




The Colorado Trust

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022



The Colorado Trust
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December 31, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
The Colorado Trust
Denver, Colorado

Opinion

We have audited the accompanying financial statements of The Colorado Trust (the Trust), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

Forvis Mazars, LLP

**Denver, Colorado
September 16, 2024**

The Colorado Trust
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,490,391	\$ 3,669,396
Investments	487,941,152	476,930,841
Interest receivable	55,310	105,765
Distributions receivable	21,398,182	24,566,694
Grant return receivable	-	8,500
Program related investments, net	18,250,711	19,765,240
Property and equipment, net	477,448	647,326
Investments held under deferred compensation agreements	314,536	339,859
Current and deferred excise tax receivable	361,146	1,556,661
Other assets	78,281	165,367
	<u>531,367,157</u>	<u>527,755,649</u>
Total assets	<u>\$ 531,367,157</u>	<u>\$ 527,755,649</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 814,386	\$ 764,521
Grants payable	5,777,096	8,208,438
Current and deferred excise tax payable	350,445	-
Line of credit payable	-	5,020,476
Deferred gain on sale - leaseback	607,134	1,268,819
Deferred compensation	314,536	339,526
	<u>7,863,597</u>	<u>15,601,780</u>
Total liabilities	<u>7,863,597</u>	<u>15,601,780</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	<u>523,503,560</u>	<u>512,153,869</u>
	<u>\$ 531,367,157</u>	<u>\$ 527,755,649</u>
Total liabilities and net assets	<u>\$ 531,367,157</u>	<u>\$ 527,755,649</u>

The Colorado Trust
Statements of Activities
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue, Gains (Losses) and Other Support Without Donor Restrictions		
Interest and dividend income	\$ 2,730,082	\$ 2,910,432
Net realized and unrealized gains (losses) on investments	49,754,152	(60,450,813)
Income from real estate transactions	1,146,476	1,441,470
Investment management fees	<u>(5,418,342)</u>	<u>(4,078,242)</u>
 Total revenue, gains (losses) and other support without donor restrictions	 <u>48,212,368</u>	 <u>(60,177,153)</u>
Expenses		
Program services		
Health policy	3,723,172	4,459,648
Health equity data	2,542,131	380,546
Community partnerships	-	6,071,552
Health and well being - other	<u>25,350,019</u>	<u>15,117,563</u>
 Total program services expenses	 <u>31,615,322</u>	 <u>26,029,309</u>
Supporting services		
Management and general	<u>5,247,355</u>	<u>2,841,118</u>
 Total supporting services expenses	 <u>5,247,355</u>	 <u>2,841,118</u>
 Total expenses	 <u>36,862,677</u>	 <u>28,870,427</u>
 Change in Net Assets Without Donor Restrictions	 11,349,691	 (89,047,580)
 Net Assets Without Donor Restrictions, Beginning of Year	 <u>512,153,869</u>	 <u>601,201,449</u>
 Net Assets Without Donor Restrictions, End of Year	 <u>\$ 523,503,560</u>	 <u>\$ 512,153,869</u>

The Colorado Trust
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services				Total Program Services	Support Services	Total
	Health Policy	Health Equity Data	Community Partnerships	Health and Well Being - Other		Management and General	
Grants and other assistance	\$ 2,600,171	\$ 1,800,000	\$ -	\$ 20,717,515	\$ 25,117,686	\$ -	\$ 25,117,686
Salaries, taxes and benefits	502,250	331,910	-	2,071,835	2,905,995	2,355,151	5,261,146
Professional services	439,863	290,682	-	1,814,482	2,545,027	485,401	3,030,428
Office expenses	31,405	20,754	-	129,549	181,708	89,169	270,877
Occupancy	39,062	25,814	-	161,134	226,010	102,292	328,302
Travel, training and meetings	70,517	46,601	-	290,891	408,009	208,170	616,179
Insurance	6,858	4,532	-	28,292	39,682	17,609	57,291
Depreciation	25,171	16,634	-	103,834	145,639	65,917	211,556
Excise tax	-	-	-	-	-	1,817,294	1,817,294
Other	7,875	5,204	-	32,487	45,566	106,352	151,918
Total expenses included in the expense section on the statement of activities	<u>\$ 3,723,172</u>	<u>\$ 2,542,131</u>	<u>\$ -</u>	<u>\$ 25,350,019</u>	<u>\$ 31,615,322</u>	<u>\$ 5,247,355</u>	<u>\$ 36,862,677</u>

