Mountain States Legal Foundation

Financial Statements

December 31, 2019 and 2018

Mountain States Legal Foundation

Table of Contents

BROCK AND COMPANY
Certified Public Accountants
Business Advisors
A PROFESSIONAL CORPORATION

3711 JFK Pkwy Suite 315 Fort Collins Colorado 80525
(970) 223 -7855 (303) 530 -9343 (970) 223 -3926 Fax
www.brockcpas.com

Independent Auditor's Report

Board of Directors
Mountain States Legal Foundation
Lakewood, Colorado

We have audited the accompanying financial statements of the Mountain States Legal Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BOULDER FORT COLLINS LITTLETON LONGMONT NORTHGLENN

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Legal Foundation as of December 31, 2019 and 2018, 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.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Fort Collins, Colorado
May 11, 2020

Mountain States Legal Foundation

Statements of Financial Position

December 31	2019	2018
ASSETS		
Cash and cash equivalents	**$ 887,307**	$ 1,521,686
Cash, restricted IOLTA	**4,116**	24,059
Investments		
Certificates of deposit	**-**	250,000
Beneficial interest in assets held by the Denver Foundation	**8,690,196**	8,020,123
Total investments	**8,690,196**	8,270,123
Contributions receivable	**90,000**	-
Prepaids and other assets	**37,486**	45,745
Property and equipment, net	**1,294,573**	1,043,406
Total assets	**$ 11,003,678**	$ 10,905,019
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 106,725**	$ 59,063
Accrued liabilities		
Compensated absences	**23,568**	36,149
Pension payable	**81,906**	45,247
Transfers payable to donor	**-**	100,000
Endowment fund payable	**32**	-
Total accrued liabilities	**105,506**	181,396
Charitable gift annuity obligations	**156,338**	158,138
Total liabilities	**368,569**	398,597
Net Assets		
Without donor restrictions	**9,472,251**	9,477,888
With donor restrictions	**1,162,858**	1,028,534
Total net assets	**10,635,109**	10,506,422
Total liabilities and net assets	**$ 11,003,678**	$ 10,905,019

The accompanying Notes are an integral part of these financial statements

Mountain States Legal Foundation

Statements of Activities and Changes in Net Assets

Years ended December 31	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 1,761,478	$ 5,329	$ 1,766,807
Litigation awards	-	-	-
Net assets released from restrictions	22,219	(22,219)	-
Total revenues, gains, and other support	1,783,697	(16,890)	1,766,807
Expenses and Losses			
Program services			
Legal	1,269,920	-	1,269,920
Communication and education	464,532	-	464,532
Total program services	1,734,452	-	1,734,452
Supporting services			
General and administrative	441,945	-	441,945
Fundraising	484,129	-	484,129
Total supporting services	926,074	-	926,074
Loss on settlements	162,038	-	162,038
Total expenses and losses	2,822,564	-	2,822,564
Change in Net Assets Before Investment Income	(1,038,867)	(16,890)	(1,055,757)
Net Investment Income (Loss)			
Interest and dividend income	296,021	-	296,021
Net realized and unrealized gains (losses) on investments	870,711	151,214	1,021,925
Investment fees	(133,502)	-	(133,502)
Net investment income (loss)	1,033,230	151,214	1,184,444
Change in Net Assets	$ (5,637)	$ 134,324	$ 128,687
Net Assets, Beginning of Year,	$ 9,477,888	$ 1,028,534	$ 10,506,422
Change in net assets	(5,637)	134,324	128,687
Net Assets, End of Year	$ 9,472,251	$ 1,162,858	$ 10,635,109

