

**Delta Dental Plan of Colorado
Foundation, Inc.**

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Delta Dental Plan of Colorado Foundation, Inc.

We have audited the accompanying financial statements of Delta Dental Plan of Colorado Foundation, Inc. d/b/a Delta Dental of Colorado Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Board of Directors
Delta Dental Plan of Colorado Foundation, Inc.**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Dental Plan of Colorado Foundation, Inc. as of December 31, 2020 and 2019, 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.

Kundinger, Corder & Engle, P.C.

May 6, 2021

Delta Dental of Colorado Foundation
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 3,921,739	2,410,058
Contributions receivable (notes 3, 7 and 9)	5,000,000	5,000,000
Program related investment (note 4)	750,000	–
Prepaid expenses and other	831	8,665
Investments (note 5)	34,502,746	30,749,551
Total assets	\$ 44,175,316	38,168,274
Liabilities and Net Assets		
Accounts payable	\$ 7,591	179,482
Grants payable (note 6)	1,000	481,700
Due to Delta Dental of Colorado (note 9)	110,587	574,217
Total liabilities	119,178	1,235,399
Net assets		
Without donor restrictions	30,091,378	26,916,214
With donor restrictions (notes 7 and 8)	13,964,760	10,016,661
Total net assets	44,056,138	36,932,875
Total liabilities and net assets	\$ 44,175,316	38,168,274

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
Contributions from the Company (note 9)	\$ –	9,250,000	9,250,000
Contributions - other	50,000	–	50,000
Investment return, net	3,184,858	523,099	3,707,957
Loan interest income (note 4)	6,729	–	6,729
Net assets released from restrictions (note 7)	<u>5,825,000</u>	<u>(5,825,000)</u>	<u>–</u>
Total revenue, gains and support	<u>9,066,587</u>	<u>3,948,099</u>	<u>13,014,686</u>
Expenses			
Program services			
Grants	4,721,262	–	4,721,262
Other program expenses	<u>678,809</u>	<u>–</u>	<u>678,809</u>
Total program services	5,400,071	–	5,400,071
General and administrative	<u>491,352</u>	<u>–</u>	<u>491,352</u>
Total expenses	<u>5,891,423</u>	<u>–</u>	<u>5,891,423</u>
Change in net assets	3,175,164	3,948,099	7,123,263
Net assets, beginning of year	<u>26,916,214</u>	<u>10,016,661</u>	<u>36,932,875</u>
Net assets, end of year	<u>\$ 30,091,378</u>	<u>13,964,760</u>	<u>44,056,138</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
Contributions from the Company (note 9)	\$ —	5,000,000	5,000,000
Investment return, net	3,806,799	762,684	4,569,483
Net assets released from restrictions (note 7)	6,440,000	(6,440,000)	—
Total revenue, gains and support	<u>10,246,799</u>	<u>(677,316)</u>	<u>9,569,483</u>
Expenses			
Program services			
Grants	4,037,473	—	4,037,473
Other program expenses	852,976	—	852,976
Total program services	4,890,449	—	4,890,449
General and administrative	674,403	—	674,403
Total expenses	<u>5,564,852</u>	<u>—</u>	<u>5,564,852</u>
Change in net assets	4,681,947	(677,316)	4,004,631
Net assets, beginning of year	<u>22,234,267</u>	<u>10,693,977</u>	<u>32,928,244</u>
Net assets, end of year	<u>\$ 26,916,214</u>	<u>10,016,661</u>	<u>36,932,875</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation

Statement of Functional Expenses

Year Ended December 31, 2020

	Program services	Management and general	Total expenses
Grants	\$ 4,721,262	–	4,721,262
Personnel	678,809	179,535	858,344
Occupancy	–	46,248	46,248
Office expenses	–	14,646	14,646
Travel, conferences & meetings	–	7,829	7,829
Professional fees	–	46,304	46,304
Administrative expenses	–	100,584	100,584
Board of Directors expenses	–	31,936	31,936
Fees, dues & licenses	–	12,690	12,690
Mission development & communication	–	16,649	16,649
Miscellaneous	–	34,931	34,931
Total expenses	\$ <u>5,400,071</u>	<u>491,352</u>	<u>5,891,423</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

	Program services	Management and general	Total expenses
Grants	\$ 4,037,473	–	4,037,473
Personnel	702,397	144,624	847,021
Other grant expenses	150,579	–	150,579
Occupancy	–	46,248	46,248
Office expenses	–	22,199	22,199
Travel, conferences & meetings	–	42,415	42,415
Professional fees	–	33,625	33,625
Administrative expenses	–	100,584	100,584
Board of Directors expenses	–	40,855	40,855
Fees, dues & licenses	–	11,980	11,980
Mission development & communication	–	139,317	139,317
Miscellaneous	–	92,556	92,556
Total expenses	\$ <u>4,890,449</u>	<u>674,403</u>	<u>5,564,852</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

