THE DENVER FOUNDATION

Consolidated Financial Statements
and
Independent Auditors' Report
December 31, 2017
(with Summarized Financial Information for December 31, 2016)

EKS&H

Table of Contents

Page

Independent Auditors' Report ... 1

Consolidated Financial Statements

Consolidated Statement of Financial Position ... 3

Consolidated Statement of Activities ... 4

Consolidated Statement of Cash Flows ... 5

Notes to Consolidated Financial Statements ... 6

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Denver Foundation
Denver, Colorado

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Denver Foundation as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Foundation's 2016 consolidated financial statements, and our report dated April 7, 2017, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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April 17, 2018
Denver, Colorado

THE DENVER FOUNDATION

Consolidated Statement of Financial Position

		December 31, 2017		Summarized Financial Information for 2016
Assets				
Cash and cash equivalents	$	1,214,199	$	1,207,892
Contributions receivable (Note 3)		848,625		413,940
Program-related investments (Note 4)		68,023,663		59,364,698
Investments				
Investments, at fair value (Notes 5 and 6)		610,539,060		571,005,044
Investments, held in cash equivalents (Notes 5 and 6)		100,479,722		37,369,789
Investments, at cost (Note 5)		34,000		-
Assets held in				
Charitable lead annuity trusts (Notes 5, 6, and 7)		1,065,008		1,092,334
Charitable remainder trusts (Notes 5, 6, and 7)		1,300,899		1,223,732
Beneficial interests in				
Charitable remainder trusts (Notes 6 and 7)		1,530,791		1,214,926
Charitable lead trusts (Notes 6 and 7)		913,625		1,041,548
Perpetual trusts (Notes 6 and 7)		5,188,216		4,850,647
Funds held as agency endowments (Notes 5, 6, and 11)		46,006,295		44,508,020
Funds held in trust for others (Notes 5, 6, and 11)		3,590,097		4,375,524
Other assets		1,160,978		1,796,496
Total assets	$	841,895,178	$	729,464,590
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	$	552,858	$	632,550
Grants payable (Note 10)		14,423,835		27,506,042
Annuity payable		6,235		28,041
Liability under trust and annuity agreements (Note 7)		1,241,676		1,205,630
Funds held as agency endowments (Notes 5, 6, and 11)		46,006,295		44,508,020
Funds held in trust for others (Notes 5, 6, and 11)		3,590,097		4,375,524
Other liabilities (Notes 8 and 9)		41,061,540		38,417,730
Total liabilities		106,882,536		116,673,537
Commitments (Notes 8, 9, 13, and 14)				
Net assets (Notes 2, 12, and 15)				
Unrestricted				
Donor advised		390,764,436		323,041,199
Field-of-interest		54,134,820		51,786,418
Designated		89,029,304		63,831,723
Discretionary		154,852,823		140,671,522
Supporting organizations		37,474,396		25,242,634
Total unrestricted		726,255,779		604,573,496
Temporarily restricted		3,568,647		3,366,910
Permanently restricted		5,188,216		4,850,647
Total net assets		735,012,642		612,791,053
Total liabilities and net assets	$	841,895,178	$	729,464,590

See notes to consolidated financial statements.

