investments measured using market approach					
Fixed income funds	\$ 49,603,706	\$ 41,527,580	\$ 8,076,126	\$ -	
	49,603,706	<u>\$ 41,527,580</u>	<u>\$ 8,076,126</u>	<u>\$ -</u>	
Alternative investments measured at net asset value per share (A)					
Domestic equities	119,258,233				
International equities	65,330,100				
Global equities	44,824,187				
Private equity	144,320,864				
Hedge funds/multi-strategy	15,581,974				
Real estate	38,011,777				
		<u>38,011,777</u>			
Total investments	<u>\$ 476,930,841</u>				

The Colorado Trust
Notes to Financial Statements
December 31, 2022 and 2021

	2021			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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			
Total investments	<u>\$ 593,401,743</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, 2022 and 2021

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, 2022 and 2021 are comprised of the following:

Terms	2022	2021
Interest at 2.00% due quarterly beginning June 2016, with total principal due at maturity in December 2027	\$ 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
Interest at 1.00% annum with total principal due at maturity in February 2024	-	58,000
Interest at 2.00% due quarterly beginning December 2018, with total principal due at maturity in December 2025	1,500,000	1,500,000
Interest at 1.00% due quarterly beginning January 2020, with total principal due at maturity in June 2026	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	2,500,000	2,000,000
Interest at 1.00% due semi-annually beginning December 2019, with total principal due at maturity in July 2024	750,000	750,000
Interest at 2.00% annum with total principal due at maturity in October 2029	300,000	300,000
Interest at 0.00% beginning December 2020, with total principal due at maturity in December 2025	300,000	300,000
Interest at 1.00% due quarterly beginning December 2020, with total principal due at maturity in July 2025	500,000	500,000
Interest at 2.00% due quarterly beginning January 2021, with total principal due at maturity in January 2028	1,000,000	1,000,000

The Colorado Trust
Notes to Financial Statements
December 31, 2022 and 2021

Terms	2022	2021
Interest at 2.00% due quarterly beginning June 2021, with total principal due at maturity in June 2026	1,000,000	1,000,000
Interest at 1.00% due quarterly beginning July 2021, with total principal due at maturity in June 2026	1,000,000	1,000,000
Interest at 0.00% beginning August 2021, with total with total principal due at maturity in July 2026	250,000	250,000
Interest at 1.00% due quarterly beginning September 2021, with total principal due at maturity in July 2026	750,000	750,000
Interest at 0.00% beginning October 2021, with total principal due at maturity in August 2026	500,000	500,000
Interest at 0.00% beginning December 2020, with total principal due at maturity in June 2025	832,000	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	3,350,000	1,000,000
Interest at 1.00% and principal due at maturity in October 2029	1,000,000	-
Interest at 0.00% beginning September 2022, with total principal due at maturity in September 2034	3,750,000	-
Cummulative discount on PRI	(1,391,760)	-
	<u>\$ 19,765,240</u>	<u>\$ 15,463,311</u>

The Colorado Trust
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Note 7: Property and Equipment

Property and equipment at December 31 consists of:

	2022	2021
Projects in process	\$ -	\$ 686,767
Building improvements	748,164	61,399
Machinery and equipment	875,438	888,305
Furniture and fixtures	325,425	325,425
	1,949,027	1,961,896
Less accumulated depreciation	(1,301,701)	(1,067,874)
Property and equipment, net	\$ 647,326	\$ 894,022

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 2022 and 2021 was \$652,930 and \$693,416, respectively. Rent expense includes rent escalation for property maintenance of \$144,974 and \$180,664 for 2022 and 2021, respectively.

With the adoption of ASC 842, *Leases*, a right-to-use asset and associated liability were to be recorded on the statements of financial position. The Trust has opted to pass on amending the statement of financial position and the adding the related disclosures due to the immateriality of the amount.

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The Trust provided notice to the landlord on November 15, 2022 that it would be exercising the early termination option provided in the lease agreement and will be vacating the premises no later than January 31, 2025. Future minimum lease payments under the operating lease before the amortization of the deferred gain or rent escalation charges have consequently been updated to reflect the new lease termination date for the years ending December 31.

2023		\$	557,311	
2024			567,121	
2025			48,097	
			48,097	
		\$	1,172,529	

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, 2022 and 2021, the assets and related liabilities of the Section 457(b) deferred compensation plan were recorded at the fair market values of \$399,859 and \$398,781, respectively.

Note 10: Agreements with Dioceses/Churches

The Episcopal Diocese of Colorado (the Diocese) 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 2022 based on grant expenditures paid in 2021 were \$949,175, for a total of \$1,898,350. Included in grants payable at December 31, 2022 is \$1,560,831, representing the payments due to the organizations in 2023 for grant expenditures paid in 2022. 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.

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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 \$608,985 and \$693,502 in 2022 and 2021, 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 and losses on investments. The Trust has a receivable per the statements of financial position at December 31, 2022 of \$1,556,661, of which \$1,148,764 is considered deferred. At December 31, 2021, the Trust had a liability of \$807,073, of which \$470,202 was considered deferred. The current provision for federal excise taxes are provided for at 1.4% for the years ended December 31, 2022 and 2021, 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:

	2022	2021
Current excise tax expense	\$ 800,058	\$ 683,374
Deferred excise tax expense	(1,618,967)	50,003
	\$ (818,909)	\$ 733,377

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.

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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.

The table below presents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	2022	2021
Financial Assets at Year-end		
Cash and cash equivalents	\$ 3,669,396	\$ 5,919,881
Investments	476,930,841	593,401,743
Interest receivable	105,765	53,209
Distribution receivable	24,566,694	716,771
Other receivable	12,097	-
Program-related investments	19,765,240	15,463,311
Excise tax receivable	407,897	-
Investments held under deferred compensation agreements	339,859	398,781
	<u>525,797,789</u>	<u>615,953,696</u>
Less amounts not available to be used within one year as they have lock-up periods extending past one year		
Private equities	144,320,864	143,280,790
Real estate	2,774,086	-
Hedge funds	298,545	15,392,751
	<u>147,393,495</u>	<u>158,673,541</u>
Less amounts not available within one year		
Program-related investments	18,407,000	14,713,311
Distributions receivable	24,000,000	-
	<u>42,407,000</u>	<u>14,713,311</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 335,997,294</u></u>	<u><u>\$ 442,566,844</u></u>

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Notes to Financial Statements
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Note 14: Contingencies

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, 2022 and 2021, the Trust has entered into two transactions totaling \$4,250,000 that are contingent on the recipient organization.

Subsequent to year-end, one of the loan guarantees was called by the bank. Due to financial distress of the borrower, the Trust, acting as the guarantor, paid off the loan in the amount of \$4,000,000 on June 22, 2023.

Note 15: Subsequent Events

Subsequent events have been evaluated through August 30, 2023, which is the date the financial statements were available to be issued.