Cash flows from operating activities	<u>2020</u>	<u>2019</u>
Change in net assets	\$ 7,123,263	4,004,631
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gain on investments	(3,446,803)	(4,224,399)
(Increase) decrease in operating assets		
Contributions receivable	–	1,440,000
Prepaid expenses and other	7,834	15,924
Program related investment	(750,000)	–
Increase (decrease) in operating liabilities		
Accounts payable	(171,891)	(12,397)
Grants payable	(480,700)	481,700
Due to Delta Dental of Colorado	(463,630)	318,397
Net cash provided by operating activities	<u>1,818,073</u>	<u>2,023,856</u>
Cash flows from investing activities		
Purchases of investments, net of sales	<u>(306,392)</u>	<u>(306,040)</u>
Net cash used in investing activities	<u>(306,392)</u>	<u>(306,040)</u>
Net increase (decrease) in cash and cash equivalents	1,511,681	1,717,816
Cash and cash equivalents, beginning of year	<u>2,410,058</u>	<u>692,242</u>
Cash and cash equivalents, end of year	<u>\$ 3,921,739</u>	<u>2,410,058</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

Delta Dental Plan of Colorado Foundation, Inc. (the Foundation) was incorporated in 1997 as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code, described in section 509(a)(3) as a public charity. The Foundation is organized as a Type 1 supporting organization for Delta Dental of Colorado (the Company), a tax exempt organization under section 501(c)(4) of the Internal Revenue Code. The Foundation is funded solely by annual contributions from the Company and investment income.

The mission of the Foundation is to elevate the well-being of all Coloradans by advancing oral health equity. The Foundation accomplishes its mission through providing open and invited grants that support our strategic focus areas of access to care, prevention of tooth decay, and connections to overall health. The Foundation also administers two initiatives. The portfolio includes:

- Open Funding - responsive grant-making opportunity that includes a statewide call for applications to identify community-led solutions that will improve oral health for historically underserved Coloradans. Grantees are selected because they serve populations that experience significant oral health disparities.
- Invited Grants – partnerships with organizations working on policy and advocacy or systems change efforts
- The Colorado Medical Dental Integration Project – an initiative that adds preventive dental services into primary care medical settings. The Foundation aims to reach individuals who have limited access to dental care due to location, insurance status or face other disparities. Hygienists placed in pediatric medical clinics throughout the state provide preventive dental care and make referrals to local dentists when further treatment is necessary.

(b) Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

The Foundation is required to present information regarding its financial position and activities according to the following net asset classifications:

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 Foundation. 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, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, and investments. The Foundation places its cash and cash equivalents with financial institutions that management has determined to be creditworthy, high quality, financial institutions. A significant portion of the funds are not insured by the FDIC or similar entity. The Foundation's management and board monitor the investments. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

The Foundation generally receives all of its contributions from the Company. A significant decrease in the level of funding from the Company could have an effect on the Foundation's ability to provide program services; however, the Foundation has approximately \$34 million in reserves that can be used to sustain program services.

(f) Contributions and Contributions Receivable

Contributions are recognized when cash, securities or other assets, unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Contributions and Contributions Receivable, Continued

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a 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 statement of activities as net assets released from restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Foundation considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful amounts is considered necessary.

(g) Program Related Investments

The Foundation makes loans as program related investments primarily for charitable purposes. The loans are at below market interest rates and are not discounted to net present value because the discount would not be significant to the financial statements. Loans receivable are carried at the unpaid principal balances. Past due status is determined based on contractual terms. Loans are evaluated for collectability if full principal or interest payments are not anticipated in accordance with contractual terms. If a loan is deemed uncollectible, it is charged to expense in the period it is deemed uncollectible. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

(h) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(i).

Investment return consists of interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(i) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Fair Value Measurements, Continued

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

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

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The market value for alternative investments is based on information reported by investment managers and on other information evaluated periodically by the Foundation. Alternative investments are not publicly traded on national security exchanges, are generally illiquid, and may be valued differently should readily available markets exist for such investments. Because of inherent uncertainties of the valuation of alternative investments, the recorded market values of such investments may differ significantly from realizable values.

(j) Grants Payable

Unconditional program grants awarded by the Foundation are recorded as expenses and liabilities when they are approved by the Board of Directors of the Foundation. Grants scheduled for payment more than one year in the future are discounted to present value if the effect is significant to the financial statements. Conditional program grants are recorded as expenses and liabilities when the conditions are met.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(m) Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation's investments in limited partnerships may generate unrelated business income subject to income tax at corporate tax rates. The Foundation was not liable for income tax in 2020 or 2019.