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 2,707,843	$ 4,830	$ 2,712,673
4,130	-	4,130
56,028	(56,028)	-
2,768,001	(51,198)	2,716,803
1,163,053	-	1,163,053
274,102	-	274,102
1,437,155	-	1,437,155
505,664	-	505,664
607,356	-	607,356
1,113,020	-	1,113,020
-	-	-
2,550,175	-	2,550,175
217,826	(51,198)	166,628
106,490	-	106,490
(249,306)	(45,342)	(294,648)
(131,727)	-	(131,727)
(274,543)	(45,342)	(319,885)
$ (56,717)	$ (96,540)	$ (153,257)
$ 9,534,605	$ 1,125,074	$ 10,659,679
(56,717)	(96,540)	(153,257)
$ 9,477,888	$ 1,028,534	$ 10,506,422

The accompanying Notes are an integral
part of these financial statements

Mountain States Legal Foundation

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services		
	Legal	Communication and Education	Total
Salaries	$ 707,498	$ 184,680	$ 892,178
Payroll taxes and employee benefits	177,167	49,841	227,008
Professional and contracted services	165,029	85,236	250,265
Supplies and office expense	58,219	31,907	90,126
Travel	73,963	27,821	101,784
Printing	2,618	57,213	59,831
Building expenses	38,286	13,528	51,814
Depreciation	20,634	7,291	27,925
Insurance	20,736	5,488	26,224
Telephone	5,770	1,527	7,297
Total functional expenses	$ 1,269,920	$ 464,532	$ 1,734,452

Supporting Services			
General and Administrative	Fundraising	Total	Total
$ 206,034	$ 141,783	$ 347,817	$ 1,239,995
72,678	45,273	117,951	344,959
62,155	182,299	244,454	494,719
33,343	17,761	51,104	141,230
32,078	26,815	58,893	160,677
6,932	42,565	49,497	109,328
13,238	13,371	26,609	78,423
7,135	7,206	14,341	42,266
6,533	4,393	10,926	37,150
1,819	2,663	4,482	11,779
$ 441,945	$ 484,129	$ 926,074	$ 2,660,526

The accompanying Notes are an integral part of these financial statements

Mountain States Legal Foundation

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services		
	Legal	Communication and Education	Total
Salaries	$ 658,412	$ 133,266	$ 791,678
Payroll taxes and employee benefits	137,532	29,051	166,583
Professional and contracted services	104,135	48,348	152,483
Supplies and office expense	86,362	18,144	104,506
Building expenses	44,657	18,132	62,789
Insurance	50,665	10,254	60,919
Travel	28,853	5,840	34,693
Printing	27,834	5,633	33,467
Depreciation	20,865	4,223	25,088
Telephone	3,738	1,211	4,949
Total functional expenses	$ 1,163,053	$ 274,102	$ 1,437,155

Supporting Services			
General and Administrative	Fundraising	Total	Total
$ 250,380	$ 210,791	$ 461,171	$ 1,252,849
60,943	43,615	104,558	271,141
85,223	283,890	369,113	521,596
26,963	22,653	49,616	154,122
30,898	4,160	35,058	97,847
19,263	16,221	35,484	96,403
10,970	9,238	20,208	54,901
10,583	8,911	19,494	52,961
7,933	6,680	14,613	39,701
2,508	1,197	3,705	8,654
$ 505,664	$ 607,356	$ 1,113,020	$ 2,550,175

The accompanying Notes are an integral
part of these financial statements

Mountain States Legal Foundation

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2019	2018
Cash Flows From Operating Activities		
Cash received from donors	**$ 1,676,807**	$ 3,337,742
Interest and dividends received	**296,021**	106,490
Cash paid to suppliers and employees	**(2,933,769)**	(2,828,849)
Net cash provided (used) by operating activities	**(960,941)**	615,383
Cash Flows From Investing Activities		
Purchases of property and equipment	**(293,433)**	-
Net proceeds from sales and maturities of investments	**607,181**	292,456
Net cash provided by investing activities	**313,748**	292,456
Cash Flows From Financing Activities		
Payments on annuity gift obligations	**(1,800)**	(1,820)
Contributions restricted for permanent endowment	**(5,329)**	(4,830)
Net cash used by financing activities	**(7,129)**	(6,650)
Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	**(654,322)**	901,189
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	**1,545,745**	644,556
Cash and Cash Equivalents and Restricted Cash, End of Year	**$ 891,423**	$ 1,545,745