THE DENVER FOUNDATION

Consolidated Statement of Activities

	For the Year Ended December 31, 2017				Summarized Financial Information for 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenue, gains, and support					
Contributions	$ 100,896,830	$ 237,293	$ -	$ 101,134,123	$ 52,919,959
Investment return					
Interest and dividend income	11,308,147	-	-	11,308,147	7,180,590
Other investment income (loss)	6,957,818	-	-	6,957,818	(1,523,391)
Net realized gains	12,145,249	-	-	12,145,249	14,065,145
Net unrealized gains	71,879,688	-	-	71,879,688	14,896,363
Less investment management fees paid to third parties	(4,901,830)	-	-	(4,901,830)	(3,803,195)
Net investment return	97,389,072	-	-	97,389,072	30,815,512
Investment income from perpetual trusts	207,758	-	-	207,758	180,081
Changes in the value of charitable trusts	-	329,444	337,569	667,013	121,744
Other income	8,057,461	-	-	8,057,461	7,982,196
Net assets released from restrictions	365,000	(365,000)	-	-	-
Total revenue, gains, and support	206,916,121	201,737	337,569	207,455,427	92,019,492
Expenses					
Grants	65,676,891	-	-	65,676,891	50,701,596
Program services					
Grant-making expenses	3,512,788	-	-	3,512,788	3,000,140
Special projects and programs	10,882,624	-	-	10,882,624	10,063,092
	14,395,412	-	-	14,395,412	13,063,232
Support services					
Management and general	3,222,600	-	-	3,222,600	3,447,856
Development	1,938,935	-	-	1,938,935	2,035,788
	5,161,535	-	-	5,161,535	5,483,644
Total expenses	85,233,838	-	-	85,233,838	69,248,472
Change in net assets	121,682,283	201,737	337,569	122,221,589	22,771,020
Net assets, beginning of year	604,573,496	3,366,910	4,850,647	612,791,053	590,020,033
Net assets, end of year	$ 726,255,779	$ 3,568,647	$ 5,188,216	$ 735,012,642	$ 612,791,053

See notes to consolidated financial statements.

THE DENVER FOUNDATION

Consolidated Statement of Cash Flows

	For the Year Ended December 31, 2017	Summarized Financial Information for 2016
Cash flows from operating activities		
Change in net assets	$ 122,221,589	$ 22,771,020
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,422,705	1,312,507
Change in value of charitable trust arrangements	(381,737)	110,737
Change in value of perpetual trust agreements	(337,569)	(47,481)
Distributions from lead trusts	644,101	462,820
Net realized and unrealized gains on investments	(84,024,937)	(28,961,508)
Changes in operating assets and liabilities		
Contributions receivable	(434,685)	(375,985)
Other assets	(783,734)	(1,372,961)
Accounts payable and accrued liabilities	(79,692)	(90,391)
Grants payable	(13,082,207)	(16,699,475)
Other liabilities	2,538,303	(209,736)
Net cash provided by (used in) operating activities	27,702,137	(23,100,453)
Cash flows from investing activities		
Net (purchases) sales of investments	(14,433,571)	25,191,257
Proceeds from sale of investments held at cost	-	405,061
Proceeds from sale of charitable-use properties	1,124,897	-
Purchases of furniture, equipment, and improvements	(3,453)	(21,594)
Additions to charitable-use properties/program-related investments	(13,293,979)	(2,803,265)
Payments received on program-related loans receivable	442,875	242,555
Program-related loans made	(1,152,199)	(368,798)
Net cash (used in) provided by investing activities	(27,315,430)	22,645,216
Cash flows from financing activities		
Payments on notes payable	(137,384)	(93,329)
Proceeds from notes payable	242,891	1,124,194
Payments on annuity payable	(21,806)	(28,508)
Payments on trust and annuity obligations	(464,101)	(282,820)
Net cash (used in) provided by financing activities	(380,400)	719,537
Net increase in cash and cash equivalents	6,307	264,300
Cash and cash equivalents, beginning of year	1,207,892	943,592
Cash and cash equivalents, end of year	$ 1,214,199	$ 1,207,892

See notes to consolidated financial statements.

Note 1 - Organization

The Denver Foundation was established in 1925 as a community foundation whose mission is to inspire people and mobilize resources to strengthen our community.

Reporting Entity

The accompanying consolidated financial statements include the accounts of The Denver Foundation and the following supporting organizations, collectively referred to as the "Foundation."

The Community Cash Flow Fund, also known as The Colorado Nonprofit Loan Fund, loans funds to Colorado non-profit organizations experiencing temporary cash flow shortages. Loans are generally made for up to 11 months at the prime lending rate or 6.5%, whichever is higher.

The Urban Land Conservancy preserves, for community needs, both undeveloped and developed land in metro Denver urban neighborhoods.

The Stapleton Foundation for Sustainable Urban Communities (the "Stapleton Foundation") facilitates the productive reuse of the property formerly used as Stapleton International Airport through the development of a new, mixed-use community.

