

Kenneth King Foundation

Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Directors Kenneth King Foundation

Opinion

We have audited the accompanying financial statements of Kenneth King Foundation (the Foundation), which comprise the statements of assets, liabilities and net assets – income tax basis as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and other changes in net assets – income tax basis 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 Kenneth King Foundation as of December 31, 2023 and 2022, and its revenues, expenses, and other changes in net assets for the years then ended in accordance with the basis of accounting the Foundation uses for income tax purposes described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Kenneth King 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the income tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting described in Note 1, and for determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Kenneth King Foundation's ability to continue as a going concern within one year after the date 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Board of Directors
Kenneth King Foundation

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Kenneth King 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 Kenneth King 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 16, 2024

Kenneth King Foundation
Statements of Assets, Liabilities and Net Assets - Income Tax Basis
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 688,731	99,089
Investments, at cost, market value of \$68,553,807 in 2023 and \$57,951,715 in 2022 (note 3)	31,566,695	30,581,030
Program related investments (note 4)	2,315,751	2,089,650
Total assets	\$ 34,571,177	32,769,769
Net assets	34,571,177	32,769,769
Commitments (notes 5 and 6)		
Total net assets	\$ 34,571,177	32,769,769

See the accompanying notes to the financial statements.

Kenneth King Foundation
Statements of Revenues, Expenses, and
Other Changes in Net Assets - Income Tax Basis
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Interest and dividends	\$ 1,596,109	1,577,665
Net realized gains (loss) on sales of investments	3,211,737	(45,466)
Partnership income	67,705	(112,897)
Investment expense	<u>(112,128)</u>	<u>(110,455)</u>
Total revenues	<u>4,763,423</u>	<u>1,308,847</u>
Expenses		
Grants paid	2,227,700	2,014,493
Other grant expenses	<u>193,070</u>	<u>275,817</u>
Total program expenses	2,420,770	2,290,310
Administrative expenses	349,466	292,984
Payments to retiree (note 5)	140,143	140,143
Excise taxes paid	<u>51,636</u>	<u>20,300</u>
Total expenses	<u>2,962,015</u>	<u>2,743,737</u>
Excess (deficit) of revenues over expenses	1,801,408	(1,434,890)
Net assets at beginning of year	<u>32,769,769</u>	<u>34,204,659</u>
Net assets at end of year	<u>\$ 34,571,177</u>	<u>32,769,769</u>

See the accompanying notes to the financial statements.

Kenneth King Foundation
Notes to Financial Statements
December 31, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Organization

Kenneth King Foundation (the Foundation) was established in 1990 for charitable and benevolent purposes under the laws of the State of Colorado. The Foundation's mission is to create opportunity for Coloradoans to reach their fullest potential for self-sufficiency through access to entrepreneurship, employment, basic needs and improved quality of life. The Foundation was funded by a transfer of assets from the Kenneth Kendal King Estate and is supported predominately by dividends, interest and capital gains resulting from the Foundation's investments.

(b) Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the basis of accounting used for income tax reporting purposes. Under the income tax basis, revenue is recorded when the Foundation receives interest and dividends, sells investments, or receives a Form K-1 on certain investments. Expenditures are recorded when payments are made. This differs from the accrual basis of accounting which recognizes revenue when earned and expenses when incurred, regardless of when cash is received or disbursed.

The Foundation does not have any net assets with donor restrictions. All of the net assets of the Foundation represent resources available to support the Foundation's charitable activities.

(c) Cash and Cash Equivalents

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

(d) Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and program related investments. The Foundation places its cash and temporary investments with credit worthy, high-quality financial institutions. Investments are made and monitored by the investment committee of the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Foundation believes that the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries. Credit risk with respect to program related investments is limited due to the number and creditworthiness of the organizations from whom the amounts are due.

(e) Investments

Investments are stated at cost. Cost is periodically adjusted for certain investments in limited partnerships based upon information received from the general partner.

Investments in marketable equity securities and publicly traded partnerships with readily determinable market values are disclosed at their publicly quoted market prices. The market value of the Foundation's partnership interest is based on the market values of the underlying marketable securities.

Kenneth King Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Investments, Continued

Investment income consists of the Foundation's distributive share of any interest, dividends, capital gains and capital losses generated from the Foundation's investments. Distributive shares of income or loss from "pass-through" entities such as partnerships are recorded as income in the year such items are recognized by the pass-through entity and are reported as adjustments to the initial cost basis of the investment. Distributions of cash or other property received from pass-through entities are generally recorded as adjustments to the Foundation's investment cost basis. Gains and losses attributable to the Foundation's investments are realized and reported upon a sale or disposition of the investment.

(f) Program Related Investments

The Foundation makes loans as program related investments for charitable purposes. Loans are made at varying below market interest rates over varying terms. 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.

The Foundation also makes equity investments in charitable organizations or in commercial ventures for charitable purposes. These investments are recognized at cost basis within the accompanying financial statements. Investment returns consist of the Foundation's distributive share of any interest, dividends, capital gains and capital losses.

(g) Allocation of Expenses

The majority of the Foundation's expenses consist of contributions made to qualifying charitable organizations and administrative expenses. The following is a summary of expenses by natural category for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Grants paid	\$ 2,227,700	2,014,493
Compensation and related expenses	277,229	382,045
Payments to retirees	140,143	140,143
Professional fees	119,503	69,998
Other	145,804	116,758
Excise tax	<u>51,636</u>	<u>20,300</u>
Total	\$ <u>2,962,015</u>	<u>2,743,737</u>

(h) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenditures.

