School of Public Affairs

UNIVERSITY OF COLORADO **DENVER**

Foundations of Colorado: Summary Report

March 2023

A project supported by the University of Colorado Denver's Presidential Initiative on Urban and Place-Based Research

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Summary of Project Goals and Methods

In 2020, charitable giving reached nearly half a trillion dollars in the United States. Of that amount, almost a fifth of giving came from foundations.[1] Foundations play an especially vital role in providing support and risk capital for charities. Some impacts of foundations' philanthropy are plainly visible throughout Colorado. For example, it is difficult to look around our communities without seeing the direct influence of our state's philanthropic foundations evidenced most prominently by the names on medical, cultural, and educational buildings. While named buildings and programs explicitly remind us of the contributions made by foundations, the breadth of foundation activity typically escapes our attention. As of 2020, Colorado's non-operating private foundations held approximately $15.6 billion in assets, which translates to more than half a billion dollars in annual giving.[2]

This project documents the foundation landscape in Colorado, including the characteristics of foundations and patterns in grantmaking, and also highlights how foundations leverage assets for greater social impact. A primary goal of the work is to inform the public and stakeholders about Colorado's foundations, specifically non-operating private foundations, and help bring light to organizations that are often poorly understood both in their origins and activities. Highlighting promising practices in grantmaking and reporting provides guidance and examples for peer organizations. For additional details, see: https://www.coloradofoundations.org/

In order to document the landscape of Colorado's private foundations, data were initially collected from the Internal Revenue Service's Exempt Organizations Business Master File Extract (EO BMF) using data updated through May 10, 2021.[3] Organizations with reported Foundation Codes equal to 02 (Private operating foundation exempt from paying excise taxes on investment income), 03 (Private operating foundation (other)), or 04 (Private non-operating foundation) were retained. The initial list of foundations totaled 2,246 organizations with combined reported assets of $13.7 billion. The data represent the most recent available filing information from the IRS when the project began with 98% of the data covering filings made during the tax years 2018 to 2020. Five prominent Colorado foundations were originally omitted based upon the IRS EO BMF data, which reported no asset amounts for the foundations. The omitted foundations were added into the dataset based on asset reporting from the filed Form 990-PFs. Dollar amounts are not adjusted for inflation due to the short timeframe of the study. Importantly, almost all of the financial information (excluding the national comparison) pre-dates the COVID-19 pandemic and is considered to be more reflective of long-term foundation activity.

The foundations were sorted in descending order based on reported assets and the small number of operating foundations were removed from the sample based on the Foundation Codes. Of the initial 2,246 foundations, 191 (8.5%) identified as operating foundations. Data collection proceeded for the largest 100 non-operating private foundations based entirely on reported assets. So, the largest 100 is

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[1] National Philanthropic Trust. "Charitable Giving Statistics." Accessed at: https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/

[2] The asset total is based primarily on non-operating foundations included in the IRS Exempt Organizations Business Master File (BMF) Extract updated on May 10, 2022 (see https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf).

[3] https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf

not a statement about the most effective foundations, but rather the largest which is highly correlated with grantmaking activity. The largest 100 foundations represent approximately 84% of total non-operating foundation assets in Colorado. The information collected included website presence, availability of financial statements, grantmaking activity, and selected financial information. The majority of data comes from the publicly-available IRS Form 990-PF, which is the annual filing required for private foundations and includes grantmaking details. Foundations file the IRS Form 990-PF in either paper or electronic format.