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

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

The Colorado Trust
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 11,349,691	\$ (89,047,580)
Items not requiring (providing) cash		
Depreciation expense	211,556	241,413
Amortization of deferred gain	(661,685)	(249,600)
Excise tax expense	1,817,294	(818,909)
PRIs converted to grants	7,000,000	-
Discount on PRI	426,433	1,462,505
Interest income on PRI discount	(261,904)	(70,745)
Net realized and unrealized loss (gain) on investments	(49,754,152)	60,450,813
Change in operating assets		
Other assets	112,409	174,964
Distributions receivable	3,168,512	(23,849,923)
Grant return receivable	8,500	(8,500)
Interest receivable	50,455	-
Excise tax receivable (payable)	(271,334)	(1,549,646)
Change in operating liabilities		
Accounts payable and accrued expenses	49,865	(346,030)
Other accrued liabilities	(24,990)	(59,255)
Grants payable	(2,431,342)	(3,932,151)
Line of credit payable	(5,020,476)	5,020,476
	<u>(34,231,168)</u>	<u>(52,582,168)</u>
Investing Activities		
Purchase of property and equipment	(41,678)	-
Proceeds from disposal of property and equipment	-	5,283
Net proceeds from sale of investments	60,994,149	78,185,500
Purchases of investments	(22,250,308)	(22,165,411)
Program-related investments	(5,650,000)	(7,900,000)
Payments received from program-related investments	-	2,206,311
	<u>33,052,163</u>	<u>50,331,683</u>
Decrease in Cash and Cash Equivalents	(1,179,005)	(2,250,485)
Cash and Cash Equivalents, Beginning of Year	<u>3,669,396</u>	<u>5,919,881</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,490,391</u>	<u>\$ 3,669,396</u>

Note 1. Nature of Operations

The Colorado Trust (the Trust) was established in 1985 and endowed by the proceeds of the sale of PSL Healthcare Corporation, a Colorado not-for-profit corporation. The Trust was formed as a not-for-profit charitable foundation whose mission is to improve the health and well-being of the people of the state of Colorado. The Trust's vision and the focus of its grant making is for all Coloradans to have fair and equal opportunities to lead healthy, productive lives regardless of race, ethnicity, income or where they live. The Trust's operations and grant making activities are funded by investments and earnings thereon.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all unrestricted liquid investments with original maturities of three months or less, and which are not held as part of an investment portfolio or on behalf of others, to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2023, the Trust's cash held in its operating account and its investment accounts exceeded federally insured limits by approximately \$58,094.

Investments and Investment Return

The Trust measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Investment management fees are recorded net of investment income.

Investment Risk

Investment securities are exposed to various risks, such as interest rate, market and credit. Though the market value of investments is subject to fluctuations on a year to year basis, the Trust believes that the investment policy is appropriate for meeting the long-term mission of the Trust.

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

Distributions Receivable

Distributions receivable consists of distribution notices received and redemption requests executed prior to year-end where the cash has not yet been received at year-end. The Trust has \$21,398,182 and \$24,566,694 in distributions receivable at December 31, 2023 and 2022, respectively. No discount or allowance is applied to these accounts as they are still invested with the fund manager or are in the process of distribution.

Program Related Investments

The Trust has program-related investments in the form of below-market rate notes issued to organizations that fulfill the Trust's mission.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Trust capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life exceeding one year. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset ranging from 3 to 20 years.

Line of Credit

The Trust maintains an annually renewing revolving line of credit agreement with total available credit of \$5,000,000. Interest is due monthly at a rate of 1.89% plus Daily Simple SOFR. The line of credit is collateralized with a security interest in the Trust's US Bank pledge account. Availability under the line of credit is determined by the value of eligible marginable security in the US Bank pledge account. The Trust has an outstanding line of credit payable balance of \$0 and \$5,020,476 at December 31, 2023 and 2022, respectively.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Grants

The Board of Trustees approves expenditures for specific community partnerships and grant strategies in support of the Trust's mission. Grant expense is recognized when the Trust identifies a grantee and awards a grant contract. Grants authorized but unpaid at year-end are reported as liabilities in accordance with GAAP. Grants scheduled for payments more than one year in the future are discounted using an appropriate discount rate.