The supporting organizations are incorporated as separate legal entities. The activities of the supporting organizations are required to be consolidated under generally accepted accounting principles.

In addition to the supporting organizations, the Foundation is a supported organization of the Reisher Family Foundation, which provides continuation and growth of the Reisher Scholarship Program fund residing with the Foundation. The activities of the Reisher Family Foundation are not required to be consolidated under generally accepted accounting principles.

All significant intercompany balances and transactions related to the supporting organizations have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

The Foundation also follows the recommendations made by a special committee of industry experts, the Financial Accounting Standards Board Committee of the Fiscal and Administrative Officers Group ("FAOG") of the Council of Foundations, set forth in a position report, *Report on Classification of Net Assets by Community Foundations* (the "FAOG Report"), issued September 1997. FAOG recommended that net assets of community foundations should generally be classified as unrestricted with certain limited exceptions. Funds subject to time restrictions, including most split-interest arrangements, should be classified as temporarily restricted. Funds should be classified as permanently restricted only when both of the following conditions are met:

- The donor gift instrument does not permit invasion of the principal, and
- The governing documents of the community foundation do not provide for the invasion of corpus.

Prior-Year Comparative Information

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

Note 2 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Foundation is currently evaluating the impacts of the pending adoption of the new standards on the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

In accordance with generally accepted accounting principles and the recommendations of the FAOG Report, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Foundation. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

Contributions Receivable

Unconditional pledges are recognized as revenues in the period the pledge is received. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Investments

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

The Foundation is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statement of activities.

The fair values for alternative investments represent the Foundation's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by the Foundation. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Investments (continued)

Direct investments in real estate are recorded at the lower of cost or fair value.

Investment income consists of the Foundation's distributive share of any interest, dividends, capital gains, and capital losses generated from the Foundation's investments, as well as the change in fair value of the investments.

Distributive shares of income or loss from pass-through entities, such as partnerships and trusts, are recorded as income in the year such items are recognized by the entity and are reported as adjustments to the initial cost basis of the investment. Gains and losses attributable to the Foundation's investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of money market accounts, investment securities, and contributions receivable. The Foundation places its cash and money market accounts with creditworthy, high-quality financial institutions.

The Foundation has significant investments and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation, and the investments are monitored for the Foundation by management, its investment committee, and its outside investment advisor. Though the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Credit risk with respect to pledges receivable is considered low due to the creditworthiness of the contributors comprising the Foundation's contributor base.

Furniture, Equipment, Software, and Leasehold Improvements

Furniture, equipment, software, and leasehold improvements of the Foundation are recorded at cost. Furniture, equipment, and software are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years. Leasehold improvements are amortized over the remaining life of the related lease. The Foundation capitalizes all fixed asset purchases over $5,000 with an estimated useful life of five years or more. At December 31, 2017, furniture, equipment, software, and leasehold improvements, net of accumulated depreciation and amortization, totaled $866,693 and are included in other assets on the consolidated statement of financial position.

Functional Expenses

The costs of providing grants, programs, and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation, The Colorado Nonprofit Loan Fund, The Urban Land Conservancy, and the Stapleton Foundation are each exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. All of the organizations qualify for the charitable contribution deduction. However, income from activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income. During 2017, the Foundation did not incur any significant unrelated business income tax.

The Foundation applies a more-likely-than-not measurement methodology to reflect the consolidated financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as other operating expense. No interest or penalties have been assessed as of December 31, 2017.

Subsequent Events

The Foundation has evaluated all subsequent events through the independent auditors' report date, which is the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the consolidated financial statements.

Note 3 - Contributions Receivable

Contributions receivable represent gift amounts due from individuals and grants. The following is a summary of all unconditional pledges receivable at December 31, 2017:

Receivable in one to five years	$	848,625

Uncollectible contributions receivable are expected to be insignificant. As the amount would be immaterial, there was no discount to net present value calculated for 2017.