For paper filings, we used optical character recognition tools whenever possible to convert the PDF to a readable format before recording grant details in a master spreadsheet. When available, electronic filings available in extensible markup language (XML) format allowed us to directly download the grant details. The key information for each grant includes the grantee's name, city, state, zip code, status (e.g. public charity, government), purpose, and grant amount. We added missing information, like zip code or city, based on Internet searches or the use of Google APIs as needed. Although the IRS Form 990-PF includes a purpose field for each grant, the responses are inconsistent across foundations and difficult to aggregate. In lieu of self-reported purposes of grants we used the National Taxonomy of Exempt Entities (NTEE) Codes, specifically the NTMAJ-12 codes, of the grant recipient when available, the self-reported purpose for grants to individuals, and an additional General Government code for grants to towns, cities, counties, and states.
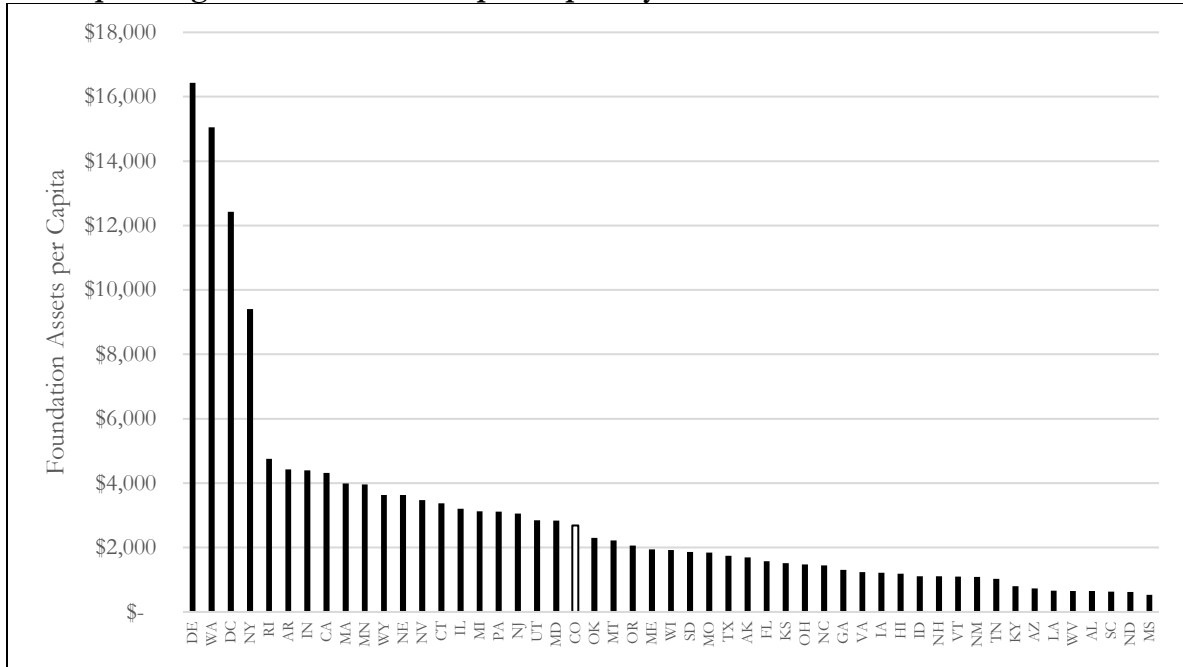
The primary data collection consisted of documenting grant activity from the Form 990-PF. The quantitative information was supplemented with a limited number of key informant interviews and exemplary cases identified during the primary data collection.

Major Findings

Primary findings from the review of Colorado's non-operating private foundations include the following:

- Colorado's foundation assets total approximately $15.6 billion, which represents the 16th largest amount for a state. Colorado ranks 20th out of all states for the number of foundations per capita (one foundation for each 3,159 residents with more than 1,800 foundations reporting assets) and 21st for foundation assets per capita ($2,686 per capita compared to the national median of $1,922).
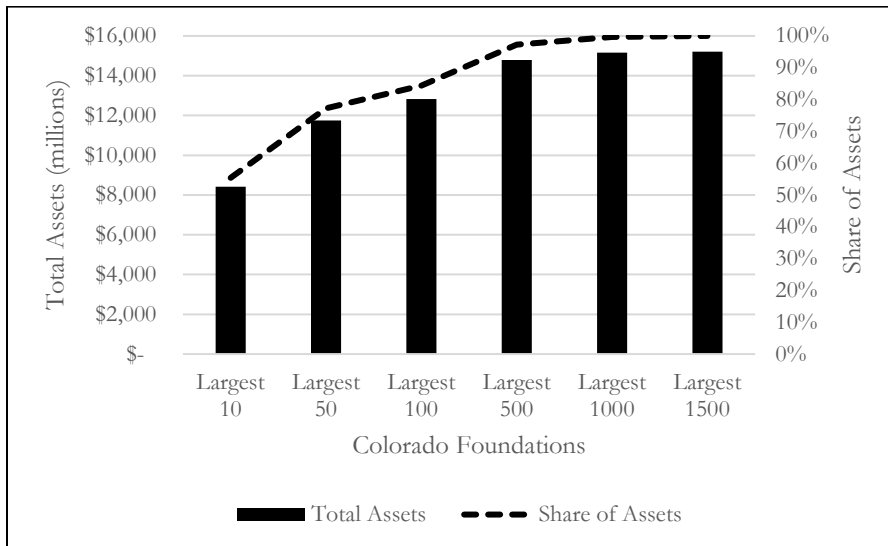
Non-operating Foundation Assets per Capita by State

Source: Authors calculations using IRS Exempt Organizations Business Master File (BMF) Extract updated on May 10, 2022 (see https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf). Note: The financial information contained in the IRS BMF data download largely reflects the 2020 and 2021 tax periods.

- Foundation assets in Colorado, like elsewhere, are heavily concentrated among the largest foundations. The largest 100 foundations by asset size represent 84% of the state's total foundation assets. The 10 largest foundations hold more than half (55%) of all foundation assets in Colorado.

Concentration of Foundation Assets in Colorado

Source: Internal Revenue Service Exempt Organizations Business Master File Extract (EO BMF) (updated through May 10, 2021). Supplemented with asset information from the IRS Form 990-PF for five foundations with no assets reported in the May 2021 EO BMF data.
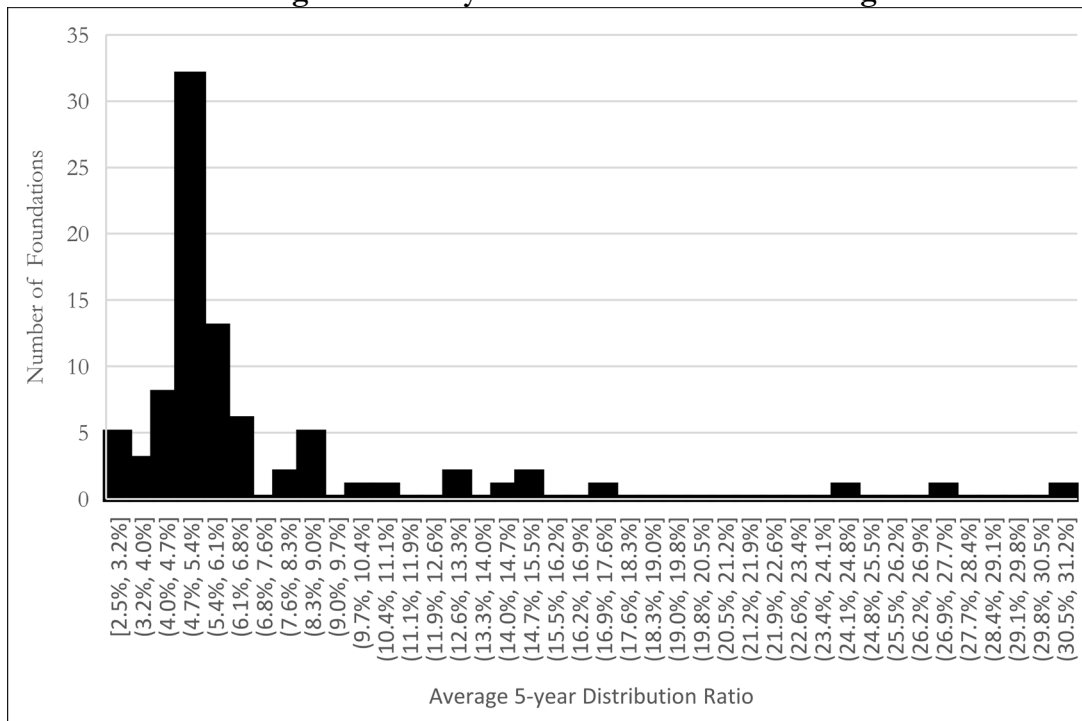
- Based on a year of activity, the state's largest 100 foundations made 9,881 distinct grants. The median grant amount of $10,000 fell far below the average grant amount of $53,722 due to the influence of larger grants. These large foundations awarded eighty grants of $1 million or more during the year reviewed.

