

Delta Dental of Colorado Foundation, Inc.

Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Delta Dental Plan of Colorado Foundation, Inc. d/b/a Delta Dental of Colorado Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.

Kundinger, Corder & Montoya, P.C.

May 23, 2024

Delta Dental of Colorado Foundation, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,104,279	1,381,441
Investments (note 3)	27,593,569	32,206,696
Program and mission related receivables, net (note 4)	2,370,744	2,746,175
Prepaid expenses	<u>40,538</u>	<u>99,024</u>
Total assets	<u>\$ 31,109,130</u>	<u>36,433,336</u>
Liabilities and Net Assets		
Accounts payable	\$ 97,277	94,918
Grants payable	—	1,049,200
Due to Delta Dental of Colorado (note 7)	<u>276,929</u>	<u>300,918</u>
Total liabilities	<u>374,206</u>	<u>1,445,036</u>
Net assets		
Without donor restrictions	24,279,135	29,119,944
With donor restrictions (notes 5 and 6)	<u>6,455,789</u>	<u>5,868,356</u>
Total net assets	<u>30,734,924</u>	<u>34,988,300</u>
Total liabilities and net assets	<u>\$ 31,109,130</u>	<u>36,433,336</u>

Commitments (note 4)

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.**Statement of Activities****Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
Investment return, net	\$ 3,080,263	587,433	3,667,696
Loan interest income	12,823	—	12,823
Net assets released from restrictions (note 5)	—	—	—
Total revenue, gains and support	3,093,086	587,433	3,680,519
Expenses			
Program services			
Grants	5,776,145	—	5,776,145
Program expenses	1,278,783	—	1,278,783
Total program services	7,054,928	—	7,054,928
General and administrative	878,967	—	878,967
Total expenses	7,933,895	—	7,933,895
Change in net assets	(4,840,809)	587,433	(4,253,376)
Net assets, beginning of year	29,119,944	5,868,356	34,988,300
Net assets, end of year	\$ 24,279,135	6,455,789	30,734,924

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.**Statement of Activities****Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
Investment return, net	\$ (5,635,735)	(1,076,265)	(6,712,000)
Loan interest income	14,919	–	14,919
Net assets released from restrictions (note 5)	<u>7,465,000</u>	<u>(7,465,000)</u>	<u>–</u>
Total revenue, gains and support	<u>1,844,184</u>	<u>(8,541,265)</u>	<u>(6,697,081)</u>
Expenses			
Program services			
Grants	4,962,107	–	4,962,107
Program expenses	<u>1,742,281</u>	<u>–</u>	<u>1,742,281</u>
Total program services	6,704,388	–	6,704,388
General and administrative	<u>738,859</u>	<u>–</u>	<u>738,859</u>
Total expenses	<u>7,443,247</u>	<u>–</u>	<u>7,443,247</u>
Change in net assets	(5,599,063)	(8,541,265)	(14,140,328)
Net assets, beginning of year	<u>34,719,007</u>	<u>14,409,621</u>	<u>49,128,628</u>
Net assets, end of year	<u>\$ 29,119,944</u>	<u>5,868,356</u>	<u>34,988,300</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program services		Total	Management	Total
	Grants	Program services	Program services	and general	expenses
Grants	\$ 5,776,145	—	5,776,145	—	5,776,145
Personnel	—	794,798	794,798	169,085	963,883
Occupancy	—	64,317	64,317	13,683	78,000
Office expenses	—	8,035	8,035	1,709	9,744
Travel, conferences & meetings	—	42,715	42,715	6,330	49,045
Professional fees	—	245,106	245,106	23,764	268,870
Administrative expenses	—	—	—	437,153	437,153
Marketing expenses	—	99,000	99,000	99,000	198,000
Board of Directors expenses	—	—	—	24,979	24,979
Fees, dues & licenses	—	—	—	13,760	13,760
Mission development & communication	—	17,506	17,506	—	17,506
Miscellaneous	—	7,306	7,306	89,504	96,810
Total expenses	\$ <u>5,776,145</u>	<u>1,278,783</u>	<u>7,054,928</u>	<u>878,967</u>	<u>7,933,895</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program services		Total	Management	Total
	Grants	Program services	Program services	and general	expenses
Grants	\$ 4,962,107	—	4,962,107	—	4,962,107
Personnel	—	1,109,874	1,109,874	197,929	1,307,803
Occupancy	—	50,919	50,919	9,081	60,000
Office expenses	—	8,996	8,996	1,604	10,600
Travel, conferences & meetings	—	78,420	78,420	13,985	92,405
Professional fees	—	347,010	347,010	50,485	397,495
Administrative expenses	—	—	—	178,692	178,692
Marketing expenses	—	97,500	97,500	97,500	195,000
Board of Directors expenses	—	—	—	39,557	39,557
Fees, dues & licenses	—	—	—	20,679	20,679
Mission development & communication	—	19,979	19,979	—	19,979
Miscellaneous	—	29,583	29,583	129,347	158,930
Total expenses	\$ <u>4,962,107</u>	<u>1,742,281</u>	<u>6,704,388</u>	<u>738,859</u>	<u>7,443,247</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.**Statements of Cash Flows****Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (4,253,376)	(14,140,328)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized loss (gain) on investments	(2,990,932)	7,440,751
Change in operating assets and liabilities		
Contributions receivable	—	6,000,000
Prepaid expenses	58,486	(81,660)
Program and mission related investments	375,431	(1,084,545)
Accounts payable	2,359	4,613
Grants payable	(1,049,200)	1,049,200
Due to Delta Dental of Colorado	<u>(23,989)</u>	<u>112,313</u>
Net cash used in operating activities	<u>(7,881,221)</u>	<u>(699,656)</u>
Cash flows from investing activities		
Net sales (purchases) of investments	<u>7,604,059</u>	<u>(765,966)</u>
Net cash provided by (used in) investing activities	<u>7,604,059</u>	<u>(765,966)</u>
Net decrease in cash and cash equivalents	(277,162)	(1,465,622)
Cash and cash equivalents, beginning of year	<u>1,381,441</u>	<u>2,847,063</u>
Cash and cash equivalents, end of year	<u>\$ 1,104,279</u>	<u>1,381,441</u>
Supplemental Information		
Income Taxes Paid	<u>\$ —</u>	<u>42,293</u>