Note 4 - Program-Related Investments

During 2013, the Foundation issued a note receivable to a non-profit corporation for $7,500,000 with interest at 1% and due monthly with principal payments through January 31, 2029. The note receivable was discounted to fair market value as of December 31, 2017 using an imputed interest rate of 3.32%.

Note 4 - Program-Related Investments (continued)

The Colorado Nonprofit Loan Fund, a supporting organization of the Foundation, invests a portion of its funds in projects that advance its philanthropic purposes by providing loans to certain non-profit organizations. In addition, The Urban Land Conservancy, a supporting organization of the Foundation, makes investments in properties for charitable purposes. The properties are acquired, developed, and/or preserved for community needs. Currently, most of the properties are leased to non-profit community organizations for use in their programs. Charitable-use real estate is reflected at cost. Program-related investments are comprised of the following at December 31, 2017:

Land	$ 15,437,915
Buildings and improvements	35,107,540
	50,545,455
Less accumulated depreciation	(3,850,830)
Net property owned and leased to others	46,694,625
Land held for community use	11,929,136
Total charitable-use real estate at The Urban Land Conservancy	58,623,761
Loans to non-profit organizations by The Denver Foundation	9,369,202
Loans to non-profit organizations by The Colorado Nonprofit Loan Fund	30,700
Total program-related investments	$ 68,023,663

Note 5 - Investments

Investments are reflected in the following accounts on the consolidated statement of financial position at December 31, 2017:

Investments at fair value	
Investments of the Foundation	$ 610,539,060
Assets held in charitable lead annuity trusts	1,065,008
Assets held in charitable remainder trusts	1,300,899
Funds held as agency endowments	46,006,295
Funds held in trust for others	3,590,097
	662,501,359
Investments held in cash equivalents	
Money market and other funds	100,479,722
	100,479,722
Investments at cost	
Real estate	34,000
	34,000
Total investments	$ 763,015,081

Note 5 - Investments (continued)

Investment income is summarized as follows at December 31, 2017:

Interest and dividend income	$ 11,308,147
Other investment income	6,957,818
Net realized gains	12,145,249
Net unrealized gains	71,879,688
Less investment management fees paid to third parties	(4,901,830)
Net investment return	$ 97,389,072

Marketable and alternative investments are exposed to various risks that may cause the reported value of the Foundation's investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment. The value of bond investments and other fixed-income securities fluctuates in response to changing interest rates, creditworthiness of issuers, and overall economic policies that impact market conditions.

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

At December 31, 2017, the Foundation had total unfunded commitments of approximately $90,000,000 for venture capital/private capital and real estate investments. The Foundation's commitments involve partnership investment structures, which have limited liquidity features, fixed terms, and commitment periods.

Note 6 - Fair Value Measurements

The carrying amounts reported in the consolidated statement of financial position for cash and cash equivalents, accounts payable, accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments:

Contributions Receivable

The fair value of contributions receivable is determined by discounting multi-year pledges to net present value using a discount rate commensurate with the payment term of the pledge. The Foundation also takes into consideration past collections experience, creditworthiness of the donor, and other relevant factors.

Note 6 - Fair Value Measurements (continued)

Program-Related Loan Receivable

The fair value of program-related loan receivable is determined by discounting to net present value using a discount rate commensurate with the payment term of the loan. The discount rate used by the Foundation was 3.32% for 2017.

Assets Held in Charitable Remainder Trusts and Charitable Lead Annuity Trusts

The fair value of assets held in charitable remainder trusts and charitable lead annuity trusts is determined by the fair value of the underlying investments held by the Foundation.

Grants Payable

The fair value of 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 Foundation was 2.11% for 2017.

Liabilities Under Split-Interest Agreements

The fair value of liabilities under split-interest arrangements is based upon the estimated payments to be made over the estimated remaining lives of the income beneficiaries and discounted to present value using discount rates ranging from 5.0% to 10.8%.

Notes Payable

The fair value of notes payable, included in other liabilities, approximates the carrying value since the stated rates are similar to rates currently available to the Foundation for debt with similar terms and remaining maturities.