Tax Status

The Trust has been classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code (the Code) and is exempt from federal income tax under Section 501(c)(3) of the Code. Private foundations are subject to an excise tax on net investment income, which includes realized gains on the sale of assets. The tax is equal to 1.4% of net investment income.

Management evaluates uncertain tax positions for more-likely-than-not sustainability. Management has concluded that as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Certain of the Trust's investments generate unrelated business taxable income.

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on salaries and benefits costs allocated to each function as a measurement of efforts expended on the Trust's programs.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 3. Grant and Contract Commitments

Grants payable is determined by discounting multi-year grants to net present value using a discount rate commensurate with market conditions and the grant payment schedule at the time the grant is committed. The discount rate used by the Trust is 3.5% for years one – two, and 5.5% years three – five based on the estimated rate of return for investments for such durations. See Note 10 for additional information regarding grants payable.

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

2024	\$ 4,227,094
2025	1,615,567
Less present value of adjustments for payments scheduled after 2023	<u>(65,565)</u>
	<u>\$ 5,777,096</u>

Note 4. Investments and Investment Returns

The investment goal of the Trust is to invest its assets in a manner that will maintain, over the long-term, the real value of its investments while allowing for suitable grant expenditures that facilitate the fulfillment of the Trust's mission.

To achieve this goal, some investment risk must be taken. The Trust diversifies its investment portfolio among various financial instruments and asset categories, using multiple investment strategies to mitigate investment risks. The Trust's investments are managed by independent professional investment management firms and are held in various investment structures such as limited partnerships, foreign domiciled funds, and pooled investments.

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

Investments at December 31 consisted of the following:

	<u>2023</u>	<u>2022</u>
Domestic funds	\$ 124,479,011	\$ 119,258,233
International funds	70,445,677	65,330,100
Global funds	41,395,824	44,824,187
Fixed income funds	46,756,070	49,603,706
Private equity	163,293,029	144,320,864
Hedge funds/multi-strategy	11,585,199	15,581,974
Real estate	<u>29,986,342</u>	<u>38,011,777</u>
Total investments	<u>\$ 487,941,152</u>	<u>\$ 476,930,841</u>

Domestic, International and Fixed-Income Funds

These categories consist of investments in mutual funds, partnerships and commingled funds. All of these investments are in funds which are in publicly traded companies on various major stock exchanges. Certain funds cannot be valued directly, and therefore are valued by reference to the fair value of the underlying publicly traded equities. Liquidity is available monthly upon 30 days or less notice, at which time the underlying investments are sold and the proceeds are distributed.

Global Funds

A global equity fund has the latitude to buy shares of companies from any country including the United States. A global equity fund can be divided into three type of country categories: U.S. stocks, non-U.S. stocks and emerging market stocks. Most global equity funds will report how the assets are divided based on these or similar categories. The vehicles for global equities include mutual funds, separate accounts and commingled funds. In terms of liquidity, mutual funds and separate are the most liquid options by being available on a daily/weekly basis depending on the fund; whereas commingled funds liquidity is available on a monthly basis.

Private Equity

This category includes a variety of private equity strategies including private equity, global distressed debt, natural resources and venture capital. At December 31, 2023, the total committed was \$191,550,000, of which \$42,220,029 remains to be called. At December 31, 2022, the total committed was \$153,792,000, of which \$32,933,441 remains to be called. Each fund is allocated to fund managers over a period of three to five years and is designed to have a lifespan of seven to ten years before it is fully liquidated. Liquidity is only available through distributions as the underlying investments mature or are sold.

Hedge Funds/Multi-Strategy

Hedge funds consist of a combination of investments in fund-of-funds, each managed by a single fund manager, as well as direct investments in single funds. Fund-of-fund managers are free to invest in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. These include relative value, event driven and tactical strategies and represent multiple core investment holdings. Single fund managers consist of multi-strategy investments including long/short equity, distressed debt, arbitrage, and credit instruments. No investments currently have any lock ups, gates or other redemption restrictions, and quarterly liquidity is available upon 65-90 days' notice.

