



FIVE-YEAR STRATEGIC PLAN

2022 – 2026

Approved by the
Gates Family Foundation
Board of Trustees

December 9, 2021

A. HISTORICAL CONTEXT

Gates Family Foundation celebrated its 75th anniversary in 2021. Since its creation, total grant distributions by the Foundation (not including any PRI, MRI type commitments) were \$456 million as of the end of 2021. The vast majority of these investments have been focused on the people, communities, and natural resources of Colorado.



1. Mission, Vision, Values, and Governance

Gates Family Foundation mission:

We work with partners and communities to build a more equitable, resilient, and sustainable Colorado for all.

Gates Family Foundation vision:

A vibrant and verdant Colorado where all people and communities thrive

The mission of the Foundation is rooted in a long-term commitment to Colorado. Gates Family Foundation makes philanthropic investments statewide that contribute to the quality of life in Colorado, expand opportunity for all people, strengthen civic institutions and capacity, and support stewardship of the resources of this extraordinary place. The Foundation's mission is broad, its scope is statewide, and its primary areas of activity seek to address multiple complex challenges.

The Foundation's trustees and staff are committed to using all of the Foundation's assets and resources to maximize its impact on the state. The Foundation focuses in areas that are consistent with the interests of the institution's founders, where the state faces important long-term challenges, and where the Foundation's engagement can add value and make a difference. As a perpetual organization, the Foundation has the dual responsibilities of balancing current expenditures and impact with long-term stewardship of the institution's assets so that future generations can also engage in philanthropic activity, give back to the state, and address the most important needs and opportunities of their time.

Values: The legacy of the Gates family in Colorado has been shaped by a set of core values, including a strong belief in the importance of innovation, citizenship, free enterprise, self-reliance, the pursuit of excellence, and an entrepreneurial spirit. The Foundation's founders and their descendants also have displayed a strong commitment to expanding access to opportunity, particularly for young people, and a deep respect for nature. The Foundation aspires to remain aligned with these values. The Foundation's own culture places a heavy emphasis on the following values:

- **Respect** – We seek out diverse perspectives and listen with humility and a spirit of learning.
- **Creativity** – We harness all resources to find new approaches, support experimentation, and drive systemic, lasting solutions.
- **Engagement** – We partner, convene, collaborate, and lead to catalyze transformative change.

- **Place** – We are deeply rooted in Colorado, with a long-term commitment to its people, communities, and civic capacity.
- **Equity** – We prioritize individuals and communities that have been historically marginalized by addressing systemic barriers and creating pathways to opportunity.

Governance: The Foundation's governance structure is unusual for a family foundation, in that it involves a hybrid of family and community control. Ultimate authority rests with six family members each representing a branch of the Gates family. These members approve the selection of trustees that serve as the Foundation's governing board. Starting early in its history, the Foundation has preferred majority control of the board by community members. As of December 2021, the board is equally divided with four family trustees and four non-family trustees.



Upper Navajo River, southwest Colorado

The Foundation's Investment Advisory Committee also includes community members selected for their expertise that are neither family members nor trustees. This engagement of community members in governance and stewardship ensures access to a talented, diverse, and experienced set of leaders, and keeps the Foundation more closely grounded in Colorado. In addition to engagement of community members on the board, the Foundation also has term limits (a maximum of 12 years) that ensure continuity but also fresh perspectives.

The Foundation also made the decision a number of years ago to restrict its philanthropic activity to the state of Colorado. The family's roots, as well as those of the Gates Corporation, are in Colorado, even though through successive generations Gates family members have migrated to many different states. The decision was also in part a recognition that while the Foundation's asset base is significant, it would be insufficient to have meaningful impact in multiple states.

One other innovation in the Foundation's structure is the opportunity for Gates family members to create family funds housed and administered at the Foundation. The family fund structure allows family members to place assets at the Foundation to support their personal philanthropy. This opportunity provides a counterbalance to the restriction of the main Foundation's activities to Colorado. The family funds make the infrastructure of the Foundation available at a very limited cost and allow family members to pursue philanthropy with a mission and/or geographic focus different from that of the main Foundation. As of 2021, there are eight family funds housed at the Foundation, with a collective asset base comparable to that of the main Foundation.

2. Being a Place-Based Philanthropic Institution

For most of its history, and exclusively since the 1990s, Gates Family Foundation has focused its philanthropic activity in Colorado.

The decision to be a place-based institution continues to have a variety of implications:

- Because of its long history in the state, its long-term commitment to the place and its people, and the intention to be a perpetual institution, the Foundation is well-positioned to take on important and challenging quality of life issues facing the state.
- Over time the Foundation has been able to develop a deeper appreciation of the place and its history, culture, diversity, and politics.
- The Foundation can take a long-term view and facilitate progress on problems that do not have quick or easy solutions.
- The Foundation's history and circumstances allow it to practice a version of philanthropy that is more relationship-based, building on decades of engagement with communities statewide.
- The Foundation has been able to establish credibility as a long-term, trusted partner that is pragmatic, not ideological, solutions-oriented, and focused on the best interests of the state.
- The Foundation's history and deep connections statewide make it a logical partner for both local and national organizations.
- The Foundation has a long-term interest in more than just the programmatic areas where it focuses. It also maintains a long-term interest in supporting the institutions, infrastructure, and capacities of democracy and civil society.



Purgatoire Canyon, southeast Colorado

3. Strategic Planning Efforts in 2011 and 2016: Evolution

The strategic planning effort the Foundation undertook in 2011 resulted in a significant shift in approach. Prior to that time the Foundation had focused largely on being a responsive capital grantmaker. In 2011, the staff and board made significant changes in the Foundation's philanthropic model. Among the more significant changes:

- The scale of the capital grants program was significantly reduced, and the program became more competitive.
- A commitment was made to devote 60% of the Foundation's resources to grantmaking initiated by the Foundation in four priority areas: K-12 Education, Natural Resources, Rural Communities, and Smarter, Greener, Healthier Urbanism.

- The Foundation committed to expand its tools by adding a Program Related Investment (PRI) program and to begin exploring mission-aligned market return investments in its portfolio (Mission Related Investments, or MRIs).
- The Foundation began expanding the size and capabilities of its staff, with the goal of increasing its expertise and presence in core areas of interest, and also enhancing its ability to serve as a convenor, partner, thought leader, and catalyst for change.
- The Foundation began shifting trustee engagement to be more focused on strategic direction and less on grant approval.
- In 2012, the Foundation purchased the historic Hover Building in downtown Denver, providing a resource not only for the Foundation's offices, but a vehicle for supporting the office space and meeting needs of community partners and grantees.



