



**PIKES PEAK COMMUNITY FOUNDATION
AND AFFILIATE**

Consolidated Financial Statements

For the Year Ended December 31, 2020

And

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Pikes Peak Community Foundation
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Pikes Peak Community Foundation and Affiliate, a non-profit organization, (collectively, the Foundation), which comprise the consolidated balance sheet as of December 31, 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 auditor considers 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 Pikes Peak Community Foundation and Affiliate as of December 31, 2020, and the changes in their net assets and their 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 Pikes Peak Community Foundation and Affiliate's 2019 consolidated financial statements, and our report dated September 14, 2020 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

August 24, 2021

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2020 (with comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 14,280,379	\$ 4,469,817
Investments	51,290,970	50,937,468
Notes receivable, net	566,177	
Land held for sale	62,500	
Property and equipment, net	8,098,733	8,135,458
Land held for investment	1,700,000	1,700,000
Water rights	6,003,554	6,003,554
Investment in real estate entity	700,000	
Other assets	<u>414,080</u>	<u>351,914</u>
TOTAL	<u>\$ 83,116,393</u>	<u>\$ 71,598,211</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 186,518	\$ 171,287
Conditional grants	164,800	
Funds held as agency endowments	1,843,137	1,639,710
Funds held in trust for others	<u>4,269,153</u>	<u>3,928,975</u>
Total	<u>6,463,608</u>	<u>5,739,972</u>
NET ASSETS		
Without donor restrictions:		
Designated for endowment	16,059,331	14,425,891
Undesignated	<u>60,593,454</u>	<u>51,432,348</u>
Total	76,652,785	65,858,239
With donor restrictions	<u>—</u>	<u>—</u>
Total net assets	<u>76,652,785</u>	<u>65,858,239</u>
TOTAL	<u>\$ 83,116,393</u>	<u>\$ 71,598,211</u>

See notes to consolidated financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020						2019 Total
	Without Donor Restrictions			Total	With Donor Restrictions	Total	
	Internal Funds	Community Funds	Real Estate Funds				
REVENUE							
Contributions	\$ 608,764	\$ 10,611,086	\$ 1,987,500	\$ 13,207,350	\$ —	\$ 13,207,350	\$ 4,462,754
Investment income, net	556,502	4,793,724	332,751	5,682,977	—	5,682,977	7,402,277
Program income	83,667	23,706	5,210	112,583	—	112,583	66,028
Management fee, internal	563,681	(550,936)	(12,745)	—	—	—	—
Management fee, charged to others	—	42,710	—	42,710	—	42,710	15,071
Loss on sale of property and equipment	—	—	—	—	—	—	(49,177)
Other revenue (loss)	8,608	151	3,600	12,359	—	12,359	(98,048)
Total	1,821,222	14,920,441	2,316,316	19,057,979	—	19,057,979	11,798,905
EXPENSES AND LOSSES							
Grants	27,420	6,530,178	1,500	6,559,098	—	6,559,098	5,924,044
Payroll and related	902,430	—	168,366	1,070,796	—	1,070,796	888,653
General and administrative	209,011	59,906	54,712	323,629	—	323,629	306,492
Rent and utilities	81,245	3,040	18,157	102,442	—	102,442	106,535
Non-grant program expenses	6,963	72,050	8,324	87,337	—	87,337	106,699
Legal and professional	24,963	48,164	10,279	83,406	—	83,406	41,023
Depreciation	8,166	18,309	10,250	36,725	—	36,725	46,125
Total expenses	1,260,198	6,731,647	271,588	8,263,433	—	8,263,433	7,419,571
Impairment of land held for investment	—	—	—	—	—	—	2,623,000
Total expenses and losses	1,260,198	6,731,647	271,588	8,263,433	—	8,263,433	
Change in net assets	\$ 561,024	\$ 8,188,794	\$ 2,044,728	10,794,546	—	10,794,546	1,756,334
NET ASSETS, Beginning of year				65,858,239	—	65,858,239	64,101,905
NET ASSETS, End of year				\$ 76,652,785	\$ —	\$ 76,652,785	\$ 65,858,239

