Stewardship in Action:
2013-14 Report from the Treasurer

Seeds to Leaves:
Growing a Community
Building Assets to Fund Community Needs for the Long Term

On behalf of The Denver Foundation’s Board of Trustees, I’m pleased to present the Foundation’s 2013-14 Report from the Treasurer. The purpose of this report is to augment the financial statements presented in our 2013 Annual Report, and to provide an overview of the Foundation’s investment philosophy and results.

The Denver Foundation stewards more than 1,000 funds for individuals, families, businesses, and organizations. These funds have been established during the 89 years since our founding in 1925. We remain mindful of the level of trust that these generous donors place in our management of their charitable resources. Because we hold both funds that will be used in the short term, and those endowed for future generations, we practice careful stewardship that provides protection and performance in both positive and negative economic climates.

I’m pleased to report that The Denver Foundation maintains its long-term tradition of excellence in investment and fund management. In 2013, the Foundation’s unitized investment pool gained more than 12%. The Investment Committee, chaired by Barbara Baumann, works with our advisors at Monticello Associates to build a portfolio that protects against market volatility, allows for necessary expenditures of dollars for our donors’ grantmaking purposes, and provides for long-term endowment growth. Last year, the committee introduced several benchmarks to better evaluate the performance of our portfolio. One of these is a policy benchmark that represents the blend of asset class indices to mirror the asset allocation. Over the past 15 years, through June 30, 2014, the Foundation’s investments have grown by an average of 7.22% per year, compared to 6.25% for the policy benchmark over the same period.

The Denver Foundation also offers our donors the option of placing their funds in our Socially-Responsible Investment (SRI) pool, expanded this year to include an additional set of investment strategies. This group of funds has returned 12.96% per year on average for the 3 years ending June 30, 2014. We continue to see a significant increase in interest in the SRI pool among our donors.

The Denver Foundation operates very efficiently with administrative expenses of less than one percent of assets. Last year, economies of scale allowed us to lower the administrative fees on our funds.

In this document, you will find the following:

- An overview of our investment philosophy
- Information about our investment performance and asset allocation
- A description of our investment advisor, Monticello Associates
- A list of the members of our Investment Committee in 2013 and 2014

For more information on the Foundation’s financial outlook and investment strategy, please contact us or visit denverfoundation.org.

Virginia Bayless
Treasurer, Board of Trustees 2014

Virginia Bayless has more than 25 years of investment banking, financial advisory, and business valuation experience. Currently, she assists in managing a family office with investment, real estate, and oil and gas assets.

The Denver Foundation’s Investment Philosophy

Reflecting the mission and purpose of The Denver Foundation, the major objective of the Foundation’s investments is long-term capital appreciation.

Consistent with the goal of long-term capital appreciation as well as prudent fiduciary management, the Investment Committee has recommended and the Board has approved the following investment ranges: equities 30-60%, fixed income 5-30%, absolute return funds 10-30%, and other (including real estate and private equities) 10-35%.

The Investment Committee (see back page) carefully monitors investment performance on an ongoing basis and reviews the asset allocations quarterly. The committee recommends any changes in the asset allocation mix to the full Board of Trustees.

The Denver Foundation’s Investment Consultant:
Monticello Associates

Monticello Associates, based in Denver, Colorado, is a leading provider of investment management consulting services to endowments and foundations throughout the United States. Monticello currently advises on $69 billion in client assets and is considered to be a premium service provider to community foundations.
The following charts demonstrate the investment performance of The Denver Foundation's Unitized investments (left), and SRI investments (right) over time.

**Investment Mix**

*As of June 30, 2014*

- **Unitized Investment Pool**
  - Traditional Domestic Equity
  - Hedged International Equity
  - Emerging Markets
  - Fixed Income
  - Cash

- **Socially Responsible Investment (SRI) Pool**
  - Large Cap
  - Small and Mid Cap
  - Emerging Markets
  - Fixed Income
  - Cash

**Foundation Composite Performances**

The following charts demonstrate the investment performance of The Denver Foundation's Unitized investments (left), and SRI investments (right) over time.

<table>
<thead>
<tr>
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<th>2013 As of June 30, 2014</th>
<th>2013 As of June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rolling 12-month Period</td>
<td>Latest 3 Years</td>
</tr>
<tr>
<td>Denver Foundation Total Fund</td>
<td>12.49%</td>
<td>3.87%</td>
</tr>
<tr>
<td>Policy Benchmark (1)</td>
<td>15.71%</td>
<td>5.13%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>32.39%</td>
<td>7.14%</td>
</tr>
<tr>
<td>Barclays U.S. Aggregate</td>
<td>-2.02%</td>
<td>-3.93%</td>
</tr>
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(1) Total Policy Benchmark consists of 15% S&P 500, 15% MSCI ACWI ex US, 15% HFRI Hedged Equity, 17.5% S&P 500 + 3%, 3.75% GSCI, 3.75% CPI + 3%, 15% T-Bills + 3%, 15% Barclays US Aggregate.

Key Volunteers and Staff

Investment Committee 2013-2014

The Denver Foundation’s Investment Committee consists of professionals who volunteer their time and insights to steward the Foundation’s assets on behalf of the residents of Metro Denver.

**Tucker Hart Adams** - Denver Foundation Trustee, 1995–2001
Tucker Hart Adams is a senior partner with Summit Economics LLC, which provides research and consulting services in applied economics, public policy, municipal finance, and business strategy development.

**Barbara Baumann, Chair** - Denver Foundation Trustee, 2014
Barbara Baumann is president of Cross Creek Energy Corporation of Denver, Colorado.

**Virginia Bayless** - Denver Foundation Trustee, 2011–Present
Virginia Bayless has more than 25 years of investment banking, financial advisory, and business valuation experience. Currently, she assists in managing a family office with investment, real estate, and oil and gas assets.

**Norman Benedict** - Norman Benedict is the retired deputy executive director of investments, chief investment officer for Public Employees Retirement Association of Colorado; PERA.

**Denise Burgess** - Denver Foundation Trustee, 2013–Present
Denise Burgess is the president of Burgess Heating and Air Conditioning.

**Cole Finegan** - Denver Foundation Trustee, 2012–Present
Cole Finegan is the managing partner of Hogan Lovell’s Denver office, representing clients in regulatory, land use and development, and legislative and public policy law.

**Jack Fox** - Denver Foundation Trustee, 2006-2011; Treasurer 2009–2010
Jack Fox is the owner of The Fox Company, a commercial real estate and development firm.

**K.C. Gallagher** - Denver Foundation Trustee, 2013–Present
K.C. Gallagher is the CEO of The Little Pub Company.

**Thomas Kelly** - Thomas “Tad” Kelly is a partner and co-founder of CHB Capital Partners, a US private equity firm with offices in Denver and Houston.

**David Koff** - David Koff is president of European Operations and a senior vice president of Liberty Media International, Inc. responsible for acquisitions in the cable and cable programming business in Europe.

**Robert Reich** - Robert Reich is the chief financial officer at Gallagher Enterprises LLC.

**Bill Ryan** - Denver Foundation Trustee, 2009-Present
Bill Ryan is the director of the Colorado State Land Board overseeing more than three million acres of state land.

**Fred Taylor** - Denver Foundation Trustee, 2002-2007
Fred Taylor is the principal and co-founder of Northstar Investment Advisors, LLC.

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**David Miller**
President and CEO
David Miller is the President and CEO of The Denver Foundation. During his tenure, David’s vision and leadership have helped the Foundation grow from $58 million to over $700 million in charitable assets for the community’s future.

Before joining The Denver Foundation in 1996, David was a principal in Greenberg, Baron, Simon & Miller (GBSM), a Denver strategic communications consulting firm. While at GBSM, David was a consultant to The Hunt Alternatives Fund, a private foundation, where he served as vice president. He also spent ten years in Colorado state and local government, serving as executive director of the Colorado Office of State Planning and Budgeting and as chief of staff for Denver Mayor Federico Peña.

David is a fifth generation Denverite, and a graduate of Harvard College and Harvard Law School.

**Dan Lee**
Vice President of Finance and Administration
Dan is the Vice President of Finance & Administration with the Foundation. A 25-year financial veteran, Dan is responsible for overall financial management at the Foundation, its financial reporting and transparency, and for multiple corporate functions including investments, human resources, administration, and information technology.

Dan joined the Foundation in 2000 from Operation Able where he served as chief financial officer. Prior to that he was director of finance with the Joffrey Ballet and a senior consultant with Ernst & Young, both in Chicago. He began his career in various financial positions at Abbott Laboratories in Abbott Park, Illinois.

A native of Chicago, IL, Dan earned his B.S./M.S. from the University of Illinois at Chicago and an M.B.A. from the Illinois Institute of Technology.

www.denverfoundation.org