




The Denver Health and Hospitals Foundation

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023



The Denver Health and Hospitals Foundation
Contents
December 31, 2024 and 2023

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position.....	3
Statement of Activities – Year Ended December 31, 2024.....	4
Statement of Activities – Year Ended December 31, 2023.....	5
Statement of Functional Expenses – Year Ended December 31, 2024	6
Statement of Functional Expenses – Year Ended December 31, 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

Board of Directors
The Denver Health and Hospitals Foundation
Denver, Colorado

Opinion

We have audited the financial statements of The Denver Health and Hospitals Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 Foundation as of December 31, 2024 and 2023, 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 Foundation 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 these 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 Foundation'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 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

Denver, Colorado
April 18, 2025

The Denver Health and Hospitals Foundation
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 6,790,608	\$ 9,456,597
Contributions and grants receivable, net	4,759,598	4,185,451
Inventory	182,670	182,670
Prepaid expenses and other assets	51,074	135,702
Short-term Investments	13,202,139	9,705,333
Beneficial interest in assets held by third party	12,040,173	13,414,769
Total Assets	\$ 37,026,262	\$ 37,080,522
LIABILITIES		
Amounts due to Denver Health and Hospital Authority	\$ 2,283,957	\$ 1,093,051
Deferred revenue	-	235,103
Total Liabilities	2,283,957	1,328,154
NET ASSETS		
Without donor restrictions	1,218,931	3,683,720
With donor restrictions	33,523,374	32,068,648
Total Net Assets	34,742,305	35,752,368
Total Liabilities and Net Assets	\$ 37,026,262	\$ 37,080,522

The Denver Health and Hospitals Foundation
Statement of Activities
Year Ended December 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions and grants	\$ 1,686,284	\$ 11,246,258	12,932,542
Special events revenue	685,650	-	685,650
Change in beneficial interest in assets held by third party	-	1,192,418	1,192,418
Net investment return	813,932	-	813,932
Contributed nonfinancial assets	2,246,191	328,087	2,574,278
Net assets released from restrictions	11,312,037	(11,312,037)	-
Total Revenues, Gains, and Other Support	16,744,094	1,454,726	18,198,820
Expenses and Losses			
Program activities	16,427,921	-	16,427,921
Supporting services			
Management and general	2,142,425	-	2,142,425
Fundraising	638,537	-	638,537
Total Expenses and Losses	19,208,883	-	19,208,883
Change in Net Assets	(2,464,789)	1,454,726	(1,010,063)
Net Assets, Beginning of Year	3,683,720	32,068,648	35,752,368
Net Assets, End of Year	\$ 1,218,931	\$ 33,523,374	\$ 34,742,305

The Denver Health and Hospitals Foundation
Statement of Activities
Year Ended December 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions and grants	\$ 23,876	\$ 23,109,773	\$ 23,133,649
Contribution for forgiveness of note payable	887,036	112,964	1,000,000
Change in beneficial interest in assets held by third party	-	1,762,208	1,762,208
Net investment return	836,313	-	836,313
Contributed nonfinancial assets	2,725,208	48,108	2,773,316
Net assets released from restrictions	19,638,612	(19,638,612)	-
Total Revenues, Gains, and Other Support	24,111,045	5,394,441	29,505,486
Expenses and Losses			
Program activities	17,924,747	-	17,924,747
Supporting services			
Management and general	1,963,803	-	1,963,803
Fundraising	1,293,437	-	1,293,437
Total Expenses and Losses	21,181,987	-	21,181,987
Change in Net Assets	2,929,058	5,394,441	8,323,499
Net Assets, Beginning of Year	754,662	26,674,207	27,428,869
Net Assets, End of Year	\$ 3,683,720	\$ 32,068,648	\$ 35,752,368