The accompanying Notes are an integral part of these financial statements

Note 1 – Summary of Significant Accounting Policies

Organization and Activities. Mountain States Legal Foundation (the "Foundation" or "MSLF") is organized as a nonprofit corporation. The Foundation was created to bring litigation in the public interest in order to effect legal reform. Such litigation involves the representation of clients individually. The nature and extent of such representation varies depending upon the facts and circumstances of each case. The Foundation also engages in communication and education regarding its organization and activities. The Foundation's Articles of Incorporation do not provide for the issuance of certificates of capital stock. Additionally, no part of the fund balance shall inure to the benefit of, or be distributable to its members, board of directors, officers or other persons. The Foundation is exempt from federal and state income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Foundation is a publicly supported charity under Sections 509(a)(1) and 170(b)(1)(A)(VI) of the IRC, and contributions to the Foundation are deductible.

Basis of Presentation. The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when materials or services are received.

Changes in Accounting Principles. In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation adopted the ASU effective January 1, 2019 using the retrospective approach, and prior periods presented have been restated to conform to the new pronouncement.

Net Asset Classification. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Foundation complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

> *Net Assets Without Donor Restrictions.* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> *Net Assets With Donor Restrictions*. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates in the Preparation of Financial Statements. 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments. The Foundation's investments are stated at fair value. 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. The Foundation's management determines the Foundation's valuation policies utilizing information provided by the investment advisors, custodians, and the Denver Foundation. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment. Property and equipment are stated at cost. The cost and accumulated depreciation or amortization of items sold or retired are removed from the respective accounts and the resulting gain or loss is included in revenues or expenses in the period in which the items are sold or retired. Maintenance and repairs are charged to expense as incurred. Major improvements are capitalized and depreciated over their useful lives. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 8 to 40 years. Depreciation expense amounted to $42,266 in 2019 and $39,701 in 2018. Current additions to the library are charged to expense. Amortization of equipment held under capital leases is included in depreciation expense.

Promises to Give. Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Transfers Payable to Donor. In 2018, the Foundation received a donor contribution without restriction of $100,000. Subsequently, the Foundation was informed of changes to the intended purpose of the gift, and the Foundation returned the gift to the original donor in 2019. Accordingly, the funds are reported as payable to the donor at December 31, 2018 in accompanying financial statements.

Charitable Gift Annuities. The Foundation has received contributions under gift annuity agreements that require it to pay amounts periodically to designated beneficiaries. Income is derived from resources the donors contribute under the gift annuity agreements. The present value of the actuarially determined liabilities for the future annuity payments is recorded at the date of the gifts. The excess of the amount of the annuity gifts over the liability for annuity payments is recorded as support in the year of the gifts. Revaluation of the present value, using an effective discount rate of 2.4%, resulting from changes in actuarial assumptions is reported as changes in charitable gift obligations in the statement of activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes. The Foundation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for activities that create unrelated business taxable income. These activities incurred tax basis expenses in excess of income and, accordingly, no unrelated business income tax was incurred. No provision for income taxes has been made in these financial statements. The Foundation is not a private foundation.

The Foundation utilizes the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the Foundation, this would primarily relate to the determination of unrelated business taxable income, and to the maintenance of its tax exempt status.

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Foundation for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

All income tax years open for examination are subject to taxation at corporate tax rates. At December 31, 2019, the years ended December 31, 2018, 2017, and 2016 are available for examination. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Functional Allocation of Expenses. The costs of providing the Foundation's program services have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Costs have been allocated among program services and supporting services benefited based upon specific identification of the function of the expense, or based upon management's estimate of employee activities.

Reclassifications. Certain amounts in the 2018 financial statements have been reclassified to conform with the reporting for 2019, without affecting the change in net assets.

