Rose Community Foundation and Subsidiaries

Consolidated Financial Report

December 31, 2021

Contents

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Independent Auditor's Report

To the Board of Trustees
Rose Community Foundation and Subsidiaries

Opinion

We have audited the consolidated financial statements of Rose Community Foundation and Subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Trustees
Rose Community Foundation and Subsidiaries

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

July 26, 2022

Consolidated Statement of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Cash	$ 2,218,000	$ 1,728,000
Investments (Notes 4 and 5)	364,178,000	306,315,000
Other contributed investments (Notes 4 and 5)	10,707,000	-
Program-related investments (Note 6)	10,440,000	9,690,000
Contributions receivable (Note 7)	718,000	671,000
Other assets and receivables (Note 8)	3,853,000	3,410,000
Leased asset - Operating lease right-of-use - Net (Note 9)	2,710,000	3,784,000
Total assets	**$ 394,824,000**	**$ 325,598,000**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 46,000	$ 162,000
Agency endowments and other funds held on behalf of others (Note 10)	57,040,000	49,547,000
Grants payable (Note 11)	1,140,000	712,000
Lease liability - Operating (Note 9)	3,833,000	4,048,000
Total liabilities	62,059,000	54,469,000
Net Assets		
Without donor restrictions	311,909,000	254,988,000
With donor restrictions (Notes 12 and 13)	20,856,000	16,141,000
Total net assets	332,765,000	271,129,000
Total liabilities and net assets	**$ 394,824,000**	**$ 325,598,000**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Investment return - Net	$ 56,741,000	$ 196,000	$ 56,937,000	$ 23,949,000	$ 141,000	$ 24,090,000
Contributions	17,473,000	8,620,000	26,093,000	7,814,000	4,478,000	12,292,000
Other income	336,000	-	336,000	341,000	-	341,000
Net assets released from restrictions	4,101,000	(4,101,000)	-	5,028,000	(5,028,000)	-
Total revenue, gains, and other support	78,651,000	4,715,000	83,366,000	37,132,000	(409,000)	36,723,000
Expenses						
Program services:						
Grants	16,595,000	-	16,595,000	18,322,000	-	18,322,000
Program expenses	2,694,000	-	2,694,000	3,617,000	-	3,617,000
Total program services	19,289,000	-	19,289,000	21,939,000	-	21,939,000
Support services:						
Philanthropic services expenses	1,018,000	-	1,018,000	771,000	-	771,000
Administrative expenses	1,423,000	-	1,423,000	1,172,000	-	1,172,000
Total support services	2,441,000	-	2,441,000	1,943,000	-	1,943,000
Total expenses	21,730,000	-	21,730,000	23,882,000	-	23,882,000
Change in Net Assets	56,921,000	4,715,000	61,636,000	13,250,000	(409,000)	12,841,000
Net Assets - Beginning of year	254,988,000	16,141,000	271,129,000	241,738,000	16,550,000	258,288,000
Net Assets - End of year	**$ 311,909,000**	**$ 20,856,000**	**$ 332,765,000**	**$ 254,988,000**	**$ 16,141,000**	**$ 271,129,000**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			Support Services			
	Grants	Program Expenses	Total	Philanthropic Services Expenses	Administrative Expenses	Total	Total
Grants approved	$ 16,595,000	$ -	$ 16,595,000	$ -	$ -	$ -	$ 16,595,000