See notes to consolidated financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020								2019 Total
	Program Services				Supporting Services				
	Philanthropic Services	Community Impact	Community Programs	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	
Grants	\$ 3,890,219	\$ 2,667,379	\$ 1,500	\$ 6,559,098	\$ —	\$ —	\$ —	\$ 6,559,098	\$ 5,924,044
Payroll and related	197,647	274,704	73,054	545,405	50,738	474,653	525,391	1,070,796	888,653
General and administrative	56,850	79,014	43,684	179,548	14,998	129,083	144,081	323,629	306,492
Rent and utilities	18,973	26,371	17,003	62,347	4,871	35,224	40,095	102,442	106,535
Non-grant program expenses	2,186	68,113	17,038	87,337	—	—	—	87,337	106,699
Legal and professional	5,716	7,944	52,057	65,717	1,467	16,222	17,689	83,406	41,023
Depreciation	—	—	28,559	28,559	—	8,166	8,166	36,725	46,125
Total - 2020	<u>\$ 4,171,591</u>	<u>\$ 3,123,525</u>	<u>\$ 232,895</u>	<u>\$ 7,528,011</u>	<u>\$ 72,074</u>	<u>\$ 663,348</u>	<u>\$ 735,422</u>	<u>\$ 8,263,433</u>	
PERCENTAGE - 2020	<u>50%</u>	<u>38%</u>	<u>3%</u>	<u>91%</u>	<u>1%</u>	<u>8%</u>	<u>9%</u>	<u>100%</u>	
TOTAL - 2019	<u>\$ 6,002,689</u>	<u>\$ 481,252</u>	<u>\$ 324,381</u>	<u>\$ 6,808,322</u>	<u>\$ 24,908</u>	<u>\$ 586,341</u>	<u>\$ 611,249</u>		<u>\$ 7,419,571</u>
PERCENTAGE - 2019	<u>81%</u>	<u>7%</u>	<u>4%</u>	<u>92%</u>	<u>0%</u>	<u>8%</u>	<u>8%</u>		<u>100%</u>

See notes to consolidated financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 10,794,546	\$ 1,756,334
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	36,725	46,125
Impairment of land held for investment	—	2,623,000
Realized and unrealized investment gains	(4,320,906)	(5,899,502)
Donation of land held for sale	(62,500)	—
Loss on sale of property and equipment	—	49,177
Other	49,241	368,116
Changes in operating assets and liabilities:		
Notes receivable, net	(566,177)	—
Other assets	(62,166)	(57,105)
Accounts payable and accrued expenses	15,231	7,348
Conditional grants	164,800	—
Net cash provided by (used in) operating activities	<u>6,048,794</u>	<u>(1,106,507)</u>
INVESTING ACTIVITIES		
Purchases of investments	(27,721,470)	(24,474,114)
Sales of investments	32,183,238	24,035,826
Purchase of investment in real estate entity	(700,000)	
Proceeds on sale of building, land and water taps held for sale	—	2,512,975
Net cash provided by investing activities	<u>3,761,768</u>	<u>2,074,687</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,810,562	968,180
CASH AND CASH EQUIVALENTS, Beginning of year	<u>4,469,817</u>	<u>3,501,637</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 14,280,379</u>	<u>\$ 4,469,817</u>
NONCASH INVESTING ACTIVITIES		
Donation of land held for sale	<u>\$ 62,500</u>	<u>\$ —</u>

See notes to consolidated financial statements.

PIKES PEAK COMMUNITY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pikes Peak Community Foundation (PPCF) is a Colorado nonprofit corporation. The mission of PPCF is to inspire generosity, serve donors and mobilize resources to effectively address concerns facing the Pikes Peak Region. The Foundation is dedicated to empowering the community through grant making, partnerships and research; together with donors, the Foundation mobilizes and aligns resources to support immediate and long-term needs for the health of citizens.