Subsequent Events. Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May11, 2020, which is the date the financial statements were available to be issued.

Note 2 - Availability and Liquidity

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation has the following financial assets available to meet the cash requirements for general expenditures within one year of the statement of financial position as of December 31:

	2019	2018
Financial assets, end of year		
Cash and cash equivalents	$ 887,307	$ 1,521,686
Cash, restricted IOLTA	4,116	24,059
Investments	8,690,196	8,270,123
Contribution receivables	90,000	-
	9,671,619	9,815,868
Less amounts not available to be used for expenditure within one year		
Endowment funds, time-restricted	(195,568)	(66,573)
Endowment funds, restricted in perpetuity	(967,290)	(961,961)
	(1,162,858)	(1,028,534)
Financial assets available to meet cash requirements for general expenditures within one year	$ 8,508,761	$ 8,787,334

Note 3– Reconciliation of Cash and Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position at December 31, 2019 and 2018 that sum to the total of the same such amounts shown in the statement of cash flows for the year then ended.

	2019	2018
Cash and cash equivalents	$ 887,307	$ 1,521,686
Cash, restricted IOLTA	4,116	24,059
	$ 891,423	$ 1,545,745

Amounts included in restricted cash represent those funds required to be maintained as Interest on Lawyer Trust Account (IOLTA) for the receipt, maintenance, and disbursement of client funds and the funds are reported as restricted cash and trust funds payable in the accompanying financial statements.

Note 3 – Beneficial Interest in Assets Held by the Denver Foundation

The Foundation's Endowment Fund was originally established in 1995, as amended and restated in 2000, at the Denver Foundation. Under the terms of the agency agreement, the Denver Foundation shall hold, manage, invest, administer and distribute all such assets in one or more endowment funds known as the Mountain States Legal Foundation Fund ("MSLF Endowment Fund").

The Denver Foundation holds investments on behalf of MSLF in two funds; an endowment fund, and an income depletion fund. The income depletion fund agreement with the Denver Foundation was amended in February 2011 to not only provide for the deposit, holding, investing, and use of designated income from the MSLF Endowment Fund, but also for unencumbered money owned by MSLF. The income depletion fund is funded from appropriations from the MSLF Endowment Fund and transfers of unencumbered money from MSLF according to provisions in the agency agreement. The principal and interest in the income depletion fund is available for expenditure by the Foundation's Board of Directors. Principal contributions to the MSLF Endowment Fund are permanently restricted.

The Foundation has recorded assets on the statement of financial position for the investments held by the Denver Foundation totaling $8,690,196 and $8,020,123 at December 31, 2019 and 2018, respectively.

Note 4 – Endowment Funds

Interpretation of Relevant Law. The Foundation's management has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) 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 of this interpretation, the Foundation classifies as net assets with donor restrictions, perpetual in nature, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions, time-restricted, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment policies of the Denver Foundation.

Note 4 – Endowment Funds (continued)

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding, should it be needed, 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 organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested by the Denver Foundation in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy. Although the Foundation has not expended any endowment assets since the inception of the endowment fund in 1995, endowment assets held at the Denver Foundation are made available for expenditure through an appropriation each year in an amount equal to 5% of its endowment fund's average fair value. In establishing this spending 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 7% 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.

The Foundation's beneficial interest in assets held at the Denver Foundation consists of donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and are summarized as follows at December 31:

	2019	2018
With donor restrictions:		
Endowment fund		
Time-restricted	**$ 195,568**	$ 66,573
Perpetual in nature	**967,290**	961,961
Total endowment funds	**1,162,858**	1,028,534
Without donor restrictions:		
Non-endowment income depletion fund	**7,527,338**	6,991,589
Total beneficial interest in assets held by the Denver Foundation	**$ 8,690,196**	$ 8,020,123

Note 4 – Endowment Funds (continued)

The following summarizes the changes in endowment net assets with donor-imposed restrictions for the years ended December 31, 2019 and 2018:

	Time-restricted	Perpetual in Nature	Total
Endowment net assets, January 1, 2018	$ 167,943	$ 957,131	$ 1,125,074
Net realized and unrealized gains	(25,621)	-	(25,621)
Contributions	-	4,830	4,830
Investment management fees	(8,696)	-	(8,696)
Administration fees	(11,025)	-	(11,025)
Appropriations	(56,028)	-	(56,028)
	(101,370)	4,830	(96,540)
Endowment net assets, December 31, 2018	66,573	961,961	1,028,534
Net realized and unrealized gains	**170,670**	**-**	**170,670**
Contributions	**-**	**5,329**	**5,329**
Investment management fees	**(8,751)**	**-**	**(8,751)**
Administration fees	**(10,705)**	**-**	**(10,705)**
Appropriations	**(22,219)**	**-**	**(22,219)**
	128,995	**5,329**	**134,324**
Endowment net assets, December 31, 2019	**$ 195,568**	**$ 967,290**	**$ 1,162,858**

Note 5 - Fair Value Measurements and Investments

Fair Value Measurements. The Foundation reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Note 5 - Fair Value Measurements and Investments (continued)

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

There have been no changes in the methodologies used during the period. The following is a description of the valuation methodologies used on a recurring basis for assets measured at fair value:

Certificates of Deposit. Valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

Beneficial Interest in Assets Held by the Denver Foundation. Valued at the net asset value ("NAV") of units held by the Foundation at year end. The NAV, as provided by the Denver Foundation, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Denver Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Denver Foundation will sell the investment for an amount different than the reported

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - Fair Value Measurements and Investments (continued)

Investments measured at fair value on a recurring basis consisted of the following at December 31:

	2019	2018
Certificates of deposit (Level 2)	$ -	$ 250,000
Beneficial interest in assets held by the Denver Foundation (valued at NAV)	8,690,196	8,020,123
	$ 8,690,196	$ 8,270,123

The Foundation had no Level 1 or 3 investments at December 31, 2019 and 2018.

The following sets forth a summary of the Foundation's beneficial interest in assets held by the Denver Foundation reported at NAV at December 31:

Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
2019				
$ 8,690,196	N/A	Immediate	Redemptions will only be made upon written request of MSLF	None
2018				
$ 8,020,123	N/A	Immediate		None

Total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Denver 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 availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of any levels of hierarchy.

Investment earnings, net of investment fees, consisted of the following for the years ended December 31:

	2019	2018
Interest and dividends	$ 296,021	$ 106,490
Net realized and unrealized gains (losses)	1,021,925	(294,648)
Investment fees	(133,502)	(131,727)
	$ 1,184,444	$ (319,885)

Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Land	$ 154,085	$ 154,705
Building	1,559,742	1,399,406
Office equipment	90,566	135,003
Furniture and fixtures	195,179	145,215
	1,999,571	1,834,329
Less accumulated depreciation	(704,998)	(790,923)
Net property and equipment	$ 1,294,573	$ 1,043,406

Note 7 - Charitable Gift Annuities and Related Party Transactions

In November 2016, the Foundation received an annuity gift with a fair value of $10,000. At the date of the gift, the present value of the actuarially determined liability for the future annuity payments was $3,349, which was derived using an annuity rate of 9% and a discount rate of 1.6%. A contribution of $6,651 was also recorded at the date of the gift as the difference between the fair value of the gift and the actuarially determined liability. The charitable gift annuity agreement provides for quarterly installments of $225 to be paid to the beneficiary over his lifetime.

In August 2017, the Foundation received an annuity gift with a fair value of $10,000. At the date of the gift, the present value of the actuarially determined liability for the future annuity payments was $3,266, which was derived using an annuity rate of 9% and a discount rate of 2.3%. A contribution of $6,734 was also recorded at the date of the gift as the difference between the fair value of the gift and the actuarially determined liability. The charitable gift annuity agreement provides for quarterly installments of $225 to be paid to the beneficiary over his lifetime.