Salaries and benefit expenses	-	1,537,000	1,537,000	719,000	855,000	1,574,000	3,111,000
Professional services	-	518,000	518,000	65,000	90,000	155,000	673,000
Office expenses	-	189,000	189,000	178,000	276,000	454,000	643,000
Distributions	-	255,000	255,000	-	-	-	255,000
Depreciation and amortization expense	-	-	-	-	181,000	181,000	181,000
Communications expenses	-	78,000	78,000	36,000	15,000	51,000	129,000
Travel and entertainment	-	21,000	21,000	5,000	6,000	11,000	32,000
Program and donor services	-	-	-	15,000	-	15,000	15,000
Other program expenses	-	96,000	96,000	-	-	-	96,000
Total functional expenses	**$ 16,595,000**	**$ 2,694,000**	**$ 19,289,000**	**$ 1,018,000**	**$ 1,423,000**	**$ 2,441,000**	**$ 21,730,000**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Support Services			
	Grants	Program Expenses	Total	Philanthropic Services Expenses	Administrative Expenses	Total	Total
Grants approved	$ 18,322,000	$ -	$ 18,322,000	$ -	$ -	$ -	$ 18,322,000
Salaries and benefit expenses	-	2,040,000	2,040,000	491,000	749,000	1,240,000	3,280,000
Professional services	-	857,000	857,000	46,000	66,000	112,000	969,000
Office expenses	-	371,000	371,000	168,000	254,000	422,000	793,000
Distributions	-	58,000	58,000	-	-	-	58,000
Depreciation and amortization expense	-	-	-	-	75,000	75,000	75,000
Communications expenses	-	75,000	75,000	46,000	18,000	64,000	139,000
Travel and entertainment	-	37,000	37,000	6,000	9,000	15,000	52,000
Program and donor services	-	1,000	1,000	14,000	1,000	15,000	16,000
Other program expenses	-	178,000	178,000	-	-	-	178,000
Total functional expenses	**$ 18,322,000**	**$ 3,617,000**	**$ 21,939,000**	**$ 771,000**	**$ 1,172,000**	**$ 1,943,000**	**$ 23,882,000**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 61,636,000	$ 12,841,000
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized investment gains	(60,298,000)	(28,147,000)
Contribution of complex noncash gifts	(11,774,000)	-
Depreciation and amortization expense	181,000	75,000
Noncash operating lease expense	(11,000)	264,000
Changes in operating assets and liabilities that (used) provided cash:		
Contributions receivable	(47,000)	454,000
Other assets and receivables	298,000	(855,000)
Accounts payable and accrued expenses	(116,000)	57,000
Agency endowments and other funds held on behalf of others	7,493,000	3,996,000
Grants payable	428,000	(1,834,000)
Net cash used in operating activities	(2,210,000)	(13,149,000)
Cash Flows from Investing Activities		
Purchases of investments	(81,343,000)	(118,438,000)
Proceeds from sales and maturities of investments	83,778,000	132,835,000
Proceeds from sale of interests in LLCs	1,067,000	-
Disbursement for program-related investment	(750,000)	-
Purchases of property and equipment	(52,000)	-
Net cash provided by investing activities	2,700,000	14,397,000
Change in Cash	490,000	1,248,000
Cash - Beginning of year	1,728,000	480,000
Cash - End of year	**$ 2,218,000**	**$ 1,728,000**
Significant Noncash Transactions		
Utilization of tenant improvement allowance for leasehold improvements	$ 870,000	$ -
Addition of operating lease right-of-use asset	-	3,972,000

