

Boulder Community Health Foundation

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Boulder Community Health Foundation
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Boulder Community Health Foundation
Boulder, Colorado

Opinion

We have audited the financial statements of Boulder Community Health Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Boulder Community Health 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 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.

Board of Trustees
Boulder Community Health Foundation

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.

BKD, LLP

Denver, Colorado
April 27, 2022

Boulder Community Health Foundation
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 861,917	\$ 1,013,581
Investments	50,025,955	45,534,717
Pledges receivable, net	3,672,780	1,096,047
Charitable remainder trusts	1,091,763	1,069,578
Beneficial interest in perpetual trusts	3,249,793	2,926,208
Other assets	35,824	30,988
Total assets	\$ 58,938,032	\$ 51,671,119
Liabilities		
Accounts payable	\$ -	\$ 32,936
Accrued expenses payable to Boulder Community Health	197,317	148,960
Annuities payable	263,777	273,474
Liability under charitable remainder trusts	795,751	741,846
Total liabilities	1,256,845	1,197,216
Net Assets		
Without donor restrictions	41,289,204	36,558,375
With donor restrictions	16,391,983	13,915,528
Total net assets	57,681,187	50,473,903
Total liabilities and net assets	\$ 58,938,032	\$ 51,671,119

Boulder Community Health Foundation
Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Revenues and gains		
Contributions	\$ 610,072	\$ 2,148,748
Gifts in-kind	554,803	116,809
Investment income, net	1,224,839	1,042,182
Realized and unrealized gains on investments	4,296,564	5,451,185
Total revenue and gains without donor restrictions	6,686,278	8,758,924
Net assets released from restriction	1,993,977	1,528,231
Total revenues, gains and other support without donor restrictions	8,680,255	10,287,155
Expenses		
Program activities	3,135,107	4,871,915
Supporting services		
Management and general	254,634	218,260
Fundraising	558,781	400,021
Special events costs	904	11,557
Total expenses	3,949,426	5,501,753
Increase in net assets without donor restrictions	4,730,829	4,785,402
Net Assets With Donor Restrictions		
Contributions	4,178,567	1,927,517
Change in value of charitable remainder trusts	(31,720)	195,142
Change in value of investments held in perpetual trusts	323,585	176,192
Net assets released from restriction	(1,993,977)	(1,528,231)
Increase in net assets with donor restrictions	2,476,455	770,620
Change in net assets	7,207,284	5,556,022
Net assets, beginning of year	50,473,903	44,917,881
Net assets, end of year	\$ 57,681,187	\$ 50,473,903

Boulder Community Health Foundation
Statement of Functional Expenses
Year Ended December 31, 2021

	Support Services				Total
	Program Services	Management and General	Fundraising Expenses	Special Events	
Audit and accounting fees	\$ -	\$ 37,026	\$ -	\$ -	\$ 37,026
Bank fees	-	2,048	6,567	-	8,615
Catering	-	209	-	-	209
Change in value of gift annuities	-	17,699	-	-	17,699
Conferences, travel and appreciation	676	957	2,603	-	4,236
Consulting services	33,047	14,316	66,093	-	113,456
Contract labor	990	1,295	1,980	-	4,265
Donors' advised designated expenses	-	-	108,290	-	108,290
Donor cultivation	-	-	3,026	-	3,026
Dues and subscriptions	-	1,974	-	-	1,974
Employee benefits	51,105	25,552	51,105	-	127,762
Equipment rental - fundraising events	-	-	535	-	535
Grants in kind to Boulder					
Community Health	7,937	-	-	-	7,937
Grants to Boulder Community Health	2,620,938	-	-	-	2,620,938
Grants to outside organizations	116,187	-	-	-	116,187
In-kind contributions	29,732	-	-	-	29,732
Office supplies	231	2,094	685	-	3,010
Other business expenses	5,340	4,860	7,495	-	17,695
Other business expenses - fundraising events	-	-	-	904	904
Postage	-	1,889	1,768	-	3,657
Printing	10,158	150	14,685	-	24,993
Public relations	14,567	14,567	43,699	-	72,833
Rent expense	29,640	14,820	29,640	-	74,100
Salaries	200,697	100,347	200,697	-	501,741
Service contracts	13,862	13,862	18,482	-	46,206
Vehicle expense	-	969	1,431	-	2,400
Total expenses, year ended December 31, 2021	<u>\$ 3,135,107</u>	<u>\$ 254,634</u>	<u>\$ 558,781</u>	<u>\$ 904</u>	<u>\$ 3,949,426</u>