Lake County School District students

The 2016 strategic planning effort benefited significantly from the experience gained from using a very different philanthropic model in 2011- 2015. In general, the plan created in 2016 embraced and further refined the changes outlined in the 2011 plan. Highlights of the 2016 plan included:

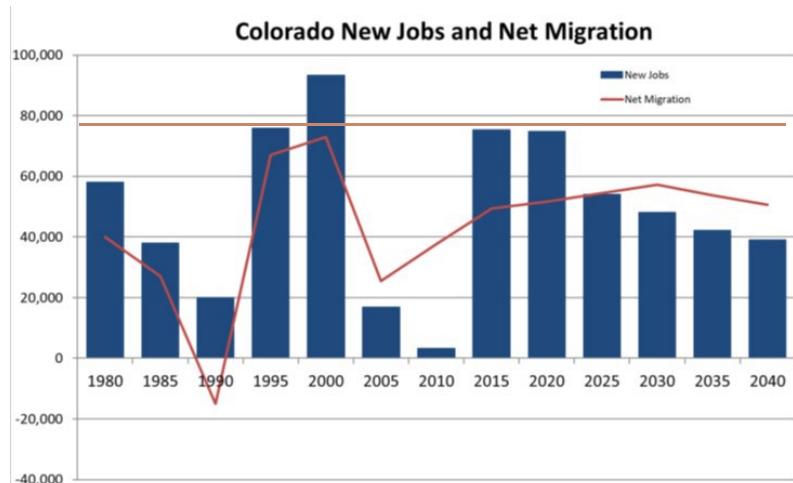
- The Foundation combined the urban and rural focused work into a single Community Development category. Staff identified five priority areas for funding: Access to Economic Opportunity, Community Planning, Multi-Modal Access and Infrastructure, Placemaking, and Food Systems and Agriculture.
- The Foundation increased the size of the program staff to create two three-member teams, one focused on K-12 Education and a second focused on Natural Resources and Community Development.

- The Foundation expanded the role of its chief finance and administration staff person to include leadership for all impact investing activity and added the position of controller to provide additional support in the areas of finance and administration.
- The Foundation committed to add a strategic communications function to support more active communication, sharing with partners, and convening.
- The Foundation increased its focus on freshwater solutions and balanced water management.
- The Foundation increased its focus on capacity issues facing the land trust community, including mergers and consolidations, orphan easements, and long-term stewardship obligations.
- The Foundation refined its K-12 Education strategies to include competency-based learning models, a greater focus on human capital, and increased focus on grass roots and grass tops public education advocacy.

B. PRESENT AND FUTURE CONTEXT

1. Colorado and Philanthropic Trends

The Foundation's 2021 strategic planning process kicked off with a review of a variety of trends in Colorado and a look at trends in the philanthropic sector. Given the timing of the process, the review also touched on the many impacts of the global COVID-19 pandemic, the state of economic recovery, and the implications of the racial reckoning triggered by the murder of George Floyd. A summary of the data and trends reviewed is included at: <https://bit.ly/Gates-2021-Trends-Summary>



Four key context lenses were used in the strategic planning process:

- Being Catalytic
- Diversity, Equity, and Inclusion (DEI)
- Climate
- Pandemic Impacts and Recovery

2. The Importance of Utilizing the Foundation's Capacity to be Catalytic

Over the last 10 years the Foundation has built the staff and other capacities necessary to function in roles beyond grantmaking. These capacities have become an important part of the Foundation's activities and philanthropic model. The use of these capacities can take many forms – convening stakeholders and/or funding partners for collective action, incubating and launching initiatives and organizations, loaning staff to play leadership roles in other settings, facilitating or mediating community conversations, serving as advocates, using expertise to work with other organizations as a thought partner and problem solver, or sharing lessons learned from experiences. Over time, the Foundation has become increasingly intentional about how and when

to use these capacities. This topic was an important consideration throughout the strategic planning process, across all areas of programmatic activity.

3. The Importance of Diversity, Equity, and Inclusion

The Foundation embarked on its own DEI journey in 2018. Since that time, the staff and board have engaged in a variety of activities designed to promote learning, deepen understanding, and explore how the Foundation can become an organization that values diversity, promotes equity, and practices inclusion. These activities took on heightened relevance in 2020 with the protests and outpouring of emotions that followed the murder of George Floyd in Minneapolis, and similar events in other cities, including the Denver metro area.

This DEI work intersected with the Foundation’s strategic planning activity in 2021. The results have been two products: a Foundation-level “Commitment to Diversity, Equity, and Inclusion” statement adopted by the board and an internal DEI Action Plan describing the ways in which the Foundation will operationalize the values and commitments included in the DEI Statement. The Foundation’s DEI Statement is included below:

Gates Family Foundation strives to embody and promote equity, value diversity, and practice inclusion. We prioritize people and communities that historically have lacked power and experienced barriers to opportunity. Addressing these imbalances is a critical element of solving some of Colorado’s most challenging problems. The Foundation will engage with diverse communities, particularly low-income residents and communities of color, and partner to create system-level change and expanded access to opportunity so that all Coloradoans can thrive.



Denver Urban Gardens participant

4. The Importance of Climate

The Foundation’s board and staff recognize that climate change is having a profound impact on the state and the Foundation’s core areas of interest and that work the Foundation is doing in many areas has a direct connection to climate. The Foundation is committed to using its resources more intentionally to contribute to achieving the best possible climate outcomes.

In recent years, leadership on addressing climate impacts has moved increasingly to the state and local level, and to the marketplace. This phenomenon creates more opportunities for the Foundation to engage in ways that are an extension of current work. Rather than create a new “climate program” the Foundation is building on knowledge and relationships it already possesses.



Lake Mead

As a place-based Foundation that funds in a diverse set of areas and uses a wide array of tools, the Foundation can find ways to contribute to climate solutions that apply in each of its core areas of interest and make use of all the tools at its disposal. The Foundation uses climate as a lens that

influences the way it pursues all of its work (grantmaking, impact investing, convening, operations, communications, serving in leadership roles, etc.). The Foundation looks for opportunities that have relevance for Colorado, and where it can have a meaningful impact.

5. The Impact and Relevance of the Pandemic and Ongoing Recovery

Clearly the rapid spread of the COVID-19 virus and the associated lockdown and social distancing requirements made 2020 a very different year for the Foundation. In March of 2020 the staff shifted to working entirely remotely and remained largely in that mode throughout 2021. In the spring and summer of 2020, the Foundation quickly shifted its grantmaking to address the many urgent needs that resulted from the pandemic and shutdown. The Foundation initially focused on the most basic and immediate needs – the public health response, food insecurity, services for individuals experiencing homelessness, support for undocumented workers unable to qualify for unemployment and other forms of assistance, and a variety of forms of support for small businesses. The Foundation also participated in multiple collaborative relief efforts focused on different communities and sectors. In the second half of 2020 and into 2021, the Foundation shifted more of its focus to supporting the needs of partners in its core areas of interest.