See notes to consolidated financial statements.

Note 1 - Nature of Organization

Rose Community Foundation (the "Foundation") strives to advance inclusive, engaged, and equitable Greater Denver communities through values-driven philanthropy. The Foundation envisions a thriving region strengthened by its diversity and generosity, and it utilizes the varied tools at its disposal - grant-making, advocacy, and philanthropic services - to advance this aspiration. Since its founding in 1995, the Foundation has granted more than $350 million to over 2,000 organizations and initiatives, including nearly $60 million in facilitated grant-making from donor-advised funds. The Foundation also supports 75 nonprofit organizations in creating and growing endowments to sustain their vital work into the future, currently stewarding over $57 million in endowed assets.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Rose Community Foundation and its subsidiaries, Rose Foundation Holdings, LLC; Rose Foundation TOD, LLC; and Rose-JCC Holdings, LLC. All significant interorganization accounts and balances have been eliminated in consolidation.

Cash

The Foundation considers investments in money market funds not held for investment purposes and highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation places its cash and money market accounts with creditworthy, high-quality financial institutions. As of December 31, 2021, the Foundation maintained balances in excess of federally insured limits in the amount of approximately $1,739,000.

Investments

Investments are recorded at fair value. Fair value is determined as more fully described in Note 5.

Investment income consists of the Foundation's distributive share of any interest, dividends, and capital gains and losses generated from the Foundation's investments. Realized gains and losses attributable to the Foundation's investments are 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 and changes in net assets.

Investments in marketable equity and fixed-income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Investments in private equity partnerships are reported at fair value when statements are received, which is typically a quarter lag, and recorded net of capital contributions and distributions through December 31, due to the timing of when that valuation information is available. The Foundation believes that there is no significant impact to the consolidated financial statements due to this method of reporting and provides timely reporting to fund holders.

Note 2 - Significant Accounting Policies (Continued)

Alternative investments include real estate, investments in partnerships, and limited liability and other investment companies. 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 management. Alternative investments are not publicly traded on national security market exchanges, are generally illiquid, and may be valued differently than if readily available markets exist for such investments. Because of inherent uncertainties of the valuation of alternative investments, the reported fair values of such investments may differ significantly from realized values.

Concentrations of Credit Risk

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 managed for the Foundation by an independent investment advisor serving as an outsourced chief investment officer and overseen by the Foundation's investment committee. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term objectives of the Foundation and its beneficiaries. Credit risk with respect to contributions receivable is limited due to the number and creditworthiness of the foundations and individuals that comprise the contributor base.

Other Assets and Receivables

Other assets and receivables consist of accounts receivable, program notes receivable, property and equipment, and other assets. The Foundation considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Accounts deemed uncollectible are charged to the change in net assets when that determination is made.

Property and equipment used in operations are stated at cost if purchased or fair value at the date of donation. Assets are depreciated or amortized over the estimated useful lives, which range from 3 to 10 years, using the straight-line method. The Foundation capitalizes property and equipment with a cost or fair value at the date of donation of $5,000 or more. The cost of leasehold improvements is amortized over the lesser of the length of the related lease, including consideration of lease extensions, or the estimated useful lives of the assets. Property and equipment are included within other assets and receivables in the accompanying consolidated statement of financial position.

Leased Asset and Liability

The Foundation elected to early adopt the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as of January 1, 2020. Accordingly, right-of-use lease assets and lease liabilities are measured based on the net present value (NPV) of future lease payments (including extensions) using the discount rate described in Note 9. The Foundation has made a policy election to not separate lease and nonlease components from associated leases. Therefore, the full amount of the lease payments under the associated leases are included in the recorded right-of-use asset and lease liability.

Agency Endowments and Other Funds Held on Behalf of Others

Agency endowments and other funds held on behalf of others represent assets transferred to the Foundation that are for the benefit of the transferring entity. These funds are accounted for as a liability by the Foundation.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions of marketable securities are recorded at the estimated fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

The Foundation reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports the expiration of donor restrictions when the assets are placed in service.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Grants

Program grants awarded by the Foundation are recorded as expenses and liabilities when they are approved by the board of trustees, grant committees, and/or program officers in accordance with the Foundation's grant approval guidelines.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing grants, programming, and other supporting services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll, payroll taxes, and related expenses are allocated based on actual time spent on specific program activities and based on periodic time and expense studies. Benefits are allocated to all services on a pro rata basis of total direct salary expenses incurred. Certain overhead costs are also allocated to services on a pro rata basis of total square footage occupied by each service. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code (IRC) Section 501(c)(3).