Investments

Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, listed derivatives, cash, and cash equivalents. For the Foundation, Level 1 investments consist of equity securities, mutual funds, exchange traded mutual funds, and certain cash accounts.

<u>Note 6 - Fair Value Measurements (continued)</u>

<u>Investments (continued)</u>

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

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, hedge funds, absolute return funds, and distressed debt. Included in this category for the Foundation are investments made through investment vehicles, such as absolute return funds and private capital funds, which in turn invest in equities, hedge funds, and long-short funds. Investments in publicly traded equities would be classified as Level 1 if owned directly.

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

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

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

Hedge funds and absolute return funds: Valued based on net asset value per share.

Private capital and real estate funds: Valued based on the net asset value provided by the investment manager.

Partnerships: Valued on a monthly basis based on the underlying investments determined by the investment advisor using the financial information applicable to the identified assets.

Beneficial interests in charitable trusts: Valued by calculating the present value of future distributions expected to be received, using published life expectancy tables and discount rates ranging from 5% to 9%.

There were no changes to these valuation methodologies in 2017.

Note 6 - Fair Value Measurements (continued)

Investments (continued)

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 observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The Foundation follows the provisions of ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share*. This accounting standard update allows the Foundation to use net asset value per share to estimate the fair value of an alternative investment and requires additional fair value disclosures for the Foundation's alternative investments.

In accordance with ASU No. 2015-07 and FASB Codification Subtopic 820-10, certain investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the consolidated statement of financial position.

The following table summarizes the Foundation's fair value of assets measured on a recurring basis by the above fair value hierarchy levels as of December 31, 2017:

Description	Level 1	Level 2	Level 3	Carried at NAV	Fair Value
Investments					
Domestic equities					
Large-cap	$ 22,226,370	$ -	$ -	$ 50,101,054	$ 72,327,424
Micro-cap	31,990,319	-	-	-	31,990,319
Exchange traded fund	8,978,663	-	-	40,691,464	49,670,127
Other	44,955,431	-	-	-	44,955,431
Total domestic equities	108,150,783	-	-	90,792,518	198,943,301
International equities					
Asia	-	-	-	36,517,559	36,517,559
Non-U.S.	-	-	-	53,556,218	53,556,218
Large-cap	54,520,021	-	-	-	54,520,021
Exchange traded fund	21,707,789	-	-	-	21,707,789
Total international equities	76,227,810	-	-	90,073,777	166,301,587
Fixed income					
Mutual funds	54,566,546	-	-	-	54,566,546
Bonds - other	-	262,067	4,801,546	-	5,063,613
Total fixed income	54,566,546	262,067	4,801,546	-	59,630,159

Note 6 - Fair Value Measurements (continued)

Investments (continued)

Description	Level 1	Level 2	Level 3	Carried at NAV	Fair Value
Private capital					
Venture capital	-	-	-	654,705	654,705
Buyout/growth equity	-	-	-	42,794,083	42,794,083
Distressed debt	-	-	-	13,283,430	13,283,430
Oil and gas	-	-	-	9,888,207	9,888,207
Energy	-	-	-	5,024,638	5,024,638
Private capital Asia	-	-	-	657,331	657,331
Mezzanine debt Asia	-	-	-	31,326	31,326
Long-dated assets	-	-	-	831,494	831,494
Credit	-	-	-	562,341	562,341
Opportunistic credit	-	-	-	6,835,208	6,835,208
Various investments/ partnerships	-	360,087	-	1,020,984	1,381,071
Europe	-	-	-	193,144	193,144
Total private capital	-	360,087	-	81,776,891	82,136,978
Absolute return					
Arbitrage global	-	-	-	66,626,998	66,626,998
Total absolute return	-	-	-	66,626,998	66,626,998
Hedged equity					
Global	-	-	-	60,182,528	60,182,528
Long-short distressed debt	-	-	-	24,215,100	24,215,100
Total hedged equity	-	-	-	84,397,628	84,397,628
Real assets					
Private capital	-	-	-	4,464,708	4,464,708
Total real assets	-	-	-	4,464,708	4,464,708
Total investments	238,945,139	622,154	4,801,546	418,132,520	662,501,359
Beneficial interests in charitable trusts					
Charitable remainder trusts	-	-	1,530,791	-	1,530,791
Charitable lead trusts	-	-	913,625	-	913,625
Perpetual trusts	-	-	5,188,216	-	5,188,216
Total beneficial interests in charitable trusts	-	-	7,632,632	-	7,632,632
Total assets	$238,945,139	$ 622,154	$ 12,434,178	$418,132,520	$670,133,991