Boulder Community Health Foundation
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Support Services			Total
		Management and General	Fundraising Expenses	Special Events	
Audit and accounting fees	\$ -	\$ 35,928	\$ -	\$ -	\$ 35,928
Bank fees	-	5,438	16,316	-	21,754
Catering	563	393	-	-	956
Change in value of gift annuities	-	19,455	-	-	19,455
Conferences, travel and appreciation	-	372	508	-	880
Contract labor	-	850	-	-	850
Contract labor - fundraising events	-	-	-	6,050	6,050
Donors' advised designated expenses	-	-	85,804	-	85,804
Donor cultivation	-	-	2,562	-	2,562
Dues and subscriptions	-	2,946	-	-	2,946
Employee benefits	46,038	23,018	46,038	-	115,094
General insurance	-	1,254	-	-	1,254
Grants in kind to Boulder Community Health	478,039	-	-	-	478,039
Grants to Boulder Community Health	3,961,950	-	-	-	3,961,950
Grants to outside organizations	173,870	-	-	-	173,870
Office supplies	168	1,248	250	-	1,666
Other business expenses	-	3,508	8,347	-	11,855
Other business expenses - fundraising events	-	-	-	5,507	5,507
Postage	-	2,462	2,406	-	4,868
Printing	-	5,728	5,728	-	11,456
Public relations	8,272	8,272	24,817	-	41,361
Rent expense	7,934	3,966	7,934	-	19,834
Salaries	185,164	92,582	185,164	-	462,910
Service contracts	9,917	9,917	13,224	-	33,058
Vehicle expense	-	923	923	-	1,846
Total expenses, year ended December 31, 2020	\$ 4,871,915	\$ 218,260	\$ 400,021	\$ 11,557	\$ 5,501,753

Boulder Community Health Foundation
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 7,207,284	\$ 5,556,022
Items not requiring (providing) operating cash flows		
Gain on investments	(4,296,564)	(5,451,185)
Restricted contributions - endowments	(1,030,374)	(250,590)
Change in charitable remainder trusts	31,720	(195,142)
Change in beneficial interest in perpetual trusts	(323,585)	(176,192)
Changes in assets and liabilities		
Pledges receivable	(2,576,733)	895,531
Other assets	(4,836)	(10,599)
Accounts payable	(32,936)	32,936
Accrued expenses payable to Boulder Community Health	48,357	51,102
Annuities payable	(9,697)	(8,273)
	<u>(987,364)</u>	<u>443,610</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,778,287	74,516,249
Purchase of investments	(1,972,961)	(74,954,099)
	<u>(194,674)</u>	<u>(437,850)</u>
Cash Flows from Financing Activity		
Proceeds from restricted contributions - endowments	1,030,374	250,590
	<u>1,030,374</u>	<u>250,590</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(151,664)</u>	<u>256,350</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,013,581</u>	<u>757,231</u>
Cash and Cash Equivalents, End of Year	<u>\$ 861,917</u>	<u>\$ 1,013,581</u>