Principles of Consolidation — The consolidated financial statements include the accounts of PPCF and Pikes Peak Real Estate Foundation (PPREF) (collectively, the Foundation). PPREF was organized to support PPCF and is consolidated since PPCF has both an economic interest in and control over the entity. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. 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 financial statements for the year ended December 31, 2019, from which the summarized information was derived.

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Asset Classification — Net assets without donor restrictions represent the expendable resources that are available for operations at management's discretion. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Most funds of the Foundation are classified as net assets without donor restriction because the governing instruments of the Foundation and donor agreements provide the Foundation with variance power. The Board of Trustees of the Foundation has variance power to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgement is necessary to serve more effectively the charitable purposes of the Foundation. However, the Board of Trustees would only exercise this authority if the stated purpose of a contribution is no longer applicable and incapable of fulfillment. It is the expressed intention of the Foundation to honor the designations of the donors.

Net assets with donor restrictions represent resources restricted by donors as to purpose or by the passage of time and resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Foundation considers cash, amounts due from banks and highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Donated Services — The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by persons possessing those skills and would typically need to be purchased if not provided by donation.

Investment in Real Estate Entity — The Foundation's investment in a real estate entity is accounted for under the equity method. Under the equity method of accounting investments are recorded at cost and are adjusted for the proportionate share of the undistributed earnings.

Investments — Investments are carried at fair value. Fair values for money market accounts, mutual funds, exchange traded funds, real estate investment trusts and common stocks are determined principally through quoted market prices. Fair values for government obligations and corporate bonds are determined principally through pricing services. Certificates of deposit are valued at cost which approximates fair value. Realized and unrealized gains and losses are reflected in the consolidated statement of activities. Earnings on restricted investments are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the earnings are recognized. All other earnings on donor restricted investments are recognized as an increase in net assets with donor restrictions according to the nature of the restrictions on the original gift. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Investments in privately-held companies are reported at historical cost, less any impairment, and plus or minus changes resulting from observable price changes. Realized and unrealized gains and losses are reported in change in net assets.

Property and Equipment — All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$50,000 are capitalized. Property and equipment, which consist of land, buildings and furniture and fixtures, are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of three to five years for furnishings and equipment and 40 years for buildings.

Water Rights — Water rights are recorded at fair value on the date of donation and are assessed for impairment annually. No impairment loss was recognized during the years ended December 31, 2020 and 2019. See Note 7 for further information.

Funds Held as Agency Endowments — The Foundation has adopted accounting standards for transactions in which a community foundation accepts a contribution from a nonprofit organization and agrees to transfer those assets, the return on investment of those assets, or both, back to the nonprofit organization. The standards specifically require that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds. As of December 31, 2020 and 2019 the Foundation held fourteen and twelve agency funds with the balance of those funds totaling \$1,843,137 and \$1,639,710, respectively. The Foundation maintains variance power and legal ownership of agency endowment funds and they appear in the accompanying consolidated balance sheet as funds held as agency endowments.

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 balance sheets as funds held in trust for others. At December 31, 2020 and 2019, respectively, the balance of those funds totaled \$4,269,153 and \$3,928,975.

Internal Funds — Operating funds consist of PPCF operations, including the management fee charged to all community funds, PPCF discretionary grants, Venetucci Farm and Aspen Valley Ranch.

Concentrations of Credit Risk — Certain financial instruments potentially subject the Foundation to concentrations of credit risk. These financial instruments consist primarily of cash and investments.