Real Estate

This category includes commercial real estate owned through limited partnership funds and a Real Estate Investment Trust. These funds are broadly diversified across real estate asset classes and are further diversified geographically. Liquidity varies based on the amount the owners collectively wish to redeem and executed sales by the investment managers of the underlying real estate properties. Quarterly redemptions are typically made 60-90 days after written notice but may be subject to longer redemption queues based on market conditions. All valuations are based on annual appraisals of the underlying properties conducted by independent appraisers generally on a rolling quarterly basis.

Note 5. Fair Value of Investments

The Trust reports its investments in accordance with fair value standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs to determine fair value.

Fair value measurement standards require the Trust to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Level 1 and Level 2 assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. However, the underlying assets may be actively traded. The investment managers utilize a combination of market and income approaches. One or more of the following inputs are used: quoted market prices, appraisals, and assumptions about discounted cash flow and other present value techniques depending on the type of investment. There were no changes in the valuation techniques during the current year.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the ability to observe the inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observation and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Trust's financial statements.

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	2023			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured using market approach				
Fixed income funds	\$ 46,756,070	\$ 37,702,069	\$ 9,054,001	\$ -
	46,756,070	<u>\$ 37,702,069</u>	<u>\$ 9,054,001</u>	<u>\$ -</u>
Alternative investments measured at net asset value per share (A)				
Domestic equities	124,479,011			
International equities	70,445,677			
Global funds	41,395,824			
Private equity	163,293,029			
Hedge funds/multi-strategy	11,585,199			
Real estate	29,986,342			
	<u>487,941,152</u>			
Total investments	<u>\$ 487,941,152</u>			

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Notes to Financial Statements
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	2022			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured using market approach				
Fixed income funds	\$ 49,603,706	\$ 41,527,580	\$ 8,076,126	\$ -
	49,603,706	<u>\$ 41,527,580</u>	<u>\$ 8,076,126</u>	<u>\$ -</u>
Alternative investments measured at net asset value per share (A)				
Domestic equities	119,258,232			
International equities	65,330,101			
Global equities	44,824,187			
Private equity	144,320,864			
Hedge funds/multi-strategy	15,581,974			
Real estate	<u>38,011,777</u>			
Total investments	<u>\$ 476,930,841</u>			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

Note 6. Program Related Investments

The Trust issued a note receivable to various entities as program-related investments. The balance of program related investments at December 31, 2023 and 2022 are comprised of the following:

Terms	2023	2022
Interest at 2.00% due quarterly beginning June 2016, with total principal due at maturity in December 2027	\$ 875,000	\$ 875,000
Interest at 2.00% due quarterly beginning December 2018, with total principal due at maturity in December 2025	1,500,000	1,500,000
Interest at 1.00% due quarterly beginning January 2020, with total principal due at maturity in June 2026	1,000,000	1,000,000
Interest at 1.00% due semi-annually beginning January 2020, with total principal due at maturity in July 2025	-	2,500,000
Interest at 1.00% due semi-annually beginning December 2019, with total principal due at maturity in July 2024	750,000	750,000
Interest at 2.00% per annum beginning December 2020, with total principal due at maturity in October 2029	300,000	300,000
Interest at 0.00% beginning December 2020, with total principal due at maturity in December 2025	300,000	300,000
Interest at 1.00% due quarterly beginning December 2020, with total principal due at maturity in July 2025	500,000	500,000
Interest at 2.00% due quarterly beginning January 2021, with total principal due at maturity in January 2028	1,000,000	1,000,000
Interest at 2.00% due quarterly beginning June 2021, with total principal due at maturity in June 2026	1,000,000	1,000,000
Interest at 1.00% due quarterly beginning July 2021, with total principal due at maturity in June 2026	1,000,000	1,000,000