Management has evaluated tax positions taken and believes the Foundation has no uncertain tax positions that are significant to the financial statements. The Foundation's federal *Return of Organization Exempt From Income Tax* (Form 990) for the previous three years, are subject to examination by the IRS.

(n) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Foundation's financial statements were available to be issued on May 6, 2021 and this is the date through which subsequent events were evaluated.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(2) Availability and Liquidity

The following represents the Foundation's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 3,921,739	2,410,058
Contributions receivable	5,000,000	5,000,000
Investments	<u>34,502,746</u>	<u>30,749,551</u>
Total financial assets	43,424,485	38,159,609
Less net assets with donor restrictions	(13,964,760)	(10,016,661)
Plus net assets with restrictions expected to be met in one year		
Time restricted	5,000,000	5,000,000
Purpose restricted	<u>3,425,000</u>	<u>-</u>
Total restrictions	<u>8,425,000</u>	<u>5,000,000</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>37,884,725</u>	<u>33,142,948</u>

The Foundation's available financial assets at December 31, 2020 consist of cash, a contribution receivable from the Company, and investments which are primarily publicly traded securities with immediate liquidity. The contribution from the Company is received in quarterly installments the following year and the time restriction is released. Purpose restrictions are released when the restriction is met. Management expects the purpose restrictions to be met in the following year.

(3) Contributions Receivable

Contributions receivable of \$5,000,000 at December 31, 2020 are due from the Company in 2021. The contributions are to fund future operations. Management has determined that the receivable is fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

(4) Program Related Investment

The Foundation entered into a loan agreement with Colorado Enterprise Fund, Inc. (CEF) in 2020 in the form of a program related investment to provide unsecured business loans to dental practices adversely impacted by the COVID-19 pandemic. The loans are administered by CEF and provided through the Oral Health Lending Program to provide dental and oral hygiene practices in Colorado access to capital and coaching support to help them safely reopen and operate their businesses in compliance with the COVID-19 protocols for patient and employee safety. The Foundation agreed to make available \$3,750,000 at a fixed rate of 0.50 percent per annum. The balance of the loan at December 31, 2020 is \$750,000. The loan matures on September 30, 2023. Interest is due quarterly and totaled \$6,729 in 2020.

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(5) Investments

The Foundation's investment assets include private and publicly held investments dedicated to providing the financial resources needed to meet the Foundation's grant making and other charitable objectives. The Foundation's investments are held in various investment structures which may include foreign domiciled funds and pooled investments.

Marketable and private alternative investments are exposed to various risks that may cause the reported value of the Foundation's investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment.

The value of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions. Some investment managers retained by the Foundation are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes.

Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio.

Investments are stated at their fair values and consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Mutual funds		
Equities	\$ 15,966,975	14,625,218
Bonds	6,054,150	4,739,435
Balanced	636,120	-
Equity securities	4,607,288	4,582,535
Private equity funds	7,156,865	6,619,587
Money market funds	<u>81,348</u>	<u>182,776</u>
	\$ <u>34,502,746</u>	<u>30,749,551</u>

At December 31, 2020 and 2019, the portion of investments held for endowment totaled \$5,539,759 and \$5,016,660, respectively (see note 8).

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(5) Investments, Continued

The following table summarizes the valuation of investments by the fair value hierarchy levels as of December 31, 2020:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>NAV (a)</u>
Mutual funds	\$ 22,657,245	22,657,245	–
Private equity funds	7,156,865	–	7,156,865
Equity securities	4,607,288	4,607,288	–
Money market funds	<u>81,348</u>	<u>81,348</u>	<u>–</u>
Total	<u>\$ 34,502,746</u>	<u>27,345,881</u>	<u>7,156,865</u>

The following table summarizes the valuation of the Foundation's investments by fair value hierarchy levels as of December 31, 2019:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>NAV (a)</u>
Mutual funds	\$ 19,364,653	19,364,653	–
Private equity funds	6,619,587	–	6,619,587
Equity securities	4,582,535	4,582,535	–
Money market funds	<u>182,776</u>	<u>182,776</u>	<u>–</u>
Total	<u>\$ 30,749,551</u>	<u>24,129,964</u>	<u>6,619,587</u>

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

All investments have been valued using a market approach. The fair value for assets in Level 1 is based on quoted prices in active markets. Private equity funds have been valued using the practical expedient method. There were no changes in the valuation techniques used during the year.