Grant Amount Percentiles

Percentile	1%	5%	10%	25%	50%	75%	90%	95%	99%
Amount	$100	$300	$500	$2,500	$10,000	$30,000	$100,000	$200,000	$750,000

- The average 5-year payout rate for Colorado's largest foundations is 6.86% with a median of 5.24%. More than half of the foundations experienced average payout rates between 4.5% and 6.0%. Both the average and median payout rates of the state's largest foundations exceed the 5% requirement in the federal tax code.

Distribution of Average 5-Year Payout Rates for Colorado's Largest Foundations

Note: Average 5-year payout rates come from the IRS Form 990-PF (Part V: Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income, Line 3: Average distribution ratio for the 5-year base period). This information is no longer completed by foundations due to the repeal of Section 4940(e).
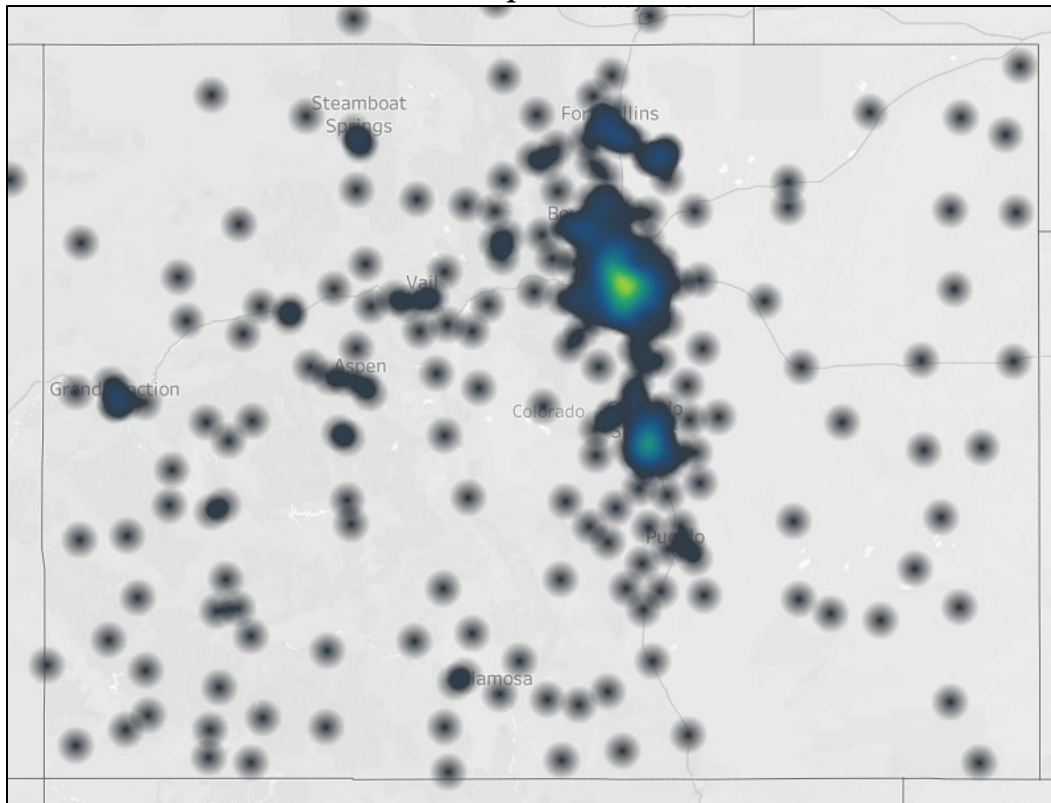
- Geographically, foundations, foundation wealth, and grantees are concentrated in Front Range cities, although foundation grantmaking benefits recipients throughout the state.

Geographic Distribution of Colorado's 100 Largest Foundations by Assets and Number

City	Asset Amount ($, millions rounded)	Percent of 100 Largest Foundations' Assets	Number and Percent of 100 Largest Foundations
Denver	$9,750	76.00%	50
Colorado Springs	$755	5.89%	9
Carbondale	$427	3.33%	2
Greenwood Village	$294	2.29%	3
Boulder	$215	1.68%	6
Fort Collins	$154	1.20%	4
Golden	$150	1.17%	2
Aspen	$137	1.07%	3
Littleton	$136	1.06%	2
Longmont	$120	0.94%	1

Source: Internal Revenue Service Exempt Organizations Business Master File Extract (EO BMF) (updated through May 10, 2021). Supplemented with asset information from the IRS Form 990-PF for five foundations with no assets reported in the May 2021 EO BMF data.

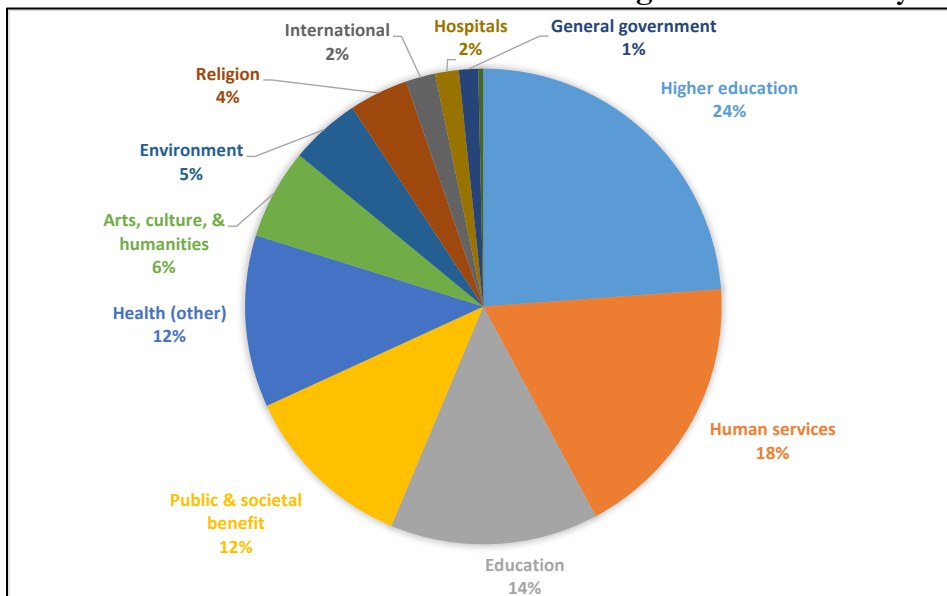**Locations of Colorado Grant Recipients**

- Colorado's foundations generally direct grantmaking to in-state causes. Colorado grantees received more than 77% of grants and 73% of grant dollars. In other words, 73 cents of every dollar of foundation grants initially remained in Colorado.

Colorado Giving by Quartile of Colorado's 100 Largest Foundations

	Less Colorado			More Colorado
Quartile of Foundations	**1st** (primarily out-of-state focus)	**2nd** (mixed in-state and out-of-state focus)	**3rd** (primarily in-state focus)	**4th** (near exclusive in-state focus)
Colorado giving is…	between 0% and 27% of total grant dollars	between 27% and 79% of total grant dollars	between 79% and 97% of total grant dollars	between 97% and 100% of total grant dollars
Example Foundation (Colorado giving percent, year reviewed)	Gill Foundation (16%, 2018); Ladybug Foundation Inc (0%, 2019)	Fulcrum Foundation (53%, 2019); Prologis Foundation (49%, 2018)	MDC-Richmond American Homes Foundation (87%, 2018); Nextfifty Initiative (83%, 2019)	Schlessman Foundation Inc (100%, 2019); Boettcher Foundation (98%, 2019)

- Foundation giving targets diverse causes and groups. Human services organizations received the most support based on the number of grants received (30% of grants), followed distantly by education (15%), public and societal benefit (13%), higher education (9%), health (9%), and arts, culture, and humanities (8%) organizations. Examining the amount of giving tells a slightly different story with giving primarily directed to higher education (24% of grant dollars), human services (18%), education (14%), public and societal benefit (12%), health (12%), and arts and culture (6%) organizations.

Share of Grant Dollars from Colorado's 100 Largest Foundations by Purpose

- Adopting the methodology from an existing study of foundation economic impact, a recent year of grantmaking by Colorado's largest 100 foundations resulted in $530.8 million of grants and an estimated $4.68 billion in direct benefits to the economy. Extrapolating beyond the largest foundations, the value of direct benefits for all Colorado foundations is estimated at $5.57 billion.

Estimated Annual Value of the Direct Benefits of the Top 100 Non-operating Private Foundation Activities in Colorado, By Category

Category (NTMAJ12 & Custom Codes)	Share of Total Grants and Support	Grants and Support	Estimated Return on Investment	Value of Direct Benefits
Arts and Culture (AR)	6.1%	$32,542,562	9.77	$317,940,831
Education (BH & ED)	38.0%	$201,569,616	5.08	$1,023,973,649
Environment & Animals (EN)	4.8%	$25,290,008	6.72	$169,948,854
Health (EH & HE)	13.3%	$70,588,180	7.60	$536,470,168
Human Services (HU)	18.3%	$97,337,880	10.91	$1,061,956,271
International Affairs (IN)	2.0%	$10,643,833	1.00	$10,643,833
Public Affairs/Society Benefit (PU & GOV)	13.1%	$69,742,530	22.04	$1,537,125,361
Religion (RE)	4.0%	$21,306,744	1.00	$21,306,744
Other (MU & UN)	0.3%	$1,814,971	1.00	$1,814,971
Total	**100.0%**	**$530,836,324**	**8.82**	**$4,681,180,682**

Notes: This table is based on Table 2 in Shapiro and Mathur (2008). Purposes coded as "Unknown" and "General Government" in this study are classified as "Other" and "Public Affairs/Society Benefit," respectively. The "Science & Technology" and "Social Sciences" categories used by Shapiro and Mathur are not reflected in our NTEE-based coding. Grant and support activity come from the compilation of activity from the most recent publicly-available IRS Form 990-PF at the inception of the study.

- Emerging practices supporting more diverse representation in grantmaking were observed.

- Most giving by Colorado foundations occurs via grantmaking, but some foundations actively use alternative approaches, including program and mission-related investments, to further leverage assets.

Additional Project Information and Outcomes

- Opportunities Resulting from the Project
  - Emerging relationship with a national network of funders
  - Conversations related to the report's methodology with a federal government entity
  - Submission of a contract proposal to leverage the report's analyses at national level

- Project Deliverables
  - Ely, T. L. (August 2022). *Foundations of Colorado*. Denver, CO: Center for Local Government Research and Training, University of Colorado Denver.
  - Project Website: https://www.coloradofoundations.org/

- Project Team Details
  - Provided funding to one doctoral student and a junior faculty member