The Colorado Trust
Notes to Financial Statements
December 31, 2023 and 2022

Terms	2023	2022
Interest at 0.00% beginning August 2021, with total with total principal due at maturity in July 2026	250,000	250,000
Interest at 1.00% due quarterly beginning September 2021, with total principal due at maturity in July 2026	750,000	750,000
Interest at 0.00% beginning October 2021, with total principal due at maturity in August 2026	-	500,000
Interest at 0.00% beginning December 2020, with total principal due at maturity in June 2025	832,000	832,000
Interest at 1.00% due quarterly beginning December 2021, with total principal due at maturity in December 2028	5,000,000	3,350,000
Interest at 1.00% and principal beginning December 2021, due at maturity in October 2029	1,000,000	1,000,000
Interest at 0.00% beginning September 2022, with total principal due at maturity in September 2034	3,750,000	3,750,000
Cummulative discount on PRI	<u>(1,556,289)</u>	<u>(1,391,760)</u>
	<u>\$ 18,250,711</u>	<u>\$ 19,765,240</u>

Program related investments are determined to be past due when the contractual terms have not been met. Management deemed it appropriate to record allowances for credit loss on certain notes receivable based upon a review of outstanding balances, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The allowance for credit losses on program related investments is established as losses are expected to have occurred through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectability of a balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for credit losses on balances is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the balance, as described above. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. At December 31, 2023 and 2022, credit loss expense related to doubtful program related investments, where collectability is not reasonably assured, was \$0.

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Note 7. Property and Equipment

Property and equipment at December 31 consists of:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 748,166	\$ 748,164
Machinery and equipment	917,114	875,438
Furniture and fixtures	<u>325,425</u>	<u>325,425</u>
	1,990,705	1,949,027
Less accumulated depreciation	<u>(1,513,257)</u>	<u>(1,301,701)</u>
Property and equipment, net	<u>\$ 477,448</u>	<u>\$ 647,326</u>

Note 8. Sale-Leaseback Transaction Note Payable to Bank

On January 31, 2008, the Trust sold its real estate investment in the Capitol Center at 225 East Sixteenth Avenue, Denver, Colorado, the adjacent parking structure, and The Colorado Trust Building at 1600 Sherman Street, Denver, Colorado, to Capitol Center LLC, a Colorado limited liability company, for \$21,500,000. At that time, the net proceeds received by the Trust were reinvested in its investment portfolio to support future grant making. Concurrently, the Trust leased back the Colorado Trust Building under a 20-year lease agreement with four optional 5-year renewal periods. In accordance with generally accepted accounting principles, the Trust accounted for the transaction as a sale-leaseback and deferred a portion of the gain on the sale equal to the net present value of the Trust's future minimum lease payments, \$3,473,566. The deferred gain was being amortized on a straight-line basis over the life of the lease.

Rent expense in 2023 and 2022 was \$631,853 and \$652,930, respectively. Rent expense includes rent escalation for property maintenance of \$219,872 and \$144,974 for 2023 and 2022, respectively.

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

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

2024	\$ 560,431
2025	<u>46,703</u>
	<u>\$ 607,134</u>

Note 9. Deferred Compensation Agreement

Effective January 1, 2002, the Trust adopted a non-qualified deferred compensation plan under Section 457(b) of the Code. The plan is available to certain employees. Participants may make an election each year to defer up to the maximum amount permitted by law. There are no employer matching contributions. Participant contributions are not subject to vesting.

At December 31, 2023 and 2022, the assets and related liabilities of the Section 457(b) deferred compensation plan were recorded at the fair market values of \$314,536 and \$339,859, respectively.

Note 10. Agreements with Dioceses/Churches

The Episcopal Diocese of Colorado and the Presbytery of Denver are beneficiaries of a 1985 agreement between the Trust and the PSL Healthcare Corporation. The agreement, which was subsequently amended in 1989 to clarify its provisions, requires distribution to each organization equal to 5% of the total grant expenditures each year, excluding amounts paid to the organizations. Distributions to each organization in 2023 based on grant expenditures paid in 2022 were \$981,057, for a total of \$1,962,113. Included in grants payable at December 31, 2023 is \$2,352,319, representing the payments due to the organizations in 2024 for grant expenditures paid in 2023. Distributions to each organization in 2022 based on grant expenditures paid in 2021 were \$949,175 for a total of \$1,898,350. Included in grants payable at December 31, 2022 is \$1,560,831, representing the payments due to the organizations in 2023 for grant expenditures paid in 2022.