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including July 26, 2022, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Foundation's financial assets available within one year of December 31, 2021 and 2020 to meet cash needs for general expenditures are approximately $234,371,000 and $226,750,000, respectively, which represent cash and investments that are held in cash equivalents or able to be liquidated within one year and contributions and notes receivable for general purposes expected to be collected within one year. None of these financial assets, except for funds held as agency endowments and on behalf of others, are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Foundation manages its financial assets to provide resources for the annual costs of its operations by strategically investing a broadly diversified asset allocation model that meets the long-term expected needs of the Foundation. The Foundation has sufficient cash flow for monthly obligations as of December 31, 2021.

Note 4 - Investments

The details of the Foundation's investments at December 31 are as follows:

	2021	2020
Money market funds	$ 7,502,000	$ 5,757,000
Certificates of deposit	43,000	43,000
Equities and equity funds:		
Domestic	105,079,000	81,371,000
International	58,172,000	59,749,000
Bonds and bond funds	61,942,000	60,507,000
Alternatives:		
Hard assets	7,796,000	8,503,000
Hedge funds	2,898,000	5,883,000
Private credit	19,567,000	16,568,000
Private equity	84,941,000	55,636,000
Real estate investment trusts and real estate funds	16,238,000	12,298,000
Other contributed investments:		
Private stock	8,604,000	-
Membership interest in LLCs	2,103,000	-
Total	$ 374,885,000	$ 306,315,000

The above investments include the invested funds of the agency endowments and other funds held on behalf of others, which totaled $57,040,000 and $49,547,000 at December 31, 2021 and 2020, respectively.

During 2021, the Foundation received certain complex gifts, including common stock and warrants to purchase common stock of a private company, as well as certain membership interests in limited liability companies, whose primary purpose is to hold real estate. The Foundation recorded the investment in common stock and warrants to purchase common stock at an estimated fair value as of the grant date of approximately $6,324,000 and $2,280,000, respectively. Upon realization of these investments through a liquidity event, the Foundation is required to create donor-advised funds on behalf of the donor using the proceeds. The Foundation recorded the contributions of membership interests in LLCs at an estimated fair value as of the contribution date of approximately $3,170,000. The Foundation is in the process of liquidating its investment in these membership interests and converting to cash for reinvestment. As of December 31, 2021, the Foundation had realized proceeds from these membership interests in the amount of approximately $1,067,000.

The fair value of the common stock warrant gift described above is estimated on the date of gift using a Black-Scholes valuation model that uses certain weighted-average assumptions. The warrant received by the Foundation allows it to purchase 735,584 shares of common stock at a exercise price of $0.0001. The award was fully vested as of the gift date. Expected volatility was calculated based on the historical volatility of the underlying stock price of the private company and historical volatility of comparable public companies. The average expected life was determined based on the contractual term of the award. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of gift.

Net investment return consists of the following:

	2021	2020
Dividends and interest	$ 4,344,000	$ 1,273,000
Net realized and unrealized gains	60,298,000	28,147,000
Investment management fees	(921,000)	(566,000)
Activity attributable to agency funds	(6,784,000)	(4,764,000)
Total net investment return	$ 56,937,000	$ 24,090,000

Note 4 - Investments (Continued)

The Foundation normally incurs income tax expense associated with unrelated business taxable income resulting from certain investments. Unrelated business income subject to tax was not material to the consolidated financial statements in 2020 and is expected to be minimal in 2021.

The investment goal of the Foundation is to protect and grow the portfolio's inflation-adjusted value, net of any distributions or spending from the portfolio, over the long term to support the mission of the Foundation. As a long-term investor, the Foundation may experience short-term fluctuations in the fair value of its investments due to market volatility.