See the accompanying notes to the financial statements.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

(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 partners with community-based organizations to provide innovative and equitable oral health care by providing grants, engaging with groups across the state, and supporting policy and systems change. This includes supporting the following:

- Affordable, accessible, and comprehensive oral health care for all individuals through comprehensive community engagement.
- Preventing tooth decay by increasing preventive care utilization, improve oral health, and tangibly integrate oral health into health care settings.
- Increasing access to care for people of color by increasing workforce diversity and cultural representation of patients.
- Investing to help fund oral health related capital needs to community-based dental providers, services, and clinics.
- Supporting public policies that advance oral health equity, access to care, prevention, and the connection of oral health to overall health for all ages, including policies that promote equity and reduce disparities, particularly for historically overlooked populations.
- Measuring the impact of our work and conducting research to inform grant-making and mission-related investments.

(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, Inc.

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

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. Investment transactions are made by investment managers engaged by the Foundation, and the investments are monitored by management and the board of the Foundation. 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.

Contributions

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.

(f) Revenue Recognition

Contributions are recognized when cash, securities or other assets, unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition, Continued

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the existence and/or 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 statements 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. At December 31, 2023 and 2022, all contributions receivable are expected to be collected within one year.

(g) 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(h).

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.

(h) 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. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions.

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.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

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 (NAV) 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.

(i) Program and Mission Related Investments

The Foundation makes loans as program related investments and mission related investments primarily for charitable purposes. The loans are made 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.

(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. At December 31, 2023 and 2022, conditional grants totaled \$25,000 and zero, respectively.

(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 (i.e. management and general activities). 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.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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 incurred no income tax expense in 2023 and \$42,293 of income tax expense in 2022.

The Foundation follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires management to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

The Foundation has evaluated subsequent events through May 23, 2024, the date the financial statements were available to be issued.

(o) Adoption of New Accounting Pronouncement

On January 1, 2023, the Foundation adopted ASU No. 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss methodology of recognizing credit losses on financial instruments with a methodology that estimates the expected credit loss on financial instruments and reflects the net amount expected to be collected on the financial instrument. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgement in determining the relevant information and estimation methods that are appropriate in its circumstances. The allowance for credit losses and related credit loss expense replaces previously used allowance for doubtful accounts and related bad debt expenses, respectively, as it relates to accounts receivables. The Foundation adopted this change in accounting principle as of January 1, 2023 using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application has not been adjusted. The change in accounting principle did not have an impact on the Foundation's allowance for credit losses or net assets for the year ended December 31, 2023.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(2) Availability and Liquidity

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,104,279	1,381,441
Investments	27,593,569	32,206,696
Program and mission related receivables expected to be collected within one year	<u>636,590</u>	<u>250,000</u>
Total financial assets	<u>29,334,438</u>	<u>33,838,137</u>
Amounts unavailable for general expenditures within one year		
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	<u>(5,745,789)</u>	<u>(5,158,356)</u>
Financial assets available to meet general expenditures within one year	\$ <u>23,588,649</u>	<u>28,679,781</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to ensure availability as its general expenditures, liabilities, and other obligations become due. The Foundation manages its liquidity and reserves by 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 discharged.

(3) Investments

The Foundation's investment assets include 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.