Boulder Community Health Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

Organization

The Boulder Community Health Foundation (the Foundation) was organized for the purpose of obtaining, holding and managing funds for the benefit of The Community Hospital Association d/b/a Boulder Community Health (the Hospital). The Hospital and the Foundation are located in Boulder, Colorado. The Foundation is primarily supported by contributions from individuals and corporate donors. The Foundation is governed by a 20-member Board of Trustees. Accordingly, the Foundation and the Hospital are financially interrelated organizations. As such, the Hospital includes in its financial statements an asset for its interest in the Foundation's net assets. The accompanying financial statements include only the activity of the Foundation.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis in conformity with U.S. generally accepted accounting principles. As such, revenues are recognized when earned or, in the case of donations, when the pledge is made by the donor. Expenses are recognized when incurred. The Foundation accounts for its net assets, revenues, gains, expenses and losses as with and without donor restrictions based upon the existence or absence of donor-imposed restrictions.

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 highly liquid investments and securities with original maturities of three months or less at the time of purchase to be cash equivalents, except for those investments and securities with donor-imposed restrictions to be used for specific purposes or to be held indefinitely. At December 31, 2020, cash equivalents consisted primarily of money market accounts with brokers. At December 31, 2021, the Foundation did not hold cash equivalents.

At December 31, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,230,000.

Investments

The Foundation 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.

Boulder Community Health Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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.

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. 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.

Pledges Receivable

Unconditional promises to give the Foundation cash or other assets in the future are recorded at estimated present value when the pledges are made by the donor, discounted at U.S. Treasury Zero-Coupon Bond rates for the same period. The discount rate used for outstanding pledges receivable ranged from 0.17% to 2.63% at December 31, 2021 and 2020. An allowance for uncollectible pledges is provided based on specific circumstances and estimated rates based on historical patterns.

Net Assets

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

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

Net assets with donor restrictions are subject to donor 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 stipulates that resources be maintained in perpetuity.

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

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>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	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.

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 having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Boulder Community Health Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Charitable Remainder Trusts

The Foundation is occasionally named as trustee and recipient of the charitable remainder in charitable remainder unitrusts and annuity trusts. The trusts generally require the Foundation to make quarterly payments of a fixed percentage of the fair value of the trust to the designated beneficiaries for a designated period of time, usually the life of the beneficiaries. The fair value of the trusts' assets are shown as an asset of the Foundation with a liability (liability under charitable remainder trusts) for the net present value of the expected payments to be made to the income beneficiaries. The Foundation recognizes the fair value of the trust assets and the related liability to the beneficiaries at the date of the gift. On an annual basis, the Foundation revalues the liability to make distributions to the designed beneficiaries based on actuarial assumptions. The present value of the estimated future payments as of December 31, 2021 and 2020 is calculated using a discount rate of 1.94% and 0.60%, respectively, and applicable mortality tables.

Beneficial Interest in Perpetual Trusts

The Foundation is beneficiary of perpetual trusts in which it has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the corpus. These trusts are administered by a third party and are recognized as contribution revenue and as an asset upon notification of the trust's existence. The fair value of the contribution is measured at the fair value of the trust's assets, which approximates the present value of the estimated future cash receipts from the trust. The gift revenue is classified as investments held in perpetual trusts with donor restrictions. Annual distributions from the trusts are reported as investment income without donor restrictions.

Annuities Payable

The net present value of guaranteed payments to donors under gift annuity contracts is based upon donor life expectancies. The excess of the annuity gift assets received over the recorded liability is recorded as support in the year of receipt. Upon the donor's death, the excess of the gift received from the donor is available for restricted or unrestricted purposes, as specified by the donor. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on mortality tables and actuarial assumptions.

Donated Materials, Equipment and Services

In addition to receiving cash contributions, the Foundation receives in-kind contributions of materials, equipment or services from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount.

Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Certain costs have been allocated among the program, management and general, and fundraising categories based on estimated employee time and effort and other methods.

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.