Marketable and private 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 bonds 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.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 5 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 and the valuation techniques used by the Foundation to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carried at Net Asset Value (NAV)	Total
Equities and equity funds:					
Domestic	$ 105,079,000	$ -	$ -	$ -	$ 105,079,000
International	58,172,000	-	-	-	58,172,000
Bonds and bond funds	60,942,000	1,000,000	-	-	61,942,000
Other contributed investments:					
Private stock	-	-	8,604,000	-	8,604,000
Membership interests in LLCs	-	-	2,103,000	-	2,103,000
Alternatives:					
Hard assets	-	-	-	7,796,000	7,796,000
Hedge funds	-	-	-	2,898,000	2,898,000
Private credit funds	-	-	-	19,567,000	19,567,000
Private equity funds	-	-	-	84,941,000	84,941,000
Real estate investment trusts and real estate funds	-	-	-	16,238,000	16,238,000
Total assets	$ 224,193,000	$ 1,000,000	$ 10,707,000	$ 131,440,000	$ 367,340,000

Money market funds and certificates of deposit in the amount of $7,502,000 and $43,000, respectively, are not subject to fair value disclosures and, therefore, are not included in the table above at December 31, 2021.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carried at Net Asset Value (NAV)	Total
Equities and equity funds:					
Domestic	$ 81,371,000	$ -	$ -	$ -	$ 81,371,000
International	59,749,000	-	-	-	59,749,000
Bonds and bond funds	59,507,000	1,000,000	-	-	60,507,000
Alternatives:					
Hard assets	-	-	-	8,503,000	8,503,000
Hedge funds	-	-	-	5,883,000	5,883,000
Private credit funds	-	-	-	16,568,000	16,568,000
Private equity funds	-	-	-	55,636,000	55,636,000
Real estate investment trusts and real estate funds	-	-	-	12,298,000	12,298,000
Total assets	$ 200,627,000	$ 1,000,000	$ -	$ 98,888,000	$ 300,515,000

Money market funds and certificates of deposit in the amount of $5,757,000 and $43,000, respectively, are not subject to fair value disclosures and, therefore, are not included in the table above at December 31, 2020.

Note 5 - Fair Value Measurements (Continued)

Determination of transfers between levels are made at December 31 of each fiscal year. There were no transfers between levels for the years ended December 31, 2021 and 2020. All assets have been valued using a market approach except for certain Level 2 and 3 assets. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. However, the underlying assets may be actively traded. Level 3 assets are measured on a recurring basis as described in Note 5 using the underlying common stock valuations, option pricing models, and real estate appraisals, where applicable. There were no changes in the valuation techniques during the current year.

The following table summarizes the significant information related to investments carried at net asset value:

	Fair Value as of December 31, 2021	Fair Value as of December 31, 2020	Unfunded Commitments as of December 31, 2021	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	$ -	$ 407,000	$ -	Monthly/Quarterly	30-70 days
Multistrategy hedge funds (b)	336,000	378,000	-	Monthly/Quarterly/ Annually	30-70 days
Other hedge funds (c)	2,562,000	5,098,000	-	Monthly/Quarterly/ Annually	7-95 days
Private equity diversified fund-of-funds (d)	17,306,000	15,147,000	1,501,000	N/A*	N/A*
Private equity and private credit funds (e)	102,484,000	71,622,000	31,722,000	N/A*	N/A*
Real estate investment trusts and real estate funds (f)	8,752,000	6,236,000	6,905,000	N/A*	N/A*
Total	$ 131,440,000	$ 98,888,000	$ 40,128,000		

*Investments in these categories are required to be held to maturity.

(a) The equity long/short hedge fund category includes investment in hedge funds that invest both long and short (with a net-long bias) primarily in common stocks, located both in the U.S. and internationally and across large/mid/small capitalization stocks. The funds are not currently subjected to any lockup or gate restrictions on withdrawals.

(b) The multistrategy hedge fund category includes investments in hedge funds that invest both long and short (with a net-long bias) primarily in credit securities and equity securities but will also invest in arbitrage strategies (including convertible arbitrage and merger arbitrage), as well as longer-dated side-pocket assets (including private equity and debt investments). The funds are not currently subject to any lockup or gate restrictions on withdrawals. The side-pocket investments totaled $1,238,000 as of December 31, 2021 and 2020 and would not be available for immediate redemption. The expectation for these side-pocket investments is that each individual asset would be sold within a five-year time horizon from its initial investment date, at which time the proceeds would be moved into the main share class with standard liquidity terms.