The following tables summarizes the significant information required by ASU No. 2009-12 as of December 31, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Ironwood International Ltd. (a)	\$ 2,745,253	N/A	Semi-annual	95 days
Lighthouse Global Long/Short fund (b)	\$ 2,924,554	N/A	Monthly to Quarterly	60-90 days
Tortoise Commingled MLP Fund, LLC (c)	\$ 1,487,058	N/A	Quarterly	90 days

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(5) Fair Value Measurements, Continued

- (a) Ironwood International's investment objective is capital appreciation with limited variability of returns. The Fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes. The Fund is allowed to repurchase Members' units at the net asset value per unit on a repurchase date. Ironwood expects the Fund will offer to repurchase units from Members as of June 30 and December 31 of each year. Redemption requests must be submitted to the Fund at least 95 days prior to the redemption date.
- (b) Lighthouse Global Long/Short Fund is an actively managed global long/short equity fund seeking equity-like returns with lower volatility than traditional global equity investments. The portfolio is 100% invested through managed accounts. Each investor has the right to withdraw all or any portion of its capital account balance upon giving at least a 60-day prior written notice before the end of each quarter or at least a 90-day written prior notice before the end of each month.
- (c) Tortoise Commingled MLP Fund's objective is to seek a high level of total return by investing primarily in a portfolio of publicly traded equity securities issued by master limited partnerships (MLPs) or their affiliates. Investments will be concentrated in the energy infrastructure sector with an emphasis on midstream MLPs. These MLPs transport, gather, process and/or store crude oil, refined petroleum products, natural gas and natural gas liquids. The fund intends to make quarterly distributions to members. Redemptions can be made on the last day of any calendar month by written request at least fifteen days prior to the redemption date.

(6) Grants Payable

Grants approved but not paid at December 31, 2020 totaled \$1,000 and are due within one year. Conditional grants for which the conditions have not been met totaled \$1,169,693 at December 31, 2020. Future payments are conditional upon satisfaction of grant requirements by the grantees.

(7) Net Assets With Donor Restrictions

Net Assets with donor restrictions were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Passage of time		
Contributions receivable from the Company		
for future operations	\$ 5,000,000	5,000,000
Purpose restricted	3,425,000	-
Endowment (note 8)		
Endowment corpus	2,000,000	2,000,000
Unappropriated endowment fund earnings	<u>3,539,760</u>	<u>3,016,660</u>
Total net assets with donor restrictions	<u>\$ 13,964,760</u>	<u>10,016,660</u>

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(7) Net Assets With Donor Restrictions, Continued

For the years ended December 31, 2020 and 2019, net assets of \$5,825,000 and \$6,440,000, respectively, were released from restrictions as follows:

	<u>2020</u>	<u>2019</u>
Passage of time	\$ 5,000,000	6,440,000
Purpose restriction met	<u>825,000</u>	<u>-</u>
Total net assets released	\$ <u>5,825,000</u>	<u>6,440,000</u>

(8) Endowment Net Assets

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gift 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.

In accordance with UPMIFA, 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 purpose 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 Foundation resources
- (7) The investment policies of the Foundation.

Earnings from the Foundation's endowment fund are available to support the general operations of the Foundation.

Following are the changes in the endowment net assets for the years ended December 31, 2019 and 2020:

Endowment net assets, January 01, 2019	\$ 4,253,977
Investment return	<u>762,684</u>
Endowment net assets, December 31, 2019	5,016,661
Investment return	<u>523,099</u>
Endowment net assets, December 31, 2020	\$ <u>5,539,760</u>

Delta Dental of Colorado Foundation

Notes to Financial Statements, Continued

(8) Endowment Net Assets, Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution that supports current needs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves, and fit within the Foundation's preference of acceptable principal and interest risk.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation's spending policy allows for appropriating the investment earnings for distribution upon express written authority of Delta Dental of Colorado's board of directors and the super majority approval of the Foundation's board of directors.

(9) Related Party Transactions

The Company provides certain office space, legal, accounting, social media, IT, human resources and administrative services to the Foundation for which the Foundation reimbursed the Company \$153,672 and \$148,976 in 2020 and 2019, respectively.

Certain Company employees spend a portion of their time on Foundation activities for which the Foundation reimburses the Company. In addition, the Company pays certain operating expenses of the Foundation for which it is reimbursed. Total compensation and operating expense incurred by the Company on behalf of the Foundation totaled \$997,118 and \$1,004,443 in 2020 and 2019, respectively. The Foundation owed the Company \$110,587 and \$574,217 for these expenditures at December 31, 2020 and 2019, respectively.

In 2020 and 2019, the Foundation recorded contributions totaling \$9,250,000 and \$5,000,000, respectively, from the Company. Included in contributions receivable at December 31, 2020 and 2019, is \$5,000,000 due from the Company for the following year's operating expenses.