Use of Estimates — Preparation of the Foundation's 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 financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Tax Status — The Foundation is a nonprofit corporation which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies as a public charity for purposes of Charitable Contribution deduction. The Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 14,280,379	\$ 4,469,817
Notes receivable, net	616,177	
Investments	<u>51,290,970</u>	<u>50,937,468</u>
Total financial assets	<u>66,187,526</u>	<u>55,407,285</u>
Less amounts unavailable for general expenditures within one year, due to:		
Funds designated by board as endowment	16,059,331	14,425,891
Funds held as agency endowments	1,843,137	1,639,710
Funds held in trust for others	4,269,153	3,928,975
Illiquid investments	<u>606,706</u>	<u>517,811</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 43,409,199</u>	<u>\$ 34,894,898</u>

Contributions received by the Foundation are separated as Donor Advised Funds, Designated Funds, Field of Interest Funds or Undesignated Funds at the request of the donor. Donor Advised Funds are available for grant disbursement generally based on donor recommendation. Designated Funds are generally used for a specific charitable organization as recommended by the donor. Field of Interest Funds are available for grant disbursement within a charitable field of interest as recommended by the Foundation's Board of Trustees. The Foundation has the unilateral right to redirect the use of donor contributions to another beneficiary, however the Foundation's intent is to honor the wishes of donors as long as those wishes are capable of fulfillment.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's typical operating procedures to manage an emergency cash flow need is to liquidate investments. The Foundation manages its cash flow through regular (monthly) analysis of cash flows and budgeted expenses.

3. NOTES RECEIVABLE

The foundation invests in projects that advance philanthropic purposes. These program-related investments are loans to non-profit entities outstanding for up to 3 years bearing interest from 0% to 2%. These loans are treated as qualifying distributions for tax reporting purposes. Loans are recorded based on estimated value that is discounted utilizing an interest rate commensurate with the risk of individual loans. Discount rates range from 2% to 4%. As of December 31, 2020, the loans have a principal balance of \$617,927 and an unamortized discount of \$51,750.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of December 31:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020:				
Assets measured at fair value on a recurring basis:				
Investments:				
Common stock:				
Domestic	\$ 13,038,875	\$ 13,038,875	\$ —	\$ —
International	8,487,184	8,487,184	—	—
Money market accounts	615,269	615,269	—	—
Exchange traded funds:				
Real estate and alternative	2,983,265	2,983,265	—	—
Domestic equity	2,547,862	2,547,862	—	—
Domestic fixed income	1,482,574	1,482,574	—	—
International equity	522,709	522,709	—	—
International fixed income	42,676	42,676	—	—
Closed end	27,262	27,262	—	—
Mutual funds:				
Domestic fixed income	6,035,738	6,035,738	—	—
Domestic equity	2,611,085	2,611,085	—	—
International equity	2,233,148	2,233,148	—	—
Real estate and alternative	1,797,546	1,797,546	—	—
International fixed income	680,666	680,666	—	—
Other	695,324	695,324	—	—
Real estate investment trusts	1,325,242	1,325,242	—	—
Fixed income:				
Corporate bonds	2,910,699	—	2,910,699	—
Government obligations	2,647,140	—	2,647,140	—
Private equity security	<u>352,148</u>	<u>—</u>	<u>—</u>	<u>352,148</u>
Total investments measured using the fair value hierarchy	51,036,412	<u>\$ 45,126,425</u>	<u>\$ 5,557,839</u>	<u>\$ 352,148</u>
Investments in privately- held companies	<u>254,558</u>			
Total investments	<u>\$ 51,290,970</u>			
Asset measured at fair value on a non-recurring basis:				
Land held for investment	<u>\$ 1,700,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,700,000</u>