The pandemic and uneven economic recovery created a heightened degree of uncertainty for the 2021 strategic planning process. Each staff team had to not only identify priorities and strategies for the next five years, but also consider how the pandemic and recovery may influence priorities and strategies in the next year to 18 months.



Ouray Opera House

C. THE 2021 STRATEGIC PLANNING PROCESS

The Foundation devoted a significant amount of trustee and staff time to strategic planning in 2021. This plan builds on the direction provided by the two previous strategic planning efforts and draws significantly from what the board and staff have learned over the last five years. The Foundation also utilized a somewhat different approach in this cycle of strategic planning.

Strategic Planning Goals

- Understand the Foundation's evolution and progress to date and identify opportunities for even greater impact
- Seek alignment between trustees and staff on a targeted set of program area and foundation-wide priorities
- Ensure a highly collaborative and energizing strategic planning process
- Develop a practical and forward-looking strategic plan

Elements of the Process

- Analysis of the history and evolution of the Foundation, its connection to the Gates family, and the implications of being a place-based philanthropic institution
- A review of Colorado trends and trends in the broader philanthropic sector
- A lookback analysis in each of the four strategic priority program areas as well as the capital grants and impact investing programs
- A future-oriented white paper in each of the program areas,
- Analyses of Foundation operations
- Extensive partner and stakeholder feedback solicited in a variety of forms (staff-led and third-party interviews, online surveys, panels, etc.)
- Deeper focus on a limited number of issues in each program area and Foundation-wide
- Updated theories of change
- Review of examples where the Foundation functioned as more than a grantmaker and served in a leadership, convening, or catalytic role
- Analysis of grant data for DEI metrics
- A series of workshops with trustees covering Foundation history and evolution, operations, impact investing topics, program area priorities, DEI grant metrics, and DEI and mission statements
- Review of approaches to metrics and evaluation

Early interviews with the board and staff revealed Foundation-wide priorities upon which to focus:

- Maximizing the impact of the capacities the Foundation has developed over time to lead, convene, and catalyze activity – complementing grantmaking and leveraging staff capacity, networks, and expertise
- Creating clarity regarding objectives, parameters, and approaches for the next generation of the Foundation's impact investing efforts
- Ensuring that DEI and climate are lenses through which all Foundation activities are viewed
- Continuing to evolve approaches to impact tracking and evaluation to provide feedback and insights that can continue to inform and improve the Foundation's strategies and approaches
- Optimizing the value of the Foundation's capital grants program
- Adapting strategies in the next 18-24 months to the realities of the pandemic and economic recovery



Denver School of Science and Technology,
Green Valley Ranch High School

The development of the 2022-2026 strategic plan relied on support from a number of external resources. Boldly Go Philanthropy (Kyle Peterson and Jeff Kutash) served as the Foundation's design and thought partner throughout the process. In addition, the Foundation also relied upon the following to provide analysis, insights, and/or solicit feedback from partners and stakeholders:

- Staro Insights – Kate Lyda and Patrick Horvath
- Syntrinsic Investment Counsel – Ben Valore-Caplan and Jonalyn Denlinger
- Keystone Policy Center – Berrick Abramson
- Jason Weeby
- Public Equity Group – John Newsome
- Fulcrum Advisors – Jesse King

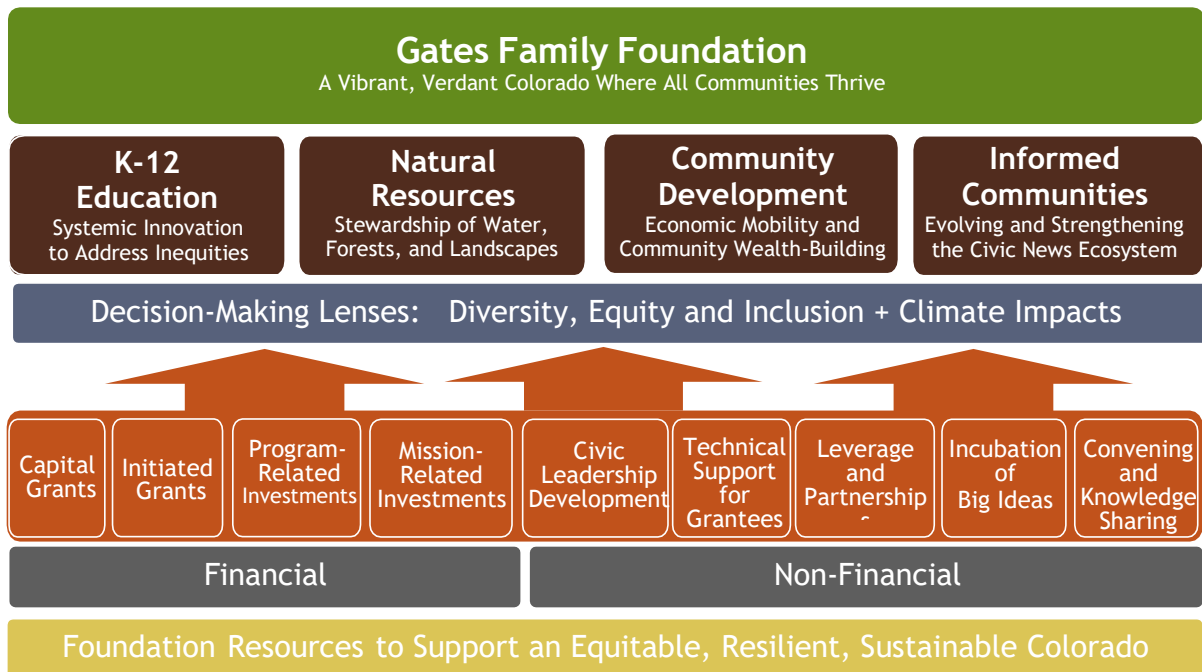
D. HOW THE FOUNDATION APPROACHES IMPACT

1. Foundation Theory of Change

The updated Foundation-level Theory of Change is linked below. It reflects a continuation of the Foundation’s focus on using a creative approach to philanthropy to impact long-term quality of life challenges facing Colorado in four areas – K-12 educational equity, stewardship of the state’s land and water resources, urban and rural community development, and informed communities. The Theory of Change also acknowledges the Foundation’s role as an investor in the assets and capacities of nonprofit and community organizations through its capital grants program, and its focus on cultivating a diverse next generation of leaders and building capacity within civic and public sector institutions. The Foundation seeks to imbed a commitment to diversity, equity, and inclusion in all of its activities, and to find ways to advance climate solutions in all areas of its work.

Gates Family Foundation – 2021 Theory of Change
<https://bit.ly/Gates-2021-TOC>

2. Philosophy and Philanthropic Model



The trustees and staff have embraced a philosophy that values the importance of grantmaking but also views the Foundation as a platform capable of delivering impact in ways that go well beyond grantmaking. The goal is to use all of the Foundation's tools and assets to advance opportunity in a variety of forms for all Coloradoans, promote excellent stewardship of the state's natural resources, and to grow leadership and build civic capacity. In addition to grantmaking, the Foundation has people, expertise, relationships, access, credibility, a substantial balance sheet, and the capacity to lead, convene, and catalyze activity when necessary and appropriate.

The current philanthropic model reflects the philosophy described above and is the result of a decade of evolution towards a more active and strategic approach to philanthropy. In addition to the elements depicted, the model also includes:

- A family funds structure that lends the infrastructure of the Foundation to support the philanthropic efforts of family members beyond the mission and geographic focus of the main Foundation (currently eight family funds are housed at the Foundation)
- Commitments to DEI and climate that are used as lenses through which all Foundation activity is viewed
- Operations that reflect the Foundations commitments to DEI, sustainability, and climate
- Use of the Hover Building to support the office and meeting needs of partner organizations and provide incubation space when needed

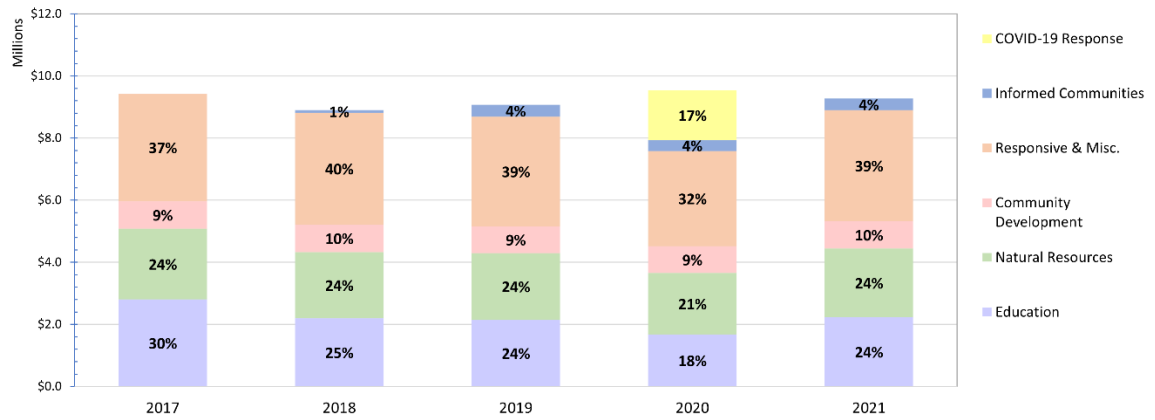
E. PROGRAMMATIC IMPACT

1. Summary of Grant Payments and Commitments and Total Deployment of Philanthropic Capital from 2017 to 2021

The next two charts summarize Gates Family Foundation grantmaking and philanthropic activity during the last five years. Grants paid and awarded by the main Foundation totaled \$46 million and \$46 million respectively during this period, as shown in the first two charts. In accordance with the strategic plan created in 2016, K-12 Education and Natural Resources received the largest allocation of initiated grant funds. Overall, the responsive capital grants program received the largest allocation of grant funds, varying from 32-40 percent of main Foundation grantmaking. During this five-year period, the Foundation also began committing funding to its work in Informed Communities. This focus area emerged in 2018 and has been part of the grant program since that time.

GFF Grants Paid by Program Area - 2017 to 2021

As of December 31, 2021

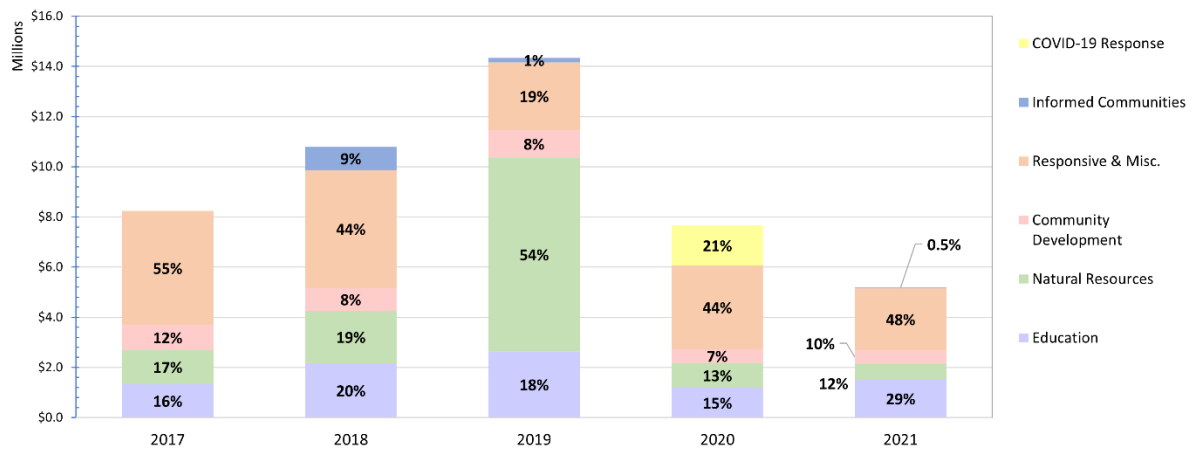


Per the 2017 strategic plan, GFF grant payout targets are:
25% for Education, 25% for Natural Resources, 10% for Community Development, and 40% for Capital.
In addition, the Board approved \$85K for 2018 and \$375K for 2019-2021 for initiatives related to Informed Communities.

Program Area	2017	2018	2019	2020	2021
Education	\$ 2,801,142	\$ 2,197,269	\$ 2,147,106	\$ 1,680,000	\$ 2,232,000
Natural Resources	2,282,500	2,132,658	2,151,900	1,971,500	2,209,500
Community Development	882,500	884,500	857,500	867,500	882,500
Informed Communities	-	85,000	375,000	350,000	375,000
Responsive & Misc.	3,459,975	3,600,338	3,534,627	3,066,978	3,572,273
COVID-19 Response	-	-	-	1,600,000	-
TOTAL	\$ 9,426,117	\$ 8,899,765	\$ 9,066,133	\$ 9,535,978	\$ 9,271,273

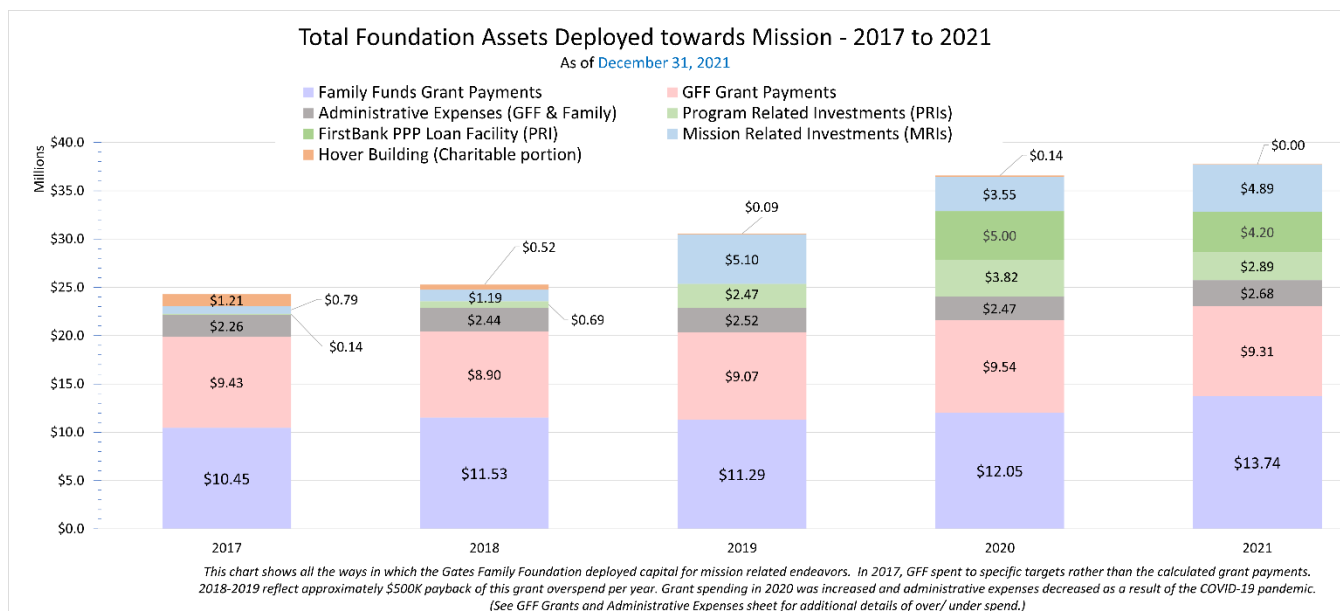
GFF Grants Awarded by Program Area - 2017 to 2021

As of December 31, 2021



Program Area	2017	2018	2019	2020	2021
Education	\$ 1,337,125	\$ 2,170,269	\$ 2,641,981	\$ 1,185,000	\$ 1,520,000
Natural Resources	1,362,500	2,087,658	7,724,900	999,000	638,000
Community Development	989,000	915,000	1,102,500	545,000	530,000
Informed Communities	-	920,000	175,000	-	25,000
Responsive & Misc.	4,548,975	4,701,600	2,696,765	3,337,500	2,468,500
COVID-19 Response	-	-	-	1,600,000	-
TOTAL	\$ 8,237,600	\$ 10,794,527	\$ 14,341,146	\$ 7,666,500	\$ 5,181,500

The third chart below depicts all Foundation assets deployed for philanthropic purposes between 2017 and 2021. This chart includes not only grantmaking through the main Foundation, but also family fund grantmaking, staff and administrative expenses, program-related investments, mission-related investments, the FirstBank PPP loan facility, and expenses associated with the portion of the Hover Building that is managed for charitable purposes. Consistent with the Foundation's intent to grow the percentage of its assets used in philanthropic and mission-relevant ways, the total assets deployed annually during this period grew from just over \$24 million in 2017 to just under \$37.7 million in 2021.



	2017	2018	2019	2020	2021
Family Funds Grant Payments	\$ 10,445,576	\$ 11,528,993	\$ 11,288,013	\$ 12,049,998	\$ 13,741,927
GFF Grant Payments	9,426,117	8,899,765	9,066,133	9,535,978	9,312,180
Administrative Expenses (GFF & Family)	2,262,455	2,444,391	2,524,284	2,474,749	2,683,765
Total Grants & Expenses	\$ 22,134,148	\$ 22,873,149	\$ 22,878,430	\$ 24,060,725	\$ 25,737,872
Program Related Investments (PRIs)	142,969	691,013	2,473,926	3,818,125	2,893,092
FirstBank PPP Loan Facility (PRI)	-	-	-	5,000,000	4,200,000
Mission Related Investments (MRIs)	794,841	1,190,404	5,096,850	3,545,069	4,885,796
Hover Building (Charitable portion)	1,209,311	524,823	92,593	139,972	4,759
Total Strategic Investments	\$ 2,147,121	\$ 2,406,240	\$ 7,663,369	\$ 12,503,166	\$ 11,983,647
Total Assets Deployed towards Mission	\$ 24,281,269	\$ 25,279,389	\$ 30,541,799	\$ 36,563,891	\$ 37,721,519

2. STRATEGIC FOCUS AREA: K-12 EDUCATION

Introduction

Gates Family Foundation has spent the last decade committed to advancing a Colorado where all children, regardless of race or socioeconomic status, have access to educational opportunities that support their long-term success. Since 2017, the Foundation's Education program has granted nearly \$9 million to 56 organizations. These commitments were joined by a \$5 million program-related investment to Colorado Charter Facilities Solutions and \$5 million in mission-related investments in three education technology (edtech) venture capital funds. While significant progress has been made, the staff and board recognize that the Foundation must adapt its strategies in response to changing contexts to ensure the greatest chance of success in meeting its goals.

Colorado faces the following realities:

- Opportunity gaps persist for low-income students and students of color, yet political disagreement on how best to address these disparities – both at the classroom and system level – has intensified, particularly in urban areas.
- Educators and leaders rarely reflect the diversity of student populations across the state and attracting and retaining diverse talent remains a significant challenge.
- Most rural Coloradans have not experienced the benefits of economic growth and have increasingly looked in recent years to K-12 education as a policy lever to address a persistent lack of economic mobility.
- Superintendents, educators, and community partners have demonstrated an openness to thinking creatively about the use of resources of all kinds, including people, funding, materials, partnerships, facilities, and relationships with the community at-large, but face policy barriers to implementing systemic changes.
- The COVID-19 pandemic has increased the urgency for new approaches to supporting students both in and out of K-12 systems. Many families, particularly families of color, have opted out of traditional schools and are exploring in-person and digital alternatives to the traditional school model.
- The impacts of climate change promise to accelerate income and racial disparities in academic, college and career, and economic outcomes and increase learning disruptions for students.

To ensure the education program's next five years are informed by diverse perspectives, the team invited feedback from several distinct stakeholder groups:



These conversations informed the education team’s 2022-2026 guiding beliefs, including:

- Generating solutions for students who are most in need and disproportionately impacted by inequities will surface new ideas that have the potential to raise outcomes for all.
- New learning environments – both autonomous public schools or out-of-system models – that are learner-centered, address students’ socioemotional needs, are based on research, and have strong theories of action are most likely to improve student outcomes.
- Those most impacted by decisions – especially students and families – should be a part of the decision-making process at all levels of new learning environment and system design.
- Diverse coalitions are best positioned to design, sustain, and advocate for innovative educational models that respond to student and community needs.
- Only those school systems and learning environments that directly confront the reality of our changing climate will successfully prepare students for the future and equip them with the skills and knowledge to build a more sustainable world.

Based on learning from the last five years of grantmaking and ongoing community conversations, the Foundation believes that supporting innovation within learning environments and systems is the best lever to meaningfully shift conditions that perpetuate educational inequity in Colorado. The priority strategies for Gates’ K-12 Education program in 2022-2026 are:

Create Innovative Learning Environments	Catalyze Innovations Within and Across School Systems	Support Conditions for Sustained Innovation
Foster innovative learning environments both in and out of traditional school systems that are based on the needs and demands of communities and increase student outcomes.	Catalyze innovations within and across school systems to use resources – time, people, and money – differently to address inequities within the system, empower educators, and increase opportunities for students.	1) Support grass roots and grass tops advocacy that reduces barriers for innovators and accelerates their work and 2) develop diverse teacher and leader talent pipelines to reimagine schools and systems.

Often, the education team will work in partnership with Lyra Colorado to advance these strategies. Lyra is a nonprofit Gates helped launch and supports that is focused on accelerating innovation in district systems. The Foundation will utilize many tools – grants, technical assistance, design support, facilitation, collaborative funding, program related investments, and mission related investments – in pursuit of these objectives.

Strategy 1: Create innovative learning environments both in and out of traditional school systems that are based on the needs and demands of communities and can increase student outcomes.

Substrategies:

- Invest in autonomous public schools designed to meet the needs and demands of students and communities most disproportionately impacted by inequities
- Support out-of-system learning environments (homeschools, learning pods, and micro-schools) that serve students most disproportionately impacted by inequities who have opted out of the traditional system

Targeted outcomes:

- Identify new models of learning for low-income students and students of color
- Eliminate academic disparities for students of color, low-income students, and other priority student groups

Gates' support might look like:

- Participation in RootED Denver, a collaborative funding organization that supports autonomous public schools and community-based organizations in Denver
- A start-up grant to a community-led charter school serving neurodiverse students
- Design and launch of a collaborative fund to support out-of-system innovators to pilot new learning programs
- A mission-related investment in an edtech venture capital fund

Strategy 2: Catalyze innovations within and across school systems to use resources (time, people, and money) differently to address inequities within the system, empower educators, and increase opportunities for students.

Substrategies:

- Invest in school districts and multidistrict structures that lead and support innovation in school models, tools to enable accountability, standards of academic progress and performance, and governance
- Support independently governed innovation zones in Colorado



Colorado Youth Congress members talking to State Senator Jeff Bridges about how Colorado finances public schools

Targeted outcomes:

- Shift conditions within systems (time, people, and money) that perpetuate inequities
- Eliminate academic disparities for students of color, low-income students, and other priority student groups

Gates' support might look like:

- Facilitation and design of a multidistrict initiative that creates new shared pathways to college and career for students across a geography (in conjunction with Lyra Colorado)
- Technical assistance and a start-up grant to launch a new independently governed innovation zone (in conjunction with Lyra Colorado)
- Facilitation of an effort in a rural district to coordinate and share resources between charter and traditional schools.

Strategy 3: Support conditions for sustained innovation, specifically **grass roots and grass tops advocacy** that reduces barriers for innovators and accelerates their work and **diverse teacher and leader talent pipelines** with the capacity to reimagine schools and systems.

Substrategies:

- Support policy that aligns and coordinates informal, fragmented out-of-system learning environments
- Support policy that strengthens and sustains independently governed innovation zones in Colorado
- Support policy that removes barriers for district innovation
- Support grassroots organizations to advocate for innovation, equity, and quality in districts, schools, and learning environments
- Support media efforts that build awareness, demand for quality, and accountability
- Support promising new talent programs focused on attracting diverse talent to schools and systems, with a priority on attracting talent to rural geographies



EdVentures Fellows Class of 2020

Targeted outcomes:

- Policy changes to remove barriers to innovation within learning environments and systems
- Educators and leaders better reflect the student population and schools and systems are better positioned to understand and meet students' needs

Gates' support might look like:

- A grant to an initiative to provide families with resources to access out-of-system learning opportunities
- A grant to a new program focused on accrediting diverse teachers committed to teaching in rural areas
- Launch of an effort to identify barriers to cross-district collaboration and elevate possible policy solutions (in conjunction with Lyra Colorado)

3. STRATEGIC FOCUS AREA – NATURAL RESOURCES

Introduction

The conservation, management, and protection of Colorado's natural resources has long been a programmatic pillar of Gates Family Foundation. Today, the Foundation recognizes the sense of urgency, scale, and collaboration needed to address the impacts of climate change and a rapidly increasing population – both factors placing unprecedented strain on the state's natural resources.

The past five years (2017-2021) positioned the Natural Resources program to address systemic conservation challenges such as balanced water management, deepened the Foundation's commitment to Colorado's private lands conservation community, and provided the chance to explore emerging areas of opportunity at the intersection of social, economic, and conservation values. The Natural Resources program's annual grantmaking budget has been increasingly stretched and leveraged as staff worked to remain relevant across all program priorities. It is precisely this challenge that has compelled staff to adopt an entrepreneurial approach to achieve ever-greater scales of impact and efficiency.

Since 2017, the Foundation's Natural Resources program has made strategic grants totaling nearly \$13 million to 62 organizations representing all program priority areas, in addition to just over \$1 million to 14 organizations through the responsive capital grants program. Additional impact is being leveraged through a program-related investment (\$500,000 in 2021) and mission-related investments totaling \$11.5 million across six different funds.

The forces of climate change, population growth, and urbanization are producing unprecedented natural resource management crises that threaten Colorado's quality of life and economic stability. For example:

- As Colorado's population continues to increase, so too will the economic pressure on farmers and ranchers, as liquidating land and water assets becomes the best and perhaps only way to secure their family's future. Additionally, more people flocking to the state add strain on outdoor recreation destinations from communities to rivers, resorts, public lands, and local trails.
- In the coming decades, the changing climate is likely to decrease water availability and agricultural yields in Colorado, and further increase the risk of wildfires. The destabilizing ripple effects could have social and economic impacts in addition to the ecological implications.
- Ninety-five percent of Colorado is experiencing some form of drought, as of publication. These conditions have persisted for so long that it is now characterized as a permanently shifted baseline resulting in a new normal that is drier and warmer.
- The conservation field does not reflect the demographics of the state and there are implications for this mismatch in access to and leadership of the natural resources field. As a result, communities of color, low-income Coloradans and other marginalized communities typically have less access to the outdoors and are also less likely to be leading or managing conservation or land management organizations.
- Equitable and inclusive access to nature and the outdoors is a challenge and opportunity for communities throughout the state.
- Finally, in 2020 the forest health crisis that began building nearly 20 years ago intersected with a rapidly intensifying climate crisis and resulted in the worst wildfire year on record. In that single season, more than 665,000 acres burned at a cost of more than \$266 million for suppression alone. More than 1,150 homes were destroyed and two lives were lost. This is the state of Colorado's natural world in 2021.

Looking Ahead

The priorities of the Natural Resources program remain relevant and do not require a major overhaul. The desired outcome is focused on the long-term sustainability and resilience of Colorado's land and water resources through balanced management, collaboration, and innovation. Progress will also require good decision-making in the face of unprecedented challenges including climate change, population growth, and urbanization.

Focusing on the future, however, there is a need to reorient — not the program's focus areas, but how staff manages time spent on projects and working with grantees and partners. Guided by feedback gathered from a cross-section of partners, fellow funders, and grantees, there is a recognition that the scale of primary conservation challenges will require high-impact and high-level approaches extending beyond traditional grantmaking. Accelerating opportunities that promise resilience, allow communities to adapt, and help advance techniques and technologies will drive the staff focus.

In addition, staff recognize the significant gap that exists in decision-making in conservation organizations and access to the outdoors for Black, Indigenous, and people of color. For this reason, efforts to reduce barriers and elevate diverse leadership will be embedded within all of the Natural Resources grantmaking strategies.

Based on extensive research and feedback from partners and leaders throughout Colorado and beyond, the priority strategies for Gates' Natural Resources program in 2022-2026 are:

Advance Balanced Water Management Strategies	Invest in Forest Health and Watershed Restoration	Invest in Landscape Conservation and Land Trust Capacity Building
Advance water solutions that acknowledge and address the complexities of a scarce resource and its impact on the environment, communities, and economies.	Create inclusive and collaborative forest management strategies that support the role of healthy forests and watersheds in providing ecological, social, and economic benefits.	Support targeted land protection and resilience investments in high-priority landscapes and support the land trust community in large-scale and collaborative statewide efforts.

Gates' Natural Resources program will continue to collaborate and fund in additional areas including habitat restoration efforts at scale and community-based conservation and stewardship efforts.

Strategy 1: Advance balanced water management strategies that improve sustainability and resilience; increase cross-sector cooperation among water users; advance best practices and policies; and increase agricultural resilience and adaptation.

Substrategies:

- Invest in water management strategies that improve sustainability and resilience
- Invest in local and statewide efforts to improve water management policies and practices
- Increase cross-sector cooperation among water users
- Increase agricultural resilience and adaptation

Targeted outcomes:

- More resilient and secure communities across Colorado
- More funding, incentives, and buy-in for adaptive water management strategies
- More creative, collaborative, and scalable water management solutions

Gates' support might look like:

- Grants for or investments in pilot efforts aimed at expanding and protecting water sharing arrangements and increasing flexibility of water rights management
- Support of advocacy efforts seeking increased funding for sustainable water management strategies
- Grants to build and strengthen the capacity of multi-sector coalitions and collaboratives



Animas River watershed in southwest Colorado

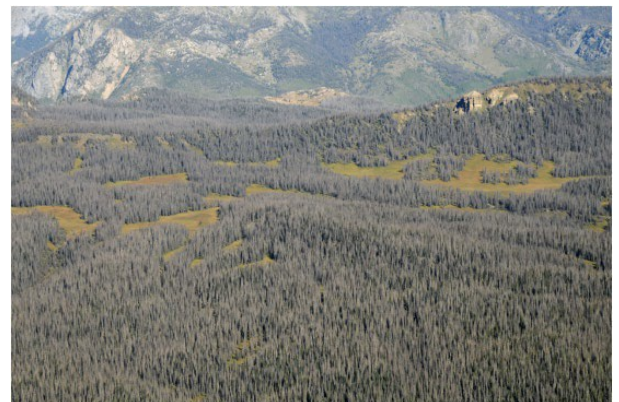
Strategy 2: Invest in forest health and watershed restoration efforts that create cross- jurisdictional and statewide strategies; increase the pace and scale of wildland fire mitigation efforts; and improve forest health conditions in priority headwaters and watersheds of Colorado.

Substrategies:

- Support the development of a statewide forest health strategy
- Invest in more effective and integrated wildland fire mitigation efforts
- Invest in incentives and activities that improve landscape-scale forest health improvements in priority headwaters and watersheds of Colorado

Targeted outcomes:

- Inclusive and collaborative forest management strategies
- Forest watershed management systems that consider the ecological, economic, and social infrastructure provided by natural solutions
- Reduced threat of catastrophic wildfire to rural communities and critical infrastructure
- Increased social buy-in for applied forest health practices



Dead timber in the San Juan National Forest

Gates' support might look like:

- Grants for the development and implementation of system-level, cross-jurisdictional strategies for collaborative initiatives addressing water quality and community adoption of mitigation and resilience strategies
- Grants for active, scaled forest health practices and management
- Participation in and support of creative forest health and watershed restoration finance mechanisms through grants and potentially program-related investments

Strategy 3: Invest in landscape conservation and land trust capacity building that support targeted land protection investments in high-priority landscapes and support the land trust community in large-scale and collaborative statewide efforts.

Substrategies:

- Incentivize comprehensive, community-based approaches to private land conservation
- Support the capacity of place-based partners and collaborations in focus landscapes
- Catalyze the evolution of Colorado's land trust community for greater relevance and resilience



Montezuma Land Conservancy intern at Fozzie's Farm

Targeted outcomes:

- Increase public funding and strengthen support for conservation easements
- Advance the land trust field through capacity building, pilot programming efforts, policy development, and other statewide partnerships
- Landscape-scale community-based conservation strategies that integrate local agricultural and economic resilience

Gates' support might look like:

- Support for conservation easement public funding and policy, and strategy development for statewide private lands conservation
- Continued support of Gates' Focus Landscapes initiatives in the San Luis Valley and southeast Colorado
- Grants for conservation and organizational development strategies that incorporate and advance diversity, equity, and inclusion efforts
- Support for multi-funder collaborations that leverage public-private partnerships for coordinated and responsive state-level habitat restoration efforts

4. STRATEGIC FOCUS AREA – COMMUNITY DEVELOPMENT

Introduction

Colorado's rapid population growth continues to challenge how communities grow, what resources are available, and who benefits. Gates Family Foundation's Community Development program invests in strategic efforts to increase the equity, vitality, and resilience of Colorado's urban and rural communities. The portfolio has focused on five key strategies: access to economic opportunity, multi-modal mobility, foods systems and agriculture, placemaking, and community planning. From 2017 through 2021, the Foundation made 68 Community Development grants totaling just over \$4 million, with an average grant size of \$63,000.

Beyond grants, Gates' Community Development program has successfully utilized impact investing as a way to operate at a larger scale, particularly in the financing of affordable housing and community facilities, and in support of under-resourced small businesses and entrepreneurs. The Community Development program has been the most active impact investing area at the Foundation, with eight program-related investments and six mission-related investments since 2017. The Foundation also supports Community Development initiatives through capital grants, making 48 such commitments totaling just over \$4 million from 2017 through 2021.



Trust for Public Land's Parks for People Via Verde

Equitable and resilient Colorado communities provide economic opportunities to residents while also supporting the infrastructure needed for individuals and families to thrive – such as accessible and affordable housing, access to parks and community spaces, and multi-modal transportation options. Colorado's robust economic growth has not benefited all, with major disparities experienced along racial, gender, and geographic lines. The summer of 2020 brought a tidal wave of recognition of the systemic inequalities and racial injustice in the United States, and the impacts of the COVID-19 pandemic are worsening existing inequities.

To develop a plan for the next five years, the Community Development team conducted extensive research and solicited feedback from partners and grantees to listen and learn with community. Together, these issues emerged as critical in Colorado:

- **Economic inequality** is worsening in Colorado. With a narrowing middle class, an increase in low-wage jobs, and persistent racial wealth and income gaps, there are complex economic issues that need to be addressed to ensure a prosperous state and quality of life for all. COVID-19 has exacerbated existing inequity in Colorado's economy, which was already on the rise pre-pandemic.
- **Housing access and affordability** is a crisis in both urban and rural areas. A lack of supply, increasing demand, material and labor shortages, dramatic price increases, a lack of renter protections, missing "middle" or workforce housing, a legacy of historical

race-based discrimination, and a number of public policy challenges make housing a critical and complex issue to address in the coming years.

- The Front Range and some mountain communities continue to experience **dramatic population growth**, leading to resource challenges, traffic congestion, environmental degradation, pressure on agricultural lands, and gentrification and displacement pressures for residents – with a disproportionate impact on communities of color, low-income residents, and renters.
- A decline in extractive industries is impacting **rural Colorado**, and there is a need to support “just transitions” to new economic futures for impacted workers and their communities. Agriculture is important to Colorado’s economy and rural heritage, but farmers and ranchers are having an increasingly difficult time earning a living in the current economic market and food system structure.
- **Climate change** will continue to impact Colorado communities, and residents need strategy solutions that are equitable and rooted in community needs and environmental justice. Equitably distributed parks and open space, impacts on agriculture, resource consumption in cities, and the greenhouse gas emissions associated with transportation and land use decisions are all factors that intersect with Community Development.

Based on these key factors, the Community Development program’s 2022-2026 focus will shift from a broader set of funding areas to a more targeted approach, with two key strategies as the primary focus areas. Community Development also will prioritize communities that have historically been excluded from decision-making power or faced barriers to accessing opportunity, such as low-income residents and Black, Indigenous, Latino/a, and other communities of color, taking into account the diverse urban and rural contexts of the state.

The priority strategies for Gates’ Community Development program in 2022-2026 are:

Advance Economic Mobility	Invest in Place-Based Community Assets
Address systemic economic inequities and build a more just, inclusive economy that creates living-wage jobs, develops small businesses, and builds community wealth for low-income residents and communities of color in urban and rural Colorado	Support efforts to create and preserve affordable housing, address displacement pressures, build community-serving infrastructure like parks and multi-modal transportation, and envision a more equitable and climate-sustainable future for Colorado communities, with a focus on resident-led initiatives

Strategy 1: Advance economic mobility

Key strategy: Advance community wealth building opportunities in low-income communities and communities of color, such as equitable access to capital, home and business ownership, community investment vehicles, and co-operative ownership models.

Substrategies:

- Increase access to entrepreneurial capital through loan pools and other investment tools
- Invest in models that transfer ownership and equity to workers, residents, and communities
- Invest in community-based programs that build local economies and wealth for low-income and/or BIPOC residents and neighborhoods

Targeted outcomes:

- New public or private capital streams to entrepreneurs, especially for low-income and BIPOC individuals
- Increased awareness and adoption of shared-equity models
- Deeper technical resources for entrepreneurship and increased rate of new businesses formed by low-income and /or BIPOC communities



Center for Community Wealth Building participants

Gates' support might look like:

- Loan pools to provide access to capital for underserved entrepreneurs
- Grant support for worker cooperatives, employee ownership, and other models that transfer wealth especially to low-income and BIPOC individuals
- Grants to support financial and business model coaching and holistic services that increase participation in the economic sector by low-income and BIPOC communities

Additional strategies:

- Support rural communities facing declining economies through just transition work and other reinvestment and resilience strategies
- Advance efforts to specifically address the racial wealth gap and advance economic opportunity for communities of color
- Support agricultural and food systems market development that supports Colorado farmers and ranchers

Strategy 2: Invest in place-based community assets

Key strategy: Invest in affordable housing innovation, capital pipelines, and policy change that create and preserve affordable housing across the state.

Substrategies:

- Invest in policy development, regulatory changes, and capital pipelines that remove barriers and produce innovative financial models
- Invest in technologies or innovations that increase affordability and create new housing types and construction models
- Preserve existing affordable housing and stabilize neighborhoods undergoing gentrification; ensure equity is integrated into community solutions for affordable housing

Targeted outcomes:

- New pathways to finance and build housing via public or private funding streams or incentives
- New technologies or regulation changes piloted and scaled throughout the state
- Anti-gentrification and displacement policies developed, community leadership, and voice expanded

Gates' support might look like:

- Grants to support various advocacy efforts: development of a state affordable housing fund, changes to zoning, deed restrictions, barriers to financing
- Grants or investment dollars for modular construction, accessory dwelling units, investments in land trust models, community-driven housing developments



Population growth is having an impact on housing construction

Additional strategies:

- Provide seed funding/pre-development grants to community groups working to advance on-the-ground solutions and build place-based community assets
- Support pandemic economic response and recovery opportunities
- Selectively invest in environmental and climate strategies such as access to green spaces, active transportation/mobility, and local food production
- Selectively support community planning efforts that are inclusive and aim to create equitable community assets

When making grants and investments, the Community Development team will seek strategies that:

- Are rooted in equity and address historical barriers to opportunity
- Elevate and prioritize the leadership of historically under-represented residents, with a focus on low-income communities and communities of color
- Advance community-driven solutions that are built on authentic and meaningful community organizing and engagement
- Consider climate change and the long-term sustainability of cities and towns
- Advocate for new policies or create capital pipelines that sustain the work
- Pilot innovation, challenge convention, and have opportunities to scale
- Maintain flexibility and are adaptive and responsive to changing conditions

Beyond grantmaking and investment strategies, the Foundation will commit staff capacity to high-leverage activities such as convening, collaborative partnerships, and strategic communications, with the goal of advancing equitable, thriving, and resilient Colorado communities.

5. STRATEGIC FOCUS AREA – INFORMED COMMUNITIES

Introduction

