



We are pleased to present the 2016 edition of the Gates Family Foundation's Annual Report. This report is provided exclusively in electronic format. In addition to the overview provided in this letter, you will find highlights of 2016 grant, Program Related Investment (PRI), and mission investing activity. The annual report also provides summary financial information and a complete list of grant and PRI payments made in 2016 by category of activity.

### **Priorities**

It is worth noting that 2016 marked the 70<sup>th</sup> anniversary of the founding of the Gates Family Foundation. Since 1946, the Foundation has distributed just under \$353 million in grants. The trustees and staff look forward to continuing to contribute to the Gates family's long history of giving back and investing in the people, communities, and resources of Colorado.

This past year was the fifth year of Foundation activity guided by the strategic plan adopted by the Foundation's board in 2011. The 2011 plan committed the Foundation to prioritize work in four areas: K-12 Education, Natural Resources, Rural Communities, and Urbanism. More than 75% of the Foundation's grant making this year fell in these categories. Much of this work was initiated by Foundation staff, working closely with a wide variety of partners within the state and beyond. Just over 38% of the Foundation's total grant payments in 2016 were made through the capital grants program.

In 2016, the board and staff undertook a comprehensive update of the Foundation's strategic plan. The process began with an extensive analysis of the impact of Foundation grant making over the 2012-2016 time period. Third party feedback was collected by consultants in the areas of education, natural resources, and community development. The process also included an assessment of changes in the Colorado landscape over the last five years, and projections on the population, demographic, economic, public policy/political, and nonprofit/philanthropic trends that may impact the future. The updated strategic plan for 2017-2021 was approved by the board at its December 2016 board meeting. The plan confirmed a commitment to the direction laid out in the earlier 2011 plan, and provided for refinement of some of the Foundation's core strategies and tactics. The plan also provides for a greater commitment to collaboration with other funders and partners, as well as greater investment in convening activity and in the capacity to share information. Click here to access the complete [Strategic Plan](#) document.

In 2016, the Foundation continued to expand its use of PRI commitments and other forms of mission investing to advance its priorities. The Foundation increased its commitment to the regional Transit Oriented Development Fund (TOD Fund) to \$1.25 million, and prepared to commit up to \$5 million to help capitalize and operationalize Colorado Charter Facility Solutions, a vehicle for supporting the financing and delivery of facility solutions for high-performing charter schools. The Foundation also approved another mission-aligned portfolio investment with a commitment of at least \$1.5 million to Beartooth Capital Fund III and related co-investment opportunities associated with the fund. The Beartooth fund seeks to generate market rates of return while investing in the restoration and conservation of ranch properties in Colorado and nearby intermountain west states. Meanwhile, approximately 25% of the Foundation's \$4 million commitment to the Colorado Impact Fund has been put to work as of the end of 2016. The Colorado Impact Fund is a private equity fund focused on providing early stage growth capital to



Colorado companies that combine strong potential to generate market returns with contributions of social and/or environmental benefits to Colorado.

### **Staff and Board Changes**

There were several notable staff transitions during the course of the year. As of June, 2016, Christina Turissini retired from the staff after 40 years of service to the Foundation. Christina provided financial and administrative management for the Foundation for almost two-thirds of the Foundation's 70-year existence. Sue Dorsey, most recently the chief financial officer for Water For People, assumed the role of vice president for finance and administration in the summer of 2016. The Foundation promoted Abby Schaller (formerly a graduate fellow in the education program) and Laia Mitchell (a program associate in the Natural Resources and Community Development area) to program officers. The Foundation also hired Russ Schnitzer as a program officer working in the natural resources area. Russ brings a strong background in land conservation and water resources. Senior program officer Rebecca Holmes left the Foundation's education staff in December of 2016 in order to accept the role as chief executive officer of the Colorado Education Initiative. The staff and board wish Rebecca success in this new leadership role.

The year concluded with active recruitment underway for both a vice president for strategic communications and a senior accountant. Anna Curran Snow was hired in February of 2017, and will assume the role of Senior Accountant in April. It is anticipated that additional education staff capacity will also be sought in the first half of 2017.

At the board level, December 2016 saw the end of the twelve-year term of Don Elliman as a trustee. Don was an extraordinary resource to the board and staff, and will be sincerely missed. Don's position as a non-family trustee has been filled by Wes Brown. Wes brings a wealth of community and business experience, and has been serving as an outside member of the Foundation's Investment Advisory Committee for several years. Family member Dane Harbaugh was appointed to serve a two-year term as a non-voting board associate commencing January 2017. Dane replaced outgoing board associate and family member Stephanie Newell, who completed her two years of service in December of 2016.

### **Highlights of 2016 Activity**

Please see the 2016 Grant, Program Related Investment, and Mission Investing Highlights and the complete list of grant and PRI investments in the Annual Report section of the Foundation's website for more detail.

**K-12 Education** – The Foundation worked in a variety of ways in 2016 to close the achievement gap for low-income students. Foundation staff were deeply involved in the development and launching of the Luminary Learning Network, an innovation zone within the Denver Public School system designed to support school leaders wanting to take their schools from good to great. The Foundation continued its in-depth work with the Lake County School District on a variety of strategies to drive student achievement. While still early, there are encouraging signs that progress is being made in Lake County. The Foundation also participated actively in the development of Colorado Charter Facility Solutions, a statewide effort to provide more appropriate



and cost-effective facility solutions for high-performing charter schools. The initiative's facility fund and support services should be operational in early 2017. The Foundation worked closely with a group of local and national funders interested in forming a collaborative to invest in the development of additional high-performing charter and autonomous schools within Denver Public Schools. The Foundation also provided support for the implementation of competency-based learning within the Mesa County Valley School District 51 in western Colorado.

**Natural Resources** – The Foundation continued its commitment to landscape scale conservation in four target landscapes. In 2016, there was significant activity in the grasslands of southeastern Colorado and in the San Luis Valley/Rio Grande basin. Fewer transactions were completed in the North Park and Upper Colorado Headwaters focus landscapes in 2016, although one very large transaction in the Upper Colorado closed just before year end. The Upper Colorado effort was further reinforced by the passage of a dedicated funding measure in Grand County to support trail and open space projects within the county. The Foundation supported early research that led to the development of this funding concept. The Foundation remained actively engaged with the land trust community on a variety of topics, including options for addressing orphan easements, strengthening stewardship endowments, and supporting land trust mergers or other types of collaborative operating models.

Last year was also a very active year with respect to water resource management. Foundation staff and grantees participated in efforts to identify early opportunities to implement the principles outlined in Colorado's first ever state water plan and to support new water investment strategies. Foundation staff continued to work with a number of partners to pilot examples of collaborative approaches to water management throughout the state. The Foundation also continued to support payment for ecosystem services projects and to collaborate with Great Outdoors Colorado and its partners in the Inspire! Initiative – an effort focused on getting children from diverse communities statewide outdoors.

**Community Development** – With the adoption of the Foundation's new strategic plan, initiated work in urban and rural communities has been combined under the single heading of Community Development. In rural communities, the Foundation invested in multiple food hub/food system focused projects, as well as multiple heritage tourism-related projects. The Foundation was also an active partner in the Space to Create partnership, supporting development of affordable housing and community space to serve the creative sector in multiple rural communities. The Foundation's more urban-focused work in 2016 continued to support important efforts such as the Mile High Connects transit opportunity collaborative, the West Denver Renaissance Collaborative, and work in northeast Denver in the Globeville/Elyria/Swansea neighborhoods. The Foundation also remained an active partner with the State of Colorado and Bicycle Colorado in the Colorado Pedals Project. Foundation staff also hosted the Intermountain West Funder's Network convening in Fort Collins in the spring.

**Capital Grants** – The Foundation's capital grants program addressed a wide variety of needs throughout the state, with more than \$4.3 million distributed in 2016. Grants supporting education, the well-being of children, youth and families, parks and recreation, and natural resources (land conservation) were the most heavily supported categories.



**Program Related Investments(PRIs)/Mission Investing** – The pace of capital released for existing PRI commitments slowed in 2016, due largely to limited activity within the regional Transit Oriented Development Fund (TOD Fund). Progress was made in structuring a charter facilities fund, but the Foundation had only provided startup operating funding for this effort as of the end of 2016. It is anticipated that the Foundation will release PRI funds to support facility financings in 2017. The Foundation did commit to a new mission-aligned investment within its portfolio. Beartooth Capital Fund III is a market return vehicle focused on the restoration and conservation of ranch lands in Colorado and other intermountain west states.

### **Financial Summary**

In 2016, the Foundation made grant payments of \$11,273,066 to 154 nonprofit and community organizations. More than 44% of these commitments were focused in rural communities throughout the state. Additionally, seven family funds held and managed by the Gates Family Foundation on behalf of Gates family members distributed another \$10,507,525 in 2016 through 85 grants to nonprofit organizations within and outside of Colorado. Each of these family funds has its own unique mission and focus. Grants from these family funds are initiated by the Gates family members who established the funds.

Total Foundation assets as of December 31, 2016 were \$423,106,412. The Foundation's portfolio grew by 4.8% in 2016 (net of fees, and with private equity values updated through September 30, 2016).

The board and staff continue to feel privileged to work with our partners across Colorado and beyond to contribute to positive impacts on the lives of people and communities throughout the state.

Sincerely,

Richard G. Kiely  
Chair

Thomas A. Gougeon  
President