Note 11. Employee Benefit Plans

The Trust provides a money purchase pension plan for all eligible employees. The Trust contributes an amount equal to 12.5% of the annual compensation of each employee enrolled in the plan. Contributions to the plan vest over a period of three years. There are no employee contributions. Employer contributions to the plan were \$455,913 and \$608,985 in 2023 and 2022, respectively.

The Trust has a tax-sheltered annuity plan under Section 403(b) of the Code available to all employees. Under the plan, each participating employee has the option to contribute amounts, on a pre-tax or post-tax basis, up to the maximum allowable by the Code. Contributions to the plan vest immediately. There are no employer matching contributions.

Note 12. Federal Excise Taxes

Deferred taxes are recognized in the financial statements for the excise tax on the unrealized gains and losses on investments. The Trust has a receivable for current excise tax in the amount of \$361,146 and a liability for deferred excise tax in the amount of \$350,445 at December 31, 2023. At December 31, 2022, the Trust had a receivable of \$1,556,661. The current provision for federal excise taxes are provided for at 1.4% for the years ended December 31, 2023 and 2022, and deferred taxes are provided for at 1.4% for both years. The following are federal excise tax components.

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Excise tax expense (credit) consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Current excise tax expense	\$ 318,085	\$ 800,058
Deferred excise tax expense (credit)	<u>1,499,209</u>	<u>(1,618,967)</u>
	<u>\$ 1,817,294</u>	<u>\$ (818,909)</u>

Note 13. Liquidity and Availability

The Trust considers investment income for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Trust's fiscal year.

The principle investment objective of the Trust is to maintain the real value of its investments in perpetuity while allowing for suitable grant expenditures that facilitate the fulfillment of the Trust's mission.

The Board of Trustees of the Trust is responsible for grant-making and investment decisions.

The Trust manages its cash and investments available to meet general expenditures following four guiding principles:

- Operating and acting with judgment and care in which persons of prudence, discretion and intelligence would observe
- Maintaining adequate liquid assets to meet the current Internal Revenue Code required for grant payout and administrative and investment expenses
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Trust
- The Trust will maintain sufficient liquidity to meet at least two years of spending needs for operations, grants and capital call requirements. To achieve this, the Trust will maintain investments with weekly liquidity not less than 20% of the portfolio. No more than 40% of the portfolio will be invested in investments with lock-ups or liquidity in excess of one year.

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The table below presents financial assets available for general expenditures within one year at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End		
Cash and cash equivalents	\$ 2,490,391	\$ 3,669,396
Investments	487,941,152	476,930,841
Interest receivable	55,310	105,765
Distribution receivable	21,398,182	24,566,694
Program-related investments	18,250,711	19,765,240
Excise tax receivable	361,146	407,897
Investments held under deferred compensation agreements	<u>314,536</u>	<u>339,859</u>
Less amounts not available to be used within one year as they have lock-up periods extending past one year		
Private equities	163,293,029	144,320,864
Real estate	<u>3,314,033</u>	<u>2,774,086</u>
Less amounts not available within one year		
Program-related investments	16,668,711	18,407,000
Distributions receivable	<u>21,313,429</u>	<u>24,000,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 326,222,226</u></u>	<u><u>\$ 336,283,742</u></u>

Note 14. Contingencies

The Colorado Trust is exploring ways to leverage their balance sheet to further the impact of the charitable contributions using non-cash instruments, like loan guarantees, that are in alignment with our mission. At December 31, 2022, the Trust had entered into two transactions totaling \$4,250,000 that are contingent on the recipient organization. During the year ended December 31, 2023, one of the loan guarantees was called by the bank. Due to financial distress of the borrower, the Trust, acting as the guarantor, paid off the loan in the amount of \$4,000,000 on June 22, 2023. At December 31, 2023, the Trust has one existing contingent liability in the amount of \$250,000.

Note 15. Subsequent Events

Subsequent events have been evaluated through September 16, 2024, which is the date the financial statements were available to be issued.