(c) The other hedge fund category includes investments in multiple alternative investments and equities.

(d) The private equity diversified fund-of-funds category includes investments in several funds that invest in private equity, including primarily venture capital, buyout, and natural resources. Each fund-of-funds invests in limited partnerships across several vintage years. These limited partnerships in turn invest in individual portfolio companies that are expected to be liquidated over a 3- to 10-year period from their initial investment date. Given the illiquid nature of these investments, they cannot be redeemed. Distributions from each fund will be received as the underlying portfolio companies are liquidated. The Foundation is not currently seeking to sell its position in any of the funds.

Note 5 - Fair Value Measurements (Continued)

(e) The private equity and private credit funds category includes investments in several limited partnerships that invest in private equity, including primarily buyout, distressed debt, venture capital, and private credit. These limited partnerships invest in individual portfolio companies that are expected to be liquidated over a 3- to 10-year period from their initial investment date. Given the illiquid nature of these investments, they cannot be redeemed. Distributions from each fund will be received as the underlying portfolio companies are liquidated. The Foundation is not currently seeking to sell its position in any of the funds.

(f) The real estate funds category includes several real estate funds that invest in U.S. and international commercial real estate but will also invest in U.S. residential real estate. Given the illiquid nature of these investments, they cannot be redeemed with the funds. Distributions from each fund will be received as the underlying real estate assets are liquidated. It is estimated that the underlying assets of the fund will be liquidated over a 5- to 10-year period from their initial investment date. The Foundation is not currently seeking to sell its position in any of the funds.

Note 6 - Program-related Investments

Investment in the Jewish Community Center of Denver

During 2018, the Foundation entered into a transaction with the Jewish Community Center of Denver (JCC), a Colorado nonprofit corporation, to purchase land and property, which includes athletic facilities; a preschool; and social, educational, and other programming. The JCC sold its Denver campus for $14,666,000, which included land and property purchased by the Foundation using its funds and funds from various donors, and an amount that represented a portion of the outstanding debt of the JCC, which was forgiven as part of the sale. The JCC used the sales proceeds to repay its remaining debts and transaction costs and to establish reserves for deferred maintenance and capital improvements.

The Foundation contributed $9,690,000 for the purchase of the land and property, which is the recorded cost basis of the program-related investment on the consolidated statement of financial position. In addition, the Foundation provided a note receivable to the JCC for $1,705,000, which is included in program-related notes receivable (see Note 8). The outstanding balance on the note receivable at December 31, 2021 and 2020 was $1,381,000 and $1,606,000, respectively. As part of this transaction, the Foundation was required to restrict $9,690,000 of its net assets to support the restricted nature of this program-related investment.

The land and property were leased back to the JCC under a lease agreement with an initial term of 25 years, with the option by the JCC for three renewal periods of 25 years. After 80 years, the Foundation has the option to transfer its interest in the land and property to the JCC for a purchase price of $100. Annual rent revenue related to the lease agreement is $1.

Metro Denver Nonprofit Loan Fund

During 2021, the Foundation provided funding to the Metro Denver Nonprofit Loan Fund in the amount of $750,000 to make interest-free unsecured loans to qualified nonprofit borrowers. Unfunded commitments to make program-related investments amounted to $250,000 as of December 31, 2021 in connection with the Foundation's participation as a funder of the Metro Denver Nonprofit Loan Fund.

Note 7 - Contributions Receivable

Contributions receivable are due as follows:

	2021	2020
Due in less than one year	$ 415,000	$ 671,000
Due in one to five years	303,000	-
Total	$ 718,000	$ 671,000

Note 7 - Contributions Receivable (Continued)

Contributions receivable are not discounted to their present value because the effect on the consolidated financial statements is insignificant. Management believes that all pledges are collectible; thus, no allowance for uncollectible accounts has been established.