Note 2: Investments

Investments at December 31, 2021 and 2020 consist of the following:

	2021	2020
Equities	\$ -	\$ 663
Municipal bonds	48,237	76,136
Mutual funds invested in		
Equity securities	34,013,709	29,558,789
Bond funds	15,964,009	15,897,636
Hedge funds	-	1,493
	<u> </u>	<u> </u>
Total	<u>\$ 50,025,955</u>	<u>\$ 45,534,717</u>

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. The Foundation began liquidating the alternative investments in during 2017. Alternative investments held at December 31, 2021 and 2020 consist of the following:

		2021		
		Fair Value	Redemption Frequency	Redemption Notice Period
	Fund of hedge funds (A)	\$ -	Monthly – Quarterly	90 days
		2020		
		Fair Value	Redemption Frequency	Redemption Notice Period
	Fund of hedge funds (A)	\$ 1,493	Monthly – Quarterly	90 days

(A) This category includes investments of mutual funds managed to maintain a portfolio of alternative asset managers that seek to earn above-average, long-term returns.

Note 3: Pledges Receivable

Pledges receivable at December 31, 2021 and 2020 consist of the following donor restricted amounts:

		2021	2020
	Expected receipt in		
	Less than one year	\$ 798,950	\$ 225,195
	One to five years	2,136,882	207,301
	Thereafter	1,130,000	1,000,000
	Gross pledges receivable	4,065,832	1,432,496
	Less discount for present value	(321,568)	(264,965)
	Less allowance for uncollectible pledges	(71,484)	(71,484)
	Net pledges receivable	\$ 3,672,780	\$ 1,096,047

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Beneficial Interest in Perpetual Trusts

The fair value of the assets in perpetual trusts that support the revenue stream to the Foundation increased by \$323,585 and \$176,192 in 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, distributions from the trusts' assets were approximately \$128,000. Annual distributions from the trusts are reported as investment income without donor restrictions.

Note 5: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 are significant to the fair value of the assets or liabilities

Boulder Community Health Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020:

	Fair Value Measurements at December 31, 2021			
	Portion of Carrying Value Measured at Fair Value 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Municipal bonds	\$ 48,237	\$ -	\$ 48,237	\$ -
Mutual funds invested in				
Equity securities	34,013,709	34,013,709	-	-
Bond funds	<u>15,964,009</u>	<u>15,964,009</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 50,025,955</u>	<u>\$ 49,977,718</u>	<u>\$ 48,237</u>	<u>\$ -</u>
Other				
Charitable remainder trusts	\$ 1,091,763	\$ -	\$ 1,091,763	\$ -
Beneficial interest in perpetual trusts	3,249,793	-	-	3,249,793
Liability under charitable remainder trusts	<u>(795,751)</u>	<u>-</u>	<u>(795,751)</u>	<u>-</u>
Total other	<u>\$ 3,545,805</u>	<u>\$ -</u>	<u>\$ 296,012</u>	<u>\$ 3,249,793</u>

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

	Fair Value Measurements at December 31, 2020			
	Portion of Carrying Value Measured at Fair Value 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equities	\$ 663	\$ 663	\$ -	\$ -
Municipal bonds	76,136	-	76,136	-
Mutual funds invested in				
Equity securities	29,558,789	29,558,789	-	-
Bond funds	15,897,636	15,897,636	-	-
Alternative investments (A)				
Fund of hedge funds	1,493	-	-	-
Total investments	<u>\$ 45,534,717</u>	<u>\$ 45,457,088</u>	<u>\$ 76,136</u>	<u>\$ -</u>
Other				
Charitable remainder trusts	\$ 1,069,578	\$ -	\$ 1,069,578	\$ -
Beneficial interest in perpetual trusts	2,926,208	-	-	2,926,208
Liability under charitable remainder trusts	(741,846)	-	(741,846)	-
Total other	<u>\$ 3,253,940</u>	<u>\$ -</u>	<u>\$ 327,732</u>	<u>\$ 2,926,208</u>

- (A) Certain investments that are measured at fair value using the net asset value per share 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.