Marketable 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.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(3) Investments, Continued

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

	<u>2023</u>	<u>2022</u>
Mutual funds		
Equities	\$ 3,005,312	6,576,857
Bonds	3,645,718	6,446,632
International	2,078,730	8,716,973
Real estate investment trusts	—	1,411,356
Equity securities		
Large-cap	4,337,532	7,064,763
Mid-cap	1,458,622	1,452,789
Small-cap	36,654	105,165
Alternative investments	848,578	—
Real estate investment trusts	72,980	194,743
U.S. Treasury securities	11,320,316	—
Money market funds	<u>789,127</u>	<u>237,418</u>
	\$ <u>27,593,569</u>	<u>32,206,696</u>

The following table summarizes the valuation of investments by the fair value hierarchy levels as of December 31, 2023:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV*</u>
Mutual funds	\$ 8,729,760	8,729,760	—	—
Equity securities	5,832,808	5,832,808	—	—
Alternative investments	848,578	—	—	848,578
Real estate investment trusts	72,980	—	72,980	—
U.S. Treasury securities	11,320,316	—	11,320,316	—
Money market funds	<u>789,127</u>	<u>789,127</u>	<u>—</u>	<u>—</u>
Total	\$ <u>27,593,569</u>	<u>15,351,695</u>	<u>11,393,296</u>	<u>848,578</u>

The following table summarizes the valuation of the Foundation's investments by fair value hierarchy levels as of December 31, 2022:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual funds	\$ 23,151,818	23,151,818	—
Equity securities	8,622,717	8,622,717	—
Real estate investment trusts	194,743	—	194,743
Money market funds	<u>237,418</u>	<u>237,418</u>	<u>—</u>
Total	\$ <u>32,206,696</u>	<u>32,011,953</u>	<u>194,743</u>

* 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.

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(3) Investments, Continued

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. Fair value of assets in Level 2 are based on quoted market prices for similar assets in markets that are not active. Alternative investments 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 related to investments measured at NAV as of December 31, 2023:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Lafayette Square USA, Inc. (a)	\$ 848,578	152,478	None	10 days

(a) Lafayette Square's investment objective is to generate favorable risk-adjusted returns, including current income and capital appreciation, principally from directly originated investments in middle market businesses. The objective will be achieved through a direct lending relationship with non-sponsored businesses, who are owned by people rather than funds or financial institutions. Shares may be redeemed only under unique circumstances and a 10-day notice period is required.

(4) Program and Mission Related Receivables

The Foundation entered into a \$3,000,000 revolving note receivable with Colorado Enterprise Fund with an interest rate of 0.50%, which requires quarterly interest-only payments. The balance of the loan at December 31, 2023 and 2022 is \$2,370,744 and \$2,746,175, respectively. At December 31, 2023, \$629,256 remains unfunded. The loan matures on April 8, 2031 with the principal loan balance due in full at that time. At December 31, 2023 and 2022, the allowance for credit losses totaled \$26,935 and \$0, respectively.

(5) Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Loan program	\$ 710,000	710,000
Endowment (note 6)		
Endowment corpus	2,000,000	2,000,000
Unappropriated endowment fund earnings	<u>3,745,789</u>	<u>3,158,356</u>
Total net assets with donor restrictions	\$ <u>6,455,789</u>	<u>5,868,356</u>

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(5) Net Assets With Donor Restrictions, Continued

Net assets were released from donor restrictions as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Passage of time	\$ —	6,000,000
Loan program	<u>—</u>	<u>1,465,000</u>
Total net assets released	\$ <u>—</u>	<u>7,465,000</u>

(6) Endowment Net Assets

The Foundation's endowment consists of donor-restricted endowment funds and are held in the investment portfolio.

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. Accordingly, all gifts to and earnings of the endowment fund is reported as donor restricted until appropriated for expenditure.

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, once appropriated, are available to support the general operations of the Foundation.

Following are the changes in the endowment net assets:

Endowment net assets, December 31, 2021	\$ 6,234,621
Investment return	<u>(1,076,265)</u>
Endowment net assets, December 31, 2022	5,158,356
Investment return	<u>587,433</u>
Endowment net assets, December 31, 2023	\$ <u>5,745,789</u>

Delta Dental of Colorado Foundation, Inc.

Notes to Financial Statements, Continued

(6) 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.

(7) Related Party Transactions

The Company provides certain office space, legal, accounting, social media, IT, human resources and administrative services to the Foundation, and may also pay for certain expenses on behalf of the Foundation, for which the Foundation reimbursed the Company \$1,000,121 and \$431,549 in December 31, 2023 and 2022, respectively.

All Foundation staff members are employees of the Company and, additionally, certain Company employees spend a portion of their time on Foundation activities. The Foundation reimburses the Company for all of its employee related costs, which totaled \$873,341 and \$1,302,487 in December 31, 2023 and 2022, respectively.

The Foundation owed the Company \$276,929 and \$300,918 for these services and reimbursed expenditures at December 31, 2023 and 2022, respectively.