Kenneth King Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Excise and Income Taxes

The Foundation is classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code (the Code), and is exempt from federal income tax under Section 501(c)(3) of the Code. Private foundations are subject to an excise tax on net investment income, which includes realized gains on the sale of assets. Excise taxes of \$65,441 and \$20,524 were incurred in 2023 and 2022, respectively. Unrelated business taxable income of \$1,997 and \$0 was incurred in 2023 and 2022, respectively.

The Internal Revenue Code requires certain minimum distributions to be made in accordance with a specified formula. Based on the formula, the Foundation was required to make distributions of \$3,145,670 in 2023. Actual qualifying distributions in 2023 were \$3,340,379. The Foundation is required to make distributions of \$3,080,027 in 2024.

Management is required to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management believes it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. Management believes the Foundation is no longer subject to income tax examinations for years prior to December 31, 2020.

(j) Subsequent Events

Management has evaluated events or transactions that may require recognition or disclosure in the financial statements through May 16, 2024, the date the financial statements were available to be issued.

(2) Availability and Liquidity of Financial Assets

At December 31, 2023 and 2022, all of the Foundation's financial assets, which consist of cash and cash equivalents and investments, are available for general use in the conduct of the Foundation's ongoing activities. The Foundation's annual expenditures are based on the minimum distribution requirements of the Internal Revenue Service tax regulations. The Foundation's investment policy requires sufficient liquidity to meet this requirement and fund the annual operating expenses of the Foundation. At December 31, 2023 and 2022, 99% of the Foundation's investment portfolio consists of assets with daily liquidity features.

(3) Investments

The Foundation's investment assets, which include private and publicly held investments, are dedicated to providing the financial resources needed to meet the Foundation's grant-making and other charitable objectives. The Foundation's investments are managed by the Foundation's Investment Committee and are held primarily in equity securities.

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.

Kenneth King Foundation
Notes to Financial Statements, Continued

(3) Investments, Continued

Investments are recorded at cost. The following is a summary of the cost and market value of investments at December 31, 2023:

	<u>Cost</u>	(Unaudited) <u>Market</u>
Mutual funds	\$ 708,678	708,678
Equity securities	30,640,199	67,151,482
Partnership interest	<u>217,818</u>	<u>693,647</u>
	\$ <u>31,566,695</u>	<u>68,553,807</u>

The following is a summary of the cost and market value of investments at December 31, 2022:

	<u>Cost</u>	(Unaudited) <u>Market</u>
Money market account	\$ 548	548
Equity securities	27,608,071	53,496,350
Publicly traded partnership	2,744,854	3,919,075
Partnership interest	<u>227,557</u>	<u>535,742</u>
	\$ <u>30,581,030</u>	<u>57,951,715</u>

Total return on investments in 2023, including unrealized gains of \$9,616,427, was \$14,379,768. Total return on investments in 2022, including unrealized losses of (\$9,880,746), was (\$8,571,899).

(4) Program Related Investments

Program related investments (PRIs) are strategic investments, beyond grants, made by the Foundation for the specific objective of furthering the Foundation's charitable purpose. The production of income is not the primary driver of a PRI. The Foundation's PRI portfolio includes loans and equity investments to support entrepreneurship and job creation programs of partner organizations, and to help remove barriers to employment throughout the state of Colorado.

Loan PRIs

The Foundation's loan portfolio includes both loans and convertible loans invested in not-for-profit and private sectors entities. Interest and principal payments are due based on individual contract terms with interest rates generally ranging between 0% and 3.0%. Repayment of the outstanding loan amounts vary and are scheduled through 2031.

The following is a summary of the loan activity for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Loans receivable, beginning of year	\$ 1,500,309	1,474,590
Additional loans	425,000	261,750
Principal repayments	<u>(183,273)</u>	<u>(236,031)</u>
Loan receivable, end of year	\$ <u>1,742,036</u>	<u>1,500,309</u>

Kenneth King Foundation
Notes to Financial Statements, Continued

(4) Program Related Investments, continued

Equity PRIs

The Foundation's equity portfolio includes direct equity investments that are reported at cost. The following is a summary of the equity investment activity for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Equity investment, beginning of year	\$ 589,341	608,792
Return of capital	<u>(15,626)</u>	<u>(19,451)</u>
Equity investment, end of year	\$ <u>573,715</u>	<u>589,341</u>
Total program related investments	\$ <u>2,315,751</u>	<u>2,089,650</u>

(5) Payments to Retirees

The Foundation had an agreement with a retired employee which required monthly payments of \$11,679 through December 2023, when final payment was made. No remaining commitments outstanding as of December 31, 2023.

(6) Employee Benefits

The Foundation maintains a 401(k) defined contribution pension plan for all employees who have completed three months of service. Employees may contribute up to the elective contribution limit as prescribed by the IRS. The Foundation will contribute up to 116% of the employee's contribution provided the employee contribution is at least 3% but not more than 6% of the employee's compensation. Participants will become fully vested in the employer's matching contributions after three years of service. Foundation contributions to the plan were \$14,293 in 2023 and \$19,430 in 2022.