In December 2017, the Foundation received two annuity gifts from its former President and his spouse with a total fair value of $292,197. At the date of the gift, the present value of the actuarially determined liability for the future annuity payments was $154,668, which was derived using an annuity rate of 6.7% and a discount rate of 2.4%. A contribution of $137,529 was also recorded at the date of the gift as the difference between the fair value of the gift and the actuarially determined liability. The charitable gift annuity agreement provides for annual installments of $19,577 to be paid to the beneficiary over their lifetime beginning in 2025.

Charitable gift annuity obligations total $156,338 and $158,138 at December 31, 2019 and 2018, respectively. Annuity obligation assumptions are reviewed periodically by management and estimates may be subject to change in the near term.

Note 8 - Retirement Plans

Money Purchase Retirement Plan. In 2018, substantially all employees of the Foundation were covered by a money purchase retirement plan. The method of determining annual plan contributions was based upon 7% of eligible participants' salaries. The Foundation's contribution to the trustee fund, net of forfeitures for terminated employees, amounted to $45,247 in 2018. The plan was terminated and there were no contributions in 2019.

Tax-Deferred Annuity Plan. In 2018, the Foundation sponsored a non-contributory tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees were permitted to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The plan was terminated in 2019.

In 2019, the two existing retirement plans, a money purchase plan with employer contributions and a tax-deferred annuity 403(b) plan that allowed employee contributions, were combined into a single plan combining features of both. The new plan is a ERISA 403(b) plan that allows employees to contribute directly from their pay both through regular tax-deferred contributions and post-tax Roth contributions. The new plan also allows for MSLF to contribute to each employees account on a discretionary basis an indicated percentage of gross payroll which is then vested over 5 years. In 2019, the Foundation contributed $81,906 representing 7% of gross payroll to the plan for each employee who met the plan criteria.

Note 9 - Allocation of Joint Costs

The Foundation conducts activities that include requests for contributions, as well as program, management, and general components. These activities include direct mail campaigns. The Foundation also engages the services of an outside professional fundraising service firm. The costs of conducting these activities include a total of $2,475,735 in 2019 and $2,672,926 in 2018 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs are allocated as follows for the years ended December 31:

	2019	2018
Fundraising	**$ 507,683**	$ 412,979
Program, management, and general	**1,968,052**	2,259,947
	$ 2,475,735	$ 2,672,926

Note 10 - Concentrations

The Foundation's investments consist of various equity, debt, and other securities held, managed, invested, and administered by the Denver Foundation. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is 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 presented in the statement of financial position.

Note 10 - Concentrations (continued)

The Foundation periodically maintains cash balances in excess of federally insured limits.

The Foundation enjoys broad based support from donors. In any year it may receive large gifts from a limited number of donors who may vary from year to year.

The Foundation engages the services of an outside professional fundraising service firm. Contribution revenue derived from these fundraising services totaled 9% in 2019 and 13% in 2018 of all contribution revenue for the respective years.

Note 11 - Contingencies, Risks, Uncertainties, and Subsequent Events

The Foundation is subject to contingencies for legal claims arising out of the conduct of its activities. The Foundation continually assesses the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses based on analysis of each matter with assistance of outside legal counsel.

The Foundation was subject to independent threatened claims against it by two former members of management pertaining to employment matters and resignations in 2018. In 2019, the Foundation entered into settlement agreements with both individuals and incurred costs and legal fees, net of insurance proceeds, totaling $162,038 for the year ended December 31, 2019.

During 2020, a health care pandemic occurred in the United States and internationally. In response to this crisis, the federal, state, and municipal governments enacted various policies to curtail business activities until the risk has diminished. The negative impact on the global economy has created uncertainty around the success of future fundraising activities, and the beneficial interest in assets held by the Denver Foundation are subject to declines in investment valuations. No reliable estimate of the potential future financial impacts of this uncertainty on the Foundation can be made at this time.