Money market and other funds held as investments in the amount of $100,479,722 are not subject to fair value disclosures and are, therefore, not included in the table above.

Note 6 - Fair Value Measurements (continued)

Investments (continued)

The changes in the financial assets for which the Foundation has used Level 3 inputs to determine fair value are as follows:

	Investments	Beneficial Interests in Charitable Trusts	Total
December 31, 2016 balance	$ 18,819,686	$ 7,107,121	$ 25,926,807
Total realized and unrealized (loss) gain	(339,023)	675,976	336,953
Other investment loss	(190,550)	-	(190,550)
Purchases	-	237,293	237,293
Distributions	-	(387,758)	(387,758)
Transfers	(13,488,567)	-	(13,488,567)
December 31, 2017 balance	$ 4,801,546	$ 7,632,632	$ 12,434,178

The Foundation is also required to disclose the change in unrealized gain or loss included in the change in net assets related to investments still held at the reporting date for Level 3 investments. At December 31, 2017, this was an unrealized loss of $455,213.

Investments in Certain Entities that Calculate Net Asset Value per Share

Fund Description	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedged equity funds	$ 84,397,628	$ -	Monthly to three-year rolling	30 to 90 days
Absolute return funds	66,626,998	-	Quarterly to annually	45 to 100 days
Private capital funds	81,776,891	90,151,000	n/a	n/a
Real assets funds	4,464,708	-	n/a	n/a
International equity	90,073,777	-	Daily to quarterly	5 to 90 days
Domestic equity	90,792,518	-	Daily to quarterly	30 days
Total	$ 418,132,520	$ 90,151,000		

Hedged equity funds include investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2017, approximately 100% of the investments in this category have passed their initial lock-up periods. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

Note 6 - Fair Value Measurements (continued)

Investments in Certain Entities that Calculate Net Asset Value per Share (continued)

Multi-strategy hedge funds include a multi-strategy absolute return investment focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2017, all of the investments in the category have passed their initial lock-up periods. However, some of the investments have terms that make full liquidity unavailable at the Foundation's report date.

Private capital funds include several private capital funds that focus on buyout, growth equity, and/or distressed debt. These investments are not redeemable. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms for these investments range from 3 to 25 years. As of December 31, 2017, the fair values of the investments in this category have been estimated using the net asset value provided by the investment manager.

Real assets funds include two real estate funds that invest primarily in domestic core and opportunistic real estate. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms for these investments are ten years. As of December 31, 2017, the fair values of the investments in this category have been estimated using the net asset value provided by the investment manager.

International equity includes investments in funds that focus on long-only international equities. The underlying assets are liquid, and the funds' managers provide details of those assets. As of December 31, 2017, all of the investments in this category can be redeemed with no restrictions.

Domestic equity includes investments in funds that focus on long-only domestic equities. The underlying assets are liquid, and the funds' managers provide details of those assets. As of December 31, 2017, all of the investments in this category can be redeemed with no restrictions.

Note 7 - Charitable Trust Arrangements

The Foundation follows the provisions of the AICPA audit and accounting guide, *Not-For-Profit Organizations*, which requires the recording of all unconditional, irrevocable split-interest agreements under which the Foundation is entitled to receive a benefit. Split-interest agreements are carried out through the formation of charitable trusts, the trustees of which may be either the Foundation or third parties, such as commercial banks. A summary of the Foundation's charitable trust arrangements is as follows:

Note 7 - Charitable Trust Arrangements (continued)

Charitable Trusts Administered by the Foundation

Charitable Lead Annuity Trusts

Donors have established two charitable lead annuity trusts naming the Foundation as a trustee and lead beneficiary. Under the terms of the charitable lead annuity trust agreements, the Foundation receives payments over a specified period of time. At the end of the specified period, the trusts will terminate and the Foundation will distribute the remaining trust assets to individuals specified in the agreements. On the date the trusts were established, the Foundation recorded a contribution in the amount of the estimated present value of the distributions to be received over the terms of the trusts, discounted at rates ranging from 5% to 9%.