Boulder Community Health Foundation

Notes to Financial Statements

December 31, 2021 and 2020

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 Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Charitable Remainder Trusts

Charitable remainder trusts are measured using a risk free interest rate, the life of the trust and the trust's future payments as defined in the trust agreement. The liability under the charitable remainder trusts is calculated using the trust's payout rate and the life expectancy of the trust holder. Charitable remainder trusts are classified within Level 2 of the hierarchy.

Boulder Community Health Foundation
Notes to Financial Statements
December 31, 2021 and 2020

Note 6: Net Assets with Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 are for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose		
Charitable remainder trusts	\$ 296,012	\$ 327,732
Della Cava Family Medical Pavilion	1,313,135	2,312,635
Cancer Center	229,355	102,421
Severe Brain Injury Research	100,000	100,000
Diabetes center	98,946	98,946
Physician Vista Library	35,459	35,459
New Medical Facilities Foothills	400,000	400,000
Other hospital programs	68,039	114,405
COVID-19 response fund	294,318	1,075,385
Bridge House Community Table Kitchen	47,398	47,398
Staff Wellness and Development Program for Neurology	50,125	-
Centennial	2,576,504	-
Core Beliefs	56,753	-
	<hr/>	<hr/>
	5,566,044	4,614,381
	<hr/>	<hr/>
Subject to the passage of time		
Restricted for time	208,000	37,167
	<hr/>	<hr/>
Endowments		
Subject to spending policy and appropriation		
Investments to be held in perpetuity, the income is expendable without donor restriction	4,229,437	3,836,646
Investments to be held in perpetuity, the income is expendable for the following purposes		
Mental Health	1,603,559	1,486,638
Diabetes services	360,210	360,210
Cancer services	89,776	89,776
Scholarships	108,395	106,945
Neonatal program at Foothills facility	48,094	48,094
Heart and Surgery Center	25,000	25,000
Promises to give	903,675	384,463
Not subject to appropriation or expenditure		
Beneficial interests in perpetual trusts	3,249,793	2,926,208
	<hr/>	<hr/>
	10,617,939	9,263,980
	<hr/>	<hr/>
	\$ 16,391,983	\$ 13,915,528
	<hr/>	<hr/>

Boulder Community Health Foundation
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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

	2021	2020
Purpose restriction accomplished		
Della Cava Family Medical Pavilion	\$ 1,000,000	\$ 1,000,000
Cancer center	180,424	300,096
COVID-19 response fund	776,386	-
Other hospital programs	-	1,335
	<u>1,956,810</u>	<u>1,301,431</u>
Time restrictions expired		
Passage of specified time	<u>37,167</u>	<u>226,800</u>
	<u>\$ 1,993,977</u>	<u>\$ 1,528,231</u>

Note 7: Endowment

The Foundation’s endowment consists of approximately 35 individual endowment funds established for a variety of purposes. These endowments include both donor-restricted endowment funds and funds established by the Board of Trustees to function as donor-restricted endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation’s governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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. Some of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

In accordance with UPMIFA, 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 income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

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Changes in endowment net assets for the years ended December 31, 2021 and 2020:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, January 1, 2020	\$ 1,614,050	\$ 6,087,182	\$ 7,701,232
Net investment return	1,095,165	-	1,095,165
Appropriation of endowment assets for expenditures	(331,860)	-	(331,860)
Contributions	-	250,590	250,590
Endowment net assets, December 31, 2020	2,377,355	6,337,772	8,715,127
Net investment return	645,181	-	645,181
Appropriation of endowment assets for expenditures	(360,839)	-	(360,839)
Contributions	-	1,030,374	1,030,374
Endowment net assets, December 31, 2021	<u>\$ 2,661,697</u>	<u>\$ 7,368,146</u>	<u>\$ 10,029,843</u>

Net investment return is considered to be without donor restriction due to the Foundation having the ability to redirect earnings under the endowment contractual agreements.