The Denver Health and Hospitals Foundation
Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services								Support Services				
	Trauma and Emergency Medicine	Women, Children, and Adolescents	Community Health	Behavioral Health	Medicine	Orthopedics	Patient Assistance	Other	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries and wages	\$ 53,630	\$ 38,833	\$ 131,556	\$ 173,883	\$ 27,347	\$ -	\$ 19,860	\$ 317,290	\$ 762,399	\$ 1,566,519	\$ 559,903	\$ 2,126,422	\$ 2,888,821
Contracted services	16,570	12,997	45,772	82,971	38,011	-	2,580	160,099	359,000	358,258	7,982	366,240	725,240
Grants to individuals	19,357	-	-	1,555	-	-	69,773	12,390	103,075	-	-	-	103,075
Advertising and promotion	-	-	-	100	-	-	-	-	100	5,180	8,500	13,680	13,780
Office supplies	57,804	6,621	27,177	101,263	7,866	480	140,580	18,781	360,572	25,027	5,910	30,937	391,509
Information technology	-	454	8,870	184	181,716	-	3,586	97,574	292,384	91,183	39,884	131,067	423,451
Travel and entertainment	41,867	2,388	14,715	28,288	62,506	7,607	780	463,923	622,074	7,217	1,308	8,525	630,599
Donor recognition	1,623	-	-	-	35,683	-	-	2,449	39,755	882	4,235	5,117	44,872
Donated gifts and services	-	-	500	-	56,000	-	43,259	5,000	104,759	60,786	1,637	62,423	167,182
Memberships and other fees	4,955	4,511	7,824	3,509	4,060	386	459	36,128	61,832	18,869	9,178	28,047	89,879
Other	1,775	-	130	145,288	308,045	-	-	222,623	677,861	8,504	-	8,504	686,365
Grant expenditure	153,854	99,583	2,657,862	3,735,409	104,996	-	-	6,292,406	13,044,110	-	-	-	13,044,110
Total expenses	\$ 351,435	\$ 165,387	\$ 2,894,406	\$ 4,272,450	\$ 826,230	\$ 8,473	\$ 280,877	\$ 7,628,663	\$ 16,427,921	\$ 2,142,425	\$ 638,537	\$ 2,780,962	\$ 19,208,883

The Denver Health and Hospitals Foundation
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services										Support Services			Total
	Trauma and Emergency Medicine	Women, Children, and Adolescents	Community Health	Behavioral Health	Volunteer Services	Medicine	Orthopedics	Patient Assistance	Other	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 99,659	\$ 10,034	\$ 4,436	\$ 122,826	\$ 28,800	\$ 47,968	\$ 2,633	\$ -	\$ 74,845	\$ 391,201	\$ 1,719,753	\$ 901,969	\$ 2,621,722	\$ 3,012,923
Contracted services	27,273	22,529	47,751	13,505	574	59,473	-	-	177,589	348,694	121,205	318,826	440,031	788,725
Grants to individuals	14,495	-	-	476	73	500	-	68,225	74,814	158,583	-	-	-	158,583
Investment and interest	-	-	-	-	-	-	-	-	26,000	26,000	-	-	-	26,000
Advertising and promotion	-	-	-	-	-	-	-	-	4,816	4,816	-	1,110	1,110	5,926
Office supplies	16,554	6,766	6,736	9,591	148,465	42,810	3,295	103,259	154,992	492,468	3,454	9,648	13,102	505,570
Information technology	3,561	70	1,479	-	2,759	3,002	6,116	125	1,154	18,266	44,710	41,604	86,314	104,580
Travel and entertainment	43,959	1,252	5,640	2,143	6,151	37,095	11,129	400	30,356	138,125	5,981	712	6,693	144,818
Conferences, conventions, and meetings	12,157	-	-	790	-	1,284	2,234	-	7,747	24,212	-	-	-	24,212
Donor recognition	1,519	1,266	-	-	25	2,546	-	-	4,719	10,075	146	-	146	10,221
Donated gifts and services	-	-	-	-	14,241	6,000	-	250	508,037	528,528	48,606	5,708	54,314	582,842
Memberships and other fees	5,126	5,063	10,509	4,383	281	12,651	-	-	16,985	54,998	11,549	13,760	25,309	80,307
Other	122,332	21,902	172,364	91,273	23,699	113,945	-	-	-	545,515	8,399	100	8,499	554,014
Grant expenditure	841,625	17,238	2,513,422	1,298,454	-	186,189	7,687	-	10,318,651	15,183,266	-	-	-	15,183,266
Total expenses	<u>\$ 1,188,260</u>	<u>\$ 86,120</u>	<u>\$ 2,762,337</u>	<u>\$ 1,543,441</u>	<u>\$ 225,068</u>	<u>\$ 513,463</u>	<u>\$ 33,094</u>	<u>\$ 172,259</u>	<u>\$ 11,400,705</u>	<u>\$ 17,924,747</u>	<u>\$ 1,963,803</u>	<u>\$ 1,293,437</u>	<u>\$ 3,257,240</u>	<u>\$ 21,181,987</u>