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019:				
Assets measured at fair value on a recurring basis:				
Investments:				
Common stock:				
Domestic	\$ 10,884,166	\$ 10,884,166	\$ —	\$ —
International	8,358,120	8,358,120	—	—
Money market accounts	3,443,786	3,443,786	—	—
Exchange traded funds:				
Real estate and alternative	2,845,168	2,845,168	—	—
Domestic equity	2,021,538	2,021,538	—	—
Domestic fixed income	1,102,953	1,102,953	—	—
International equity	682,774	682,774	—	—
Closed end	30,544	30,544	—	—
International fixed income	29,024	29,024	—	—
Mutual funds:				
Domestic fixed income	5,944,603	5,944,603	—	—
Domestic equity	2,540,583	2,540,583	—	—
Real estate and alternative	2,305,724	2,305,724	—	—
International equity	1,879,619	1,879,619	—	—
International fixed income	1,061,443	1,061,443	—	—
Other	142,208	142,208	—	—
Real estate investment trusts	1,578,748	1,578,748	—	—
Fixed income:				
Corporate bonds	2,799,651	—	2,799,651	—
Government obligations	2,769,005	—	2,769,005	—
Private equity security	<u>263,253</u>	<u>—</u>	<u>—</u>	<u>263,253</u>
Total investments measured using the fair value hierarchy	50,682,910	<u>\$ 44,851,001</u>	<u>\$ 5,568,656</u>	<u>\$ 263,253</u>
Investment in privately- held company	<u>254,558</u>			
Total investments	<u>\$ 50,937,468</u>			
Asset measured at fair value on a non-recurring basis:				
Land held for investment	<u>\$ 1,700,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,700,000</u>

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs are as follows:

Private Equity Securities:

Balance, January 1, 2019	\$ 256,748
Purchases	19,490
Sales	(9,606)
Change in value	<u>(3,379)</u>
Balance, December 31, 2019	263,253
Sales	(15,400)
Change in value	<u>104,295</u>
Balance, December 31, 2019	<u>\$ 352,148</u>

Land Held for Investment:

Balance, January 1, 2019	\$ 4,323,000
Impairment	<u>(2,623,000)</u>
Balance, December 31, 2019	1,700,000
Change in value	<u>—</u>
Balance, December 31, 2020	<u>\$ 1,700,000</u>

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2020:

Investment	Valuation Technique	Unobservable Input
Private equity limited partnerships	Value reported by the partnerships	Fair values of the underlying assets of the partnerships
Land held for investment	Appraisal	Third-party appraiser judgments on economic conditions

Private Equity Limited Partnership — At December 31, 2020 the Foundation has invested \$200,000 in PV Ventures II, L.P. (the Partnership) and has no further commitments for additional investments. The Partnership has a term of ten years which commenced on December 31, 2014, with provisions for two additional one-year period extensions at the sole discretion of the General Partner, and additional one-year period extensions at the consent of the majority in interest of the Limited Partners. The partnership does not have a redemption feature but may be dissolved prior to the termination date subject to certain conditions. The Partnership's primary investment focus is to pursue a venture capital strategy, generally through investments in seed and early-stage technology companies.

Investment in a non-marketable equity security consists of an investment in the stock of a private company for which there is no readily determinable market value and generally no observable equity transactions. During 2020 and 2019, no upward or downward adjustments have been applied to the cost of the investment related to impairment or observable price changes.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 7,207,000	\$ 7,207,000
Buildings	1,142,370	1,142,370
Furniture and equipment	42,391	60,445
Art and sculptures	<u>39,500</u>	<u>39,500</u>
Total	8,431,261	8,449,315
Less accumulated depreciation	<u>332,528</u>	<u>313,857</u>
Property and equipment, net	<u>\$ 8,098,733</u>	<u>\$ 8,135,458</u>

6. LAND HELD FOR INVESTMENT

During the year ended December 31, 2014, the Foundation received a donation of 131 acres of land which had an appraised value of \$4,323,000 at the time of the donation. The land is expected to be sold or donated to another non-profit organization. At December 31, 2019, the land had an appraised value of \$1,700,000 and during the year end December 31, 2019, an impairment loss of \$2,623,000 was recorded. No impairment was recorded during 2020. The land is recorded at estimated fair market value in the accompanying consolidated balance sheet.