Thereafter, the Foundation has made the stipulated annual distributions, recording investment gains and losses on the assets held in trusts, and amortizing the discount to present value. On any given date, the Foundation has a related liability to the specified beneficiaries representing the difference between the fair value of the assets held by the trusts and the present value of the remaining distributions to be received by the Foundation.

Charitable Remainder Unitrust Agreements

The Foundation is the trustee and remainder beneficiary of three charitable remainder unitrusts that require the Foundation to pay to the lifetime beneficiaries an amount ranging from 5% to 8% (as stated in the related trust agreements) of the net fair market value of trust assets, which, at December 31, 2017, consists of investments that are part of the pooled investments of the Foundation and certain real property. On the date each trust was established, the Foundation recorded a contribution equal to the difference between the fair value of the assets placed in trust and the amount of the present value of the estimated distributions to be made to the life income beneficiaries, discounted at rates ranging from 6.4% to 10.8%. Thereafter, the Foundation has been making the stipulated annual distributions to the life income beneficiaries, recording investment gains and losses on the assets held in the trusts, and amortizing the discounts to present value. On any given date, the Foundation remainder interest is represented by the difference between the fair value of the assets held by the trust and the present value of the remaining distributions to be paid to the life income beneficiaries.

Total charitable trusts administered by the Foundation are as follows at December 31, 2017:

Assets held in charitable lead annuity trusts	$ 1,065,008
Assets held in charitable remainder unitrusts	1,300,899
Less related liabilities	(1,241,676)
Net present value of trusts administered by the Foundation	$ 1,124,231

These amounts are included in temporarily restricted net assets at December 31, 2017.

Note 7 - Charitable Trust Arrangements (continued)

Charitable Trusts Administered by Others

Charitable Remainder Trusts

Charitable remainder trusts provide for the payment of distributions to the donor or other designated beneficiaries over the income beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets are available for the Foundation's use as specified by the donor. During 2017, one of the charitable remainder trusts was terminated and subsequently created five new separate and equal charitable remainder trusts.

Charitable Lead Trusts

Charitable lead trusts provide for the payment of distributions to designated not-for-profit organizations over a specified period of time. Upon termination of the trusts, the remainder of the trust assets is paid to the donor or to other beneficiaries designated by the donor.

The net present value of the Foundation's beneficial interest in these trust agreements is as follows:

Gross amounts of beneficial interests	
Charitable remainder trusts	$ 3,751,484
Charitable lead trusts	1,080,000
Less unamortized discount	(2,387,068)
Net present value of beneficial trusts	$ 2,444,416

These amounts are included in temporarily restricted net assets at December 31, 2017.

Perpetual Trusts

The Foundation receives net income from certain perpetual trusts, but will never receive the assets of these trusts. Distributions from these trusts are unrestricted. The beneficial interest in these perpetual trusts, recorded as permanently restricted net assets, was $5,188,216 at December 31, 2017.

Note 8 - Line-of-Credit

The Foundation has a line-of-credit with a bank for $10,000,000. Interest is at the bank's prime rate less 1%, which was 4.25% at December 31, 2017, and is due monthly. The principal outstanding is due at maturity on September 1, 2018. The line-of-credit is collateralized by a specified investment account. There was no balance outstanding as of December 31, 2017.

Note 9 - Notes Payable

Notes payable, which are included in other liabilities in the accompanying consolidated statement of financial position, consist of various notes payable and line-of-credit agreements that have been entered into by The Urban Land Conservancy in order to invest in program-related investments (Notes 1 and 4). These notes payable are due in monthly installments ranging from $235 to $25,947, bear interest at rates ranging from 0% to 4.25%, and mature at various dates through 2045. The balance of these notes payable and line-of-credit agreements at December 31, 2017 was $38,808,136.