The Denver Health and Hospitals Foundation
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (1,010,063)	\$ 8,323,499
Items not requiring (providing) cash flow		
Change in beneficial interest in assets held by third party	(1,192,418)	(1,762,208)
Net realized and unrealized gains on investments	(368,230)	(279,933)
Forgiveness of note payable	-	(1,000,000)
Changes in		
Contributions and grants receivable	(574,147)	(2,075,605)
Inventory	-	(67,760)
Prepaid expenses and other assets	84,628	(83,928)
Amounts due to Denver Health and Hospital Authority	1,190,906	(236,430)
Deferred revenue	(235,103)	235,103
Net Cash Provided by (Used in) Operating Activities	(2,104,427)	3,052,738
Investing Activities		
Distributions of assets held by third party	2,567,014	381,241
Purchase of investments	(19,343,273)	-
Proceeds from sales of investments	16,214,697	1,696,392
Net Cash Provided by (Used in) Investing Activities	(561,562)	2,077,633
Net Increase (Decrease) in Cash and Cash Equivalents	(2,665,989)	5,130,371
Cash and Cash Equivalents, Beginning of Year	9,456,597	4,326,226
Cash and Cash Equivalents, End of Year	\$ 6,790,608	\$ 9,456,597

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The Denver Health and Hospitals Foundation (the Foundation) is a nonprofit entity organized to support Denver Health and Hospital Authority (the Authority) in its mission to sustain and advance the health and well-being of Denver, Colorado and the Rocky Mountain region, including its educational and research activities to improve the quality and management of patient care provided by the Authority. Significant areas of support include, but are not limited to, maternal and child health, community health, volunteer auxiliary, trauma prevention and care, Rocky Mountain Poison and Drug Center, behavioral health, orthopedics, and pediatrics. Fundraising efforts for other program areas are pursued as needs and funding opportunities arise.

The Foundation is governed by a volunteer board of directors (the Board). The Authority may appoint up to two members of its board of directors to the Foundation's Board. The CEO of the Authority holds an ex officio position on the Foundation's Board; however, the Foundation's bylaws stipulate that the Authority's representatives may not constitute a majority of the Foundation's Board. A majority of the administrative, accounting, and clerical functions of the Foundation are performed at no charge by the employees of the Authority.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and support and expenses during the period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including beneficial interest in assets held by third party, are not considered to be cash and cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted of certificates of deposit with a maturity of three months or less.

At December 31, 2024, the Foundation's cash accounts exceeded federally insured limits by approximately \$6,660,000.

Inventories

Inventory consists of items used for the Foundation's Newborns in Need, Refugee Outreach Clothing for Kids, and other programs. Inventories are stated at the lower of cost or net realizable value. Costs of inventory items are determined using the first-in, first-out method.

Investments

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value.

Net Investment Return

Investment return includes dividend and interest income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, net of external and internal investment expense. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is reported as without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments held at the Denver Foundation (see Note 3). Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i> Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i> Received at date of gift – cash and other assets Received at date of gift – property, equipment and long-lived assets Expected to be collected within one year Collected in future years	Fair value Estimated fair value Net realizable value Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Deferred Revenue

Prepayments for special events are recorded as deferred revenue in the statements of financial position and recognized as revenue in the applicable future period when the related event occurs.

Contributed Nonfinancial Assets

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2024</u>	<u>2023</u>
Donated from the Hospital		
Salaries and benefits	\$ 2,482,919	\$ 2,077,868
Operating expenses	42,840	625,852
Office space	<u>47,600</u>	<u>47,600</u>
	2,573,359	2,751,320
Donated from third-party	<u>919</u>	<u>21,996</u>
Total donated nonfinancial assets	<u><u>\$ 2,574,278</u></u>	<u><u>\$ 2,773,316</u></u>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed salaries and benefits are recognized as revenue based on the amounts paid by the Authority on behalf of the Foundation and are allocated to program and management and general based on time and effort. Contributed office space is valued based on comparable rental rates. Contributed operating expenses and third party contributions are allocated to program, management and general, and fundraising based on direct usage.

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as inventory in its financial statements, and similarly increase contribution revenue by the same amount. During the years ended December 31, 2024 and 2023, the Foundation received approximately \$900 and \$22,000, respectively, in donated inventory items or other nonfinancial items. Items are classified as restricted until provided for use by the Authority and are classified as program expenses. Donated items from third parties are restricted.

In addition, volunteers from the community have contributed a significant number of hours in assisting the Foundation in achieving the goals of its various service programs. The value of this contributed time is not reflected in the accompanying financials statements.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

Grants

Support funded by grants is recognized as the Foundation meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Special Events Revenue

The Foundation hosts a variety of special events for its donors to both educate and encourage their donors while also highlighting Foundation needs and giving opportunities. Special events revenue consists of event ticket prices and is recognized when the Foundation satisfies its performance obligations under its contracts, namely at the conclusion of the event. Event ticket revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing the event services. The Foundation determines the transaction price based on the cost of the event. Amounts received in excess of the cost of the event are deemed contributions. Contribution revenue is recognized at such a time when the donor's remittance represents an unconditional promise to give. This customarily occurs upon the donor's event registration.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

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 program, management and general and fundraising categories based on time and effort and the direct coding of expenses.