Note 8 - Other Assets and Receivables

Other assets and receivables consist of the following for the years ended December 31:

	2021	2020
Property and equipment	$ 2,242,000	$ 1,320,000
Accumulated depreciation	(767,000)	(586,000)
Property and equipment - Net	1,475,000	734,000
Accounts receivable	-	18,000
Program-related notes receivables	1,881,000	2,106,000
Other assets	497,000	552,000
Total	$ 3,853,000	$ 3,410,000

Program-related Notes Receivable

In 2010, the Foundation's wholly owned subsidiary, Rose Foundation TOD, LLC, entered into a revolving loan agreement together with several other funders to provide financing for affordable housing near light rail and bus transit corridors in Denver. The fund was later expanded geographically to finance affordable housing in the greater Denver region. The Foundation committed and has paid in full $500,000 to a fund for the financing of the projects. Loans from the fund are administered by Enterprise Community Loan Fund, Inc. and return interest to the Foundation at 2 percent annually. The program-related loan receivable is considered to be fully collectible.

During 2018, as part of the program-related investment described in Note 6, the Foundation issued a note receivable to the Jewish Community Center of Denver for $1,705,000 with interest at 0 percent that is due in June 2058. The note is secured by certain pledges made to the JCC. As of December 31, 2021 and 2020, the outstanding balance is $1,381,000 and $1,606,000. The note receivable has not been discounted to its present value, as the effect on the consolidated financial statements is insignificant. Management believes that the note is collectible; thus, no allowance for uncollectible accounts has been established.

Note 9 - Right-of-use Asset and Liability

The Foundation is obligated under a lease for office space that is classified as an operating lease, expiring in February 2031 and inclusive of certain extension options available through February 2041. The lease agreement entitles the Foundation to certain rent abatements and improvement and demolition allowances. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.25 percent (the Foundation's estimated incremental borrowing rate for like property at the date of lease inception). The lease requires the Foundation to pay a portion of certain taxes, insurance, utilities, and maintenance costs. Included in lease expense are variable lease payments. Total lease expense recognized under this lease, exclusive of certain taxes, insurance, utilities, and maintenance costs, was approximately $311,000 and $264,000 during the years ended December 31, 2021 and 2020, respectively.

Note 9 - Right-of-use Asset and Liability (Continued)

In connection with this lease, the Foundation was granted lease incentives, including eight months of free rent. Deferred lease incentives reflected in the accompanying consolidated statement of financial position are being amortized on a straight-line basis over the term of the lease ending in December 2030. Deferred lease incentives totaled approximately $283,000 and $177,000 as of December 31, 2021 and 2020, respectively.

Future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2022	$ 439,000
2023	450,000
2024	461,000
2025	473,000
2026	485,000
Thereafter	2,154,000
Total	4,462,000
Less amount representing interest	629,000
Present value of net minimum lease payments	$ 3,833,000

The Foundation additionally leased office space under a separate lease agreement that expired on May 31, 2020. Rent expense under this lease during 2020 was approximately $89,000.

Note 10 - Agency Endowment and Other Funds Held on Behalf of Others

The Foundation held the following funds on behalf of others:

	2021	2020
Agency endowment funds created by the Endowment Challenge Initiative	$ 24,688,000	$ 23,086,000
Other restricted agency endowment funds	15,315,000	11,914,000
Other funds held on behalf of others	17,037,000	14,547,000
Total	$ 57,040,000	$ 49,547,000

Note 10 - Agency Endowment and Other Funds Held on Behalf of Others (Continued)

The Endowment Challenge Initiative was a three-year initiative aimed at creating endowment funds to be held in perpetuity for institutions primarily serving the greater Denver Jewish community. As part of the initial Endowment Challenge Initiative, 19 agency endowment funds totaling $18,587,000 were established at the Foundation. Distributions from these endowments of $1,007,000 and $1,047,000 were paid to beneficiary institutions consistent with the terms of the initiative in 2021 and 2020, respectively. The balances in these funds at December 31, 2021 and 2020 increased by $1,602,000 to $1,131,000, respectively, due to the net of contributions, distributions, and market gains.