7. WATER RIGHTS AND LEASES OF WATER RIGHTS

Management has been notified that the water available under water rights has been contaminated by Perfluorinated Compounds. These water rights are leased to the Security Water District, the City of Fountain and the Widefield Water and Sanitation District (the Water Districts). The water lease contains provisions for a reduction of the lease payments if the water does not meet drinking water standards. On January 1, 2018, the Foundation entered into an abeyance agreement with the Water Districts which suspends the lease payments. Currently, the Foundation and the Water Districts are pursuing a claim against the United States Air Force for damages sustained as a result of the water contamination.

As of December 31, 2020, the timeline and prospect of treatment is undetermined; however during 2021 a water filtration system has been installed and is being tested. As of December 31, 2020, no impairment of the water rights has been recorded because impairment has not been determined to be probable.

8. INVESTMENT IN REAL ESTATE ENTITY

During 2020, the Foundation purchased a 14% interest in 315 Collective, LLC which was formed to purchase a building in Colorado Springs, Colorado. This entity will lease office space to the Foundation. As of December 31, 2020, the investment is recorded at \$700,000.

9. CONDITIONAL GRANTS

The Foundation received \$164,800 in Paycheck Protection Program (PPP) Loans established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. As of December 31, 2020, no amount has been recorded as being forgiven as conditions have not been met.

10. CHARITABLE TRUST SPLIT-INTEREST AGREEMENTS

The Foundation serves as trustee for a charitable remainder trust whose beneficiary of the trust is a third-party organization. The trust assets, which total \$1,112,865 and \$1,039,665 at December 31, 2020 and 2019, respectively, are included within investments and funds held in trust for others in the accompanying consolidated financial statements.

11. ENDOWMENT FUNDS

The Foundation has no donor restricted endowments due to its variance power. The Foundation's endowment consists of 50 individual funds established for a variety of purposes. These funds include funds established by donors for specified charitable purposes or not-for-profit organizations. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as board designated net assets (a) the original value of gifts designated by the board as endowment, (b) the original value of subsequent gifts to the board designated endowment and (c) accumulations of investment earnings and/or losses to the board-designated endowment in accordance to board designations. The Foundation considers all earnings and/or losses on board designated endowments to accumulate in the board designated endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions restricted for a specified purpose or the passage of time until those amounts are

appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Changes in Endowment Net Assets without donor restrictions for the years ended December 31, 2020 and 2019 are as follows:

Endowment net assets, January 1, 2019	\$ 9,058,692
Reclassifications	3,087,864
Investment return, net	2,523,832
Contributions	491,355
Distributions	<u>(735,852)</u>
Endowment net assets, December 31, 2019	14,425,891
Reclassifications	49,241
Investment return, net	1,741,104
Contributions	294,372
Distributions	<u>(451,277)</u>
Endowment net assets, December 31, 2020	<u>\$ 16,059,331</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending policy considers market returns for the previous twelve quarters along with inflation and investment fees and typically spends within 3% to 6% of the balance of the endowed funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

12. COMMITMENTS

The Foundation entered into an operating lease with a related party in November 2016 for office space through 2021. As of December 31, 2020, the future minimum lease payments under this lease are \$85,869 in 2021.

13. RELATED PARTIES

Certain board members are fund advisors of donor advised funds that are held with the Foundation. As of December 31, 2020 and 2019, the value of these donor advised funds was \$7,371,810 and \$8,170,005, respectively.

The Foundation leases office space from an entity owned by a board member. Rent expense under the lease was \$94,748 and \$83,994 during the years ended December 31, 2020 and 2019, respectively.

In August 2020, the Foundation purchased an interest in a LLC for \$700,000. The Foundation's board chair is the executive director of the majority investor. A Foundation board member is the president of another investor.

During the year ended December 31, 2020, the Foundation received contributions from organizations for which Foundation board members serve on the organizations' Board of Directors or are part of the executive staff totaling \$751,000.

14. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated fully to the related programs include grants, non-grant program expenses and depreciation. The expenses that are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services include payroll and related taxes, rent and utilities, general and administrative, legal and professional.