Note 2. Contributions Receivable and Conditional Gifts

Contributions receivable consisted of the following:

	2024	2023
Due within one year	\$ 3,871,585	\$ 3,517,180
Due within one to five years	933,884	745,369
	4,805,469	4,262,549
Less		
Unamortized discount	45,871	77,098
	<u>\$ 4,759,598</u>	<u>\$ 4,185,451</u>

Discount rates ranged from 0.34% to 4.58% for December 31, 2024 and 2.03% to 2.79% for 2023.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

The Foundation received conditional promises to give at December 31, 2024 and 2023, of approximately \$1,177,800 and \$49,000, respectively, that are not recognized in the financial statements. These conditional promises to give will be recognized upon the Foundation achieving milestones or grantor review and approval.

Note 3. Beneficial Interest in Assets Held by Third Party

The Foundation has an agreement with the Denver Foundation, a Colorado nonprofit corporation, to hold the Foundation's investments, including endowments. These investments are reported in the beneficial interest in assets held by third party in the accompanying statements of financial position and include funds designated by donors to be held in perpetuity as endowments and donor restricted investments without permanent restrictions and are included in net assets with donor restrictions.

The Foundation makes all investment decisions and distributions are appropriated annual for the endowment funds as well as restricted investments.

The fair value of the beneficial interest included in the statements of financial position was \$12,040,173 and \$13,414,769 at December 31, 2024 and 2023, respectively.

Note 4. Note Payable

On October 31, 2019, the Foundation signed a promissory note with an individual for \$1,000,000 at a 1.85% interest rate compounded annually, with accrued interest and principal due in full on October 31, 2029. The interest rate was adjusted on an annual basis each September to align with federal rates. For the year ended December 31, 2022, the interest rate was 1.69%, and the Foundation paid interest of \$18,750.

On January 1, 2023, the individual holding the note payable forgave the outstanding debt in full.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

Note 5. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2024 and 2023 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Community health services	\$ 3,323,807	\$ 3,493,827
Surgery	343,057	343,057
Managed care	86,958	86,958
Women, children and adolescents	1,196,071	1,437,006
Orthopedics	131,958	159,765
Volunteer auxiliary	3,883,710	3,499,301
Behavioral health	4,340,437	3,554,151
Medicine	2,349,500	2,138,249
Emergency medicine	944,641	707,658
Other	10,779,068	8,745,030
	<u>27,379,207</u>	<u>24,165,002</u>
Endowments		
Investments to be held in perpetuity, the income is expendable for the following purposes		
McNeil Research Endowment in Clinical Analgesia	1,500,500	1,500,500
Shana Glassman Memorial Endowed Chair in General Internal Medicine	1,212,300	1,212,300
Bruce M. Rockwell Distinguished Chair in Trauma Surgery	966,525	966,525
Patricia A. Gabow Endowment for Vulnerable Populations	1,135,512	1,135,512
Underwater endowment	(1,135,512)	-
	<u>3,679,325</u>	<u>4,814,837</u>
Subject to spending policy and appropriation		
McNeil Research Endowment in Clinical Analgesia	899,858	896,780
Shana Glassman Memorial Endowed Chair in General Internal Medicine	719,233	716,796
Bruce M. Rockwell Distinguished Chair in Trauma Surgery	845,751	843,463
Patricia A. Gabow Endowment for Vulnerable Populations	-	631,770
	<u>2,464,842</u>	<u>3,088,809</u>
Total endowments	<u>6,144,167</u>	<u>7,903,646</u>
	<u><u>\$ 33,523,374</u></u>	<u><u>\$ 32,068,648</u></u>

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

Net Assets Released from Restrictions

During the years ended December 31, 2024 and 2023, net assets were released from donor restrictions of \$11,312,037 and \$19,638,612, respectively, by incurring expenses satisfying the restricted purposes specified by donors.

Note 6. Endowment

The Foundation's governing body is subject to the State Prudent Management of Institutional Funds Act (SPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation's endowment consists of four individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds held in perpetuity were \$3,679,325 and \$4,814,837 as of December 31, 2024 and 2023, respectively.