Note 11 - Grants Payable

The following summarizes the changes in grants payable for the years ended December 31:

	2021	2020
Grants payable - Beginning of year	$ 712,000	$ 2,546,000
Unconditional grants approved and expensed	16,595,000	18,322,000
Payments made	(16,167,000)	(20,156,000)
Grants payable - End of year	$ 1,140,000	$ 712,000

Grants payable have not been discounted to present value because the effect on the consolidated financial statements is not significant. Grants payable at December 31, 2021 are scheduled to be disbursed as follows for the years ending December 31:

2022	$ 679,000
2023	234,000
2024	227,000
Total	$ 1,140,000

The Foundation has made additional grant commitments that are payable when the grantee fulfills certain conditions. Conditional grant commitments, not recorded because the grantees have not met the conditions required to receive these grants, were approximately $313,000 and $520,000 at December 31, 2021 and 2020, respectively.

Note 12 - Net Assets

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2021	2020
Net assets subject to purpose restrictions	$ 10,876,000	$ 6,161,000
Net assets restricted for JCC program-related investment	9,690,000	9,690,000
Net assets to be held in perpetuity	290,000	290,000
Total net assets with donor restrictions	$ 20,856,000	$ 16,141,000

Note 13 - Donor-restricted Endowments

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. Accordingly, the Foundation follows FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

The Foundation is subject to UPMIFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation's endowment net assets consisted of the following:

	2021	2020
Net assets subject to time or purpose restrictions	$ 314,000	$ 282,000
Net assets to be held in perpetuity	290,000	290,000
Total	$ 604,000	$ 572,000

Note 13 - Donor-restricted Endowments (Continued)

The following are changes in the endowment net assets:

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 572,000	$ 572,000
Investment return:			
Investment income	-	5,000	5,000
Net appreciation (realized and unrealized)	-	27,000	27,000
Total investment return	-	32,000	32,000
Endowment net assets - End of year	$ -	$ 604,000	$ 604,000

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 543,000	$ 543,000
Investment return:			
Investment income	-	2,000	2,000
Net appreciation (realized and unrealized)	-	28,000	28,000
Total investment loss	-	30,000	30,000
Appropriation of endowment assets for expenditure	-	(1,000)	(1,000)
Endowment net assets - End of year	$ -	$ 572,000	$ 572,000

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies at December 31, 2021 and 2020.

Investment Strategy and Return Objectives

Endowment assets are invested pursuant to the Foundation's investment policy. 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 greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation's spending policy allows for appropriating the investment earnings for distribution upon approval of the Foundation's board of trustees.

Note 14 - Retirement Plan

The Foundation sponsors a 403(b) plan (the "Plan") for substantially all employees. The Plan provides for the Foundation to make a nondiscretionary 3.5 percent employer contribution and discretionary employer contributions. For the years ended December 31, 2021 and 2020, the board of trustees approved a discretionary contribution of 3 percent of participating employees' annual salary. Employees may make contributions beginning on the date of employment, with employer contributions beginning after 12 months of employment. Under the Plan, employees may make before-tax contributions up to the maximum contribution allowed by law. Contributions to the Plan totaled $137,000 and $141,000 for the years ended December 31, 2021 and 2020, respectively.

Note 15 - Risks and Uncertainties

Subsequent to December 31, 2021, the Foundation’s investment portfolio has incurred fluctuations and declines in fair value, consistent with the general fluctuations in the financial markets. Because individual investment values fluctuate with market conditions and the Foundation's investment strategy includes mitigation of losses during market downturns, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.