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 supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in short-term and long-term funds. Short-term funds are invested primarily in liquid, income producing instruments with minimum fluctuation potential. Instruments in this category will emphasize preservation of capital. Long-term funds are those where principal can be left undistributed for at least three years. These funds are invested to emphasize growth of capital and to outpace inflation. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% plus the inflation rate, on an annualized basis. Actual returns in any given year may vary from this amount.

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

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The Foundation has a policy of appropriating for distribution each year a maximum of 5% of its endowment fund's average portfolio value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. 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 rate of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the 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 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 Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At December 31, 2021 and 2020, the endowment funds were not underwater.

Note 8: 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 58,938,032	\$ 51,671,119
Donor imposed restrictions		
Pledges receivable, net	3,672,780	1,096,047
Charitable remainder trusts	1,091,763	1,069,578
Beneficial interest in perpetual trusts	3,249,793	2,926,208
Restricted contributions	1,805,252	3,227,769
Endowments	<u>7,368,146</u>	<u>6,337,772</u>
Financial assets available to meet cash needs for general expenditures within one year after donor imposed restrictions	<u>\$ 41,750,298</u>	<u>\$ 37,013,745</u>

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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, 2021 and 2020, all restricted contributions are excluded from financial assets available to meet cash needs; however, as donor restrictions are met by the Foundation these funds will become available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted. Income from donor-restricted endowments contain both restriction for specific purposes and available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Foundation forecasts its future cash flows, monitors its liquidity and reserves throughout the year.

Note 9: Related-party Transactions

In addition to the grants to the Hospital, the Hospital provides support to the Foundation for the purpose of covering the Foundation's costs for salaries and employee benefits. For the years ended December 31, 2021 and 2020, the Foundation received \$514,509 and \$94,766, respectively, under this support arrangement. This contribution is reflected in the accompanying statements of activities for the years ended December 31, 2021 and 2020. The members of the Foundation's Board of Trustees provide support to the Foundation in the form of cash contributions and pledges. For the years ended December 31, 2021 and 2020, the Foundation received cash contributions and pledges from members of the Board of Trustees of \$2,976,305 and \$945,629, respectively.

Note 10: Contingent Liability

During 2018, the Foundation entered into a \$6,000,000 contingent agreement with the Hospital. The Memorandum of Understanding (MOU) states the Foundation will support the Hospital with constructing, equipping, furnishing, and financing the new Della Cava Family Medial Pavilion. The agreement states annual installment payments of \$1,000,000 will be made beginning in 2018 through 2022 with the final payment of \$1,000,000 upon receipt of funds from a donor's estate. The agreement further states the Foundation's donations of these funds are contingent upon them raising the funds and receiving the cash from the donor. The Foundation paid \$1,000,000 in 2021 and 2020 to the Hospital. Payments are reported in program activities in the statements of activities.

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Note 11: Donated Services, Materials and Facilities

The estimated fair value of donated materials, facilities, and services included in the statements of activities for the years ended December 31, 2021 and 2020 was \$554,803 and \$116,809, respectively. The estimated fair value of donated services from the Hospital included in the accompanying statements of activities for the years ended December 31, 2021 and 2020 was \$514,509 and \$94,766, respectively.

Note 12: Concentrations

Contributions

The Foundation is supported primarily through contributions from the community. As such, changes in the economy of Boulder County and its surrounding area could possibly impact the amount of contributions received in a given year.

The Foundation had three donors with unconditional promises to give that each exceeded 10% of the total gross pledge receivable balance at both December 31, 2021 and 2020. These pledges make up approximately 86% and 84% of the total pledges receivable balance at December 31, 2021 and 2020, respectively.

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 13: Subsequent Events

Management has evaluated subsequent events through April 27, 2022, which is the date the financial statements were available to be issued.