Note 10 - Grants Payable

Program and donor-directed grants awarded by the Foundation are recorded as expenses and liabilities when they are approved. Grants scheduled for payment more than one year in the future are discounted using an interest rate of 2.11%. The following is a summary of grants approved and payable at December 31, 2017:

To be paid in less than one year	$ 8,703,709
To be paid in one to five years	5,869,129
Less discount	(149,003)
Net grants payable	$ 14,423,835

Note 11 - Funds Held

Funds Held as Agency Endowments

Certain transfers of assets to the Foundation that are for the benefit of the transferring entity, called agency endowments, are accounted for as a liability by the Foundation and appear in the accompanying consolidated statement of financial position as funds held as agency endowments. At December 31, 2017, the balance of those funds totaled $46,006,295.

Funds Held in Trust for Others

The Foundation receives certain transfers of assets that are revocable or are not assets held for the benefit of the Foundation. These transfers are accounted for as a liability by the Foundation and appear in the accompanying consolidated statement of financial position as funds held in trust for others. At December 31, 2017, the balance of those funds totaled $3,590,097.

Note 12 - Net Assets

At December 31, 2017, net assets include the following:

Unrestricted net assets	
The Denver Foundation	$ 688,781,383
The Colorado Nonprofit Loan Fund	217,048
The Urban Land Conservancy	35,119,139
The Stapleton Foundation	2,138,209
	726,255,779
Temporarily restricted net assets - The Denver Foundation	
Contributions from beneficial interest in charitable trust arrangements, net of unamortized discount	2,444,416
Contributions of beneficial interests in charitable trust and annuity arrangements, net of related liabilities	1,124,231
	3,568,647
Permanently restricted net assets - The Denver Foundation	
Contributions of beneficial interests in perpetual trusts	5,188,216
	$ 735,012,642

Note 13 - Employee Benefit Plan

The Foundation has a tax-sheltered annuity retirement plan (the "Plan") covering all eligible full-time employees. Full-time employees are eligible for employer contributions to the Plan on the first day of the month following the later of (1) six months following the employee's commencement date or (2) the employee's attainment of age 21, whichever occurs later. Each Plan year, the Foundation determines the amount to contribute to the Plan. For the year ended December 31, 2017, the Foundation's contributions to the Plan equaled 7% of an eligible employee's salary. The contributions vest 100% to the employee's benefit when made. The Foundation's contributions under the Plan were $276,239 in 2017.

Note 14 - Operating Leases

The Foundation leases office space and equipment under operating lease agreements that require monthly payments totaling approximately $52,000, which increase every 12 months over the term of the lease, until expiration at various dates through December 2021. The Foundation is also responsible for paying increases in operating expenses.

Note 14 - Operating Leases (continued)

Amounts due under these lease agreements are approximately as follows:

2018	$ 668,000
2019	695,000
2020	448,000
2021	33,000
	$ 1,844,000

Rent expense, including operating costs, was $596,561 in 2017.

Note 15 - Supporting Organizations

As discussed in Note 1, the Foundation consolidates the financial information of three supporting organizations that are established as separate legal entities. The condensed financial information for these supporting organizations as of and for the year ended December 31, 2017 is as follows:

	The Colorado Nonprofit Loan Fund	The Urban Land Conservancy	The Stapleton Foundation	Total Supporting Organizations
Total assets	$ 217,048	$ 75,800,444	$ 2,170,853	$ 78,188,345
Total liabilities	-	(40,681,305)	(32,644)	(40,713,949)
Total net assets	$ 217,048	$ 35,119,139	$ 2,138,209	$ 37,474,396
Total revenues, gains, and support	$ 24,157	$ 18,270,092	$ 2,458,413	$ 20,752,662
Total expenses	(25,584)	(6,568,459)	2,455,273	(9,049,316)
Change in net assets	$ (1,427)	$ 11,701,633	$ 3,140	$ 11,703,346