Change in endowment net assets for the years ended December 31, 2024 and 2023 were:

	<u>With Donor Restriction</u>
Endowment net assets, January 1, 2023	\$ 7,326,666
Net investment return	958,221
Appropriation of endowment assets for expenditures	<u>(381,241)</u>
Endowment net assets, December 31, 2023	7,903,646
Net investment return	552,600
Appropriation of endowment assets for expenditures	<u>(2,312,079)</u>
Endowment net assets, December 31, 2024	<u><u>\$ 6,144,167</u></u>

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's policies, endowment assets are invested to provide an average rate of return of approximately 5%, net of inflation, annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The Foundation revised its spending policy during 2024 to allow for appropriating for expenditure on an annual basis to increase from 5% to 5.5%. The distribution calculation is based on a 3-year rolling average of interest earnings. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5% plus the Consumer Price Index annually. This is consistent with the objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

The governing body of the Foundation has interpreted SPMIFA 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 SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At December 31, 2024, one fund, a multi-donor endowment with the Denver Health and Hospital Authority as its primary donor, with an original gift value of \$1,135,512, was fully spent during 2024 and resulted in an underwater endowment. At December 31, 2023, there were no underwater endowments. The underwater endowment occurred because the Denver Health Foundation's Board of Directors approved a one-time spending in an amount greater than the Foundation's spending policy. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

Note 7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Total assets	\$ 37,026,262	\$ 37,080,522
Less: Donor imposed restrictions and nonfinancial assets		
Inventory	182,670	182,670
Prepaid expenses and other assets	51,074	135,702
Beneficial interest in assets held by third party	12,040,173	13,414,769
Contributions and grants receivable expected to be collected in two to five years	<u>933,884</u>	<u>745,369</u>
	<u>13,207,801</u>	<u>14,478,510</u>
Financial assets available to meet cash needs for general expenditures within one year after donor imposed restrictions	<u>\$ 23,818,461</u>	<u>\$ 22,602,012</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2024 and 2023 restricted contributions and grants receivables of \$3,825,714 and \$3,440,082, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8. Related-Party Transactions

The Foundation's mission is to support the Authority. The Authority authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the Authority.

The Foundation paid \$12,133,231 and \$16,778,699 in grants and contributions to the Authority for the years ended December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, the Foundation owed the Authority \$2,283,957 and \$1,093,051, respectively, for grants and reimbursement of salaries.

Note 9. Disclosure About Fair Value of Assets and Liabilities

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. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- 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 that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities 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, 2024 and 2023:

Fair Value Measurements at December 31, 2024				
	Total Fair Value 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets				
held by third party	\$ 12,040,173	\$ -	\$ 10,068,141	\$ 1,972,032
Money market	73,102	73,102	-	-
Mutual funds	10,500,125	10,500,125	-	-
Exchange traded funds	2,628,912	2,628,912	-	-
Total investments	<u>\$ 25,242,312</u>	<u>\$ 13,202,139</u>	<u>\$ 10,068,141</u>	<u>\$ 1,972,032</u>

The Denver Health and Hospitals Foundation
Notes to Financial Statements
December 31, 2024 and 2023

	Fair Value Measurements at December 31, 2023			
	Total Fair Value 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by third party	\$ 13,414,769	\$ -	\$ -	\$ 13,414,769
Corporate bonds	9,705,333	-	9,705,333	-
Total investments	<u>\$ 23,120,102</u>	<u>\$ -</u>	<u>\$ 9,705,333</u>	<u>\$ 13,414,769</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Assets Held by Third Party

The Foundation has an investment held at the Denver Foundation. The Foundation's investment portfolio consists of mutual funds invested in fixed income securities, mutual funds invested in domestic and international equity securities, cash equivalents, and alternative investments. Alternative investments in the Foundation's portfolio include hedged equity funds, private equity funds, absolute return funds, and real estate. Alternative investments are not publicly traded on national security exchanges, are generally illiquid, and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties in the valuation of alternative investments, the reported fair values of such investments may differ significantly from the realized values. All of the securities, other than the alternative investments, are priced based on observable inputs and the portion of that beneficial interest is classified within Level 2 of the hierarchy. Due to the nature of the valuation inputs for the remaining beneficial interest, it is classified within Level 3 of the hierarchy.

Transfers To and From Level 3

During 2024, the Denver Foundation sold level 3 investments in the amount of \$11,442,737. The investments were transferred as a result of a change in custodian and the nature of the investments.

Note 10. Significant Estimates and Contribution Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 49% of the Foundation's contributions for the year ended December 31, 2024 were received from two donors. Approximately 54% of the contributions for the year ended December 31, 2023 were received from two donors.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 11. Subsequent Events

Subsequent events have been evaluated through April 18, 2025, which is the date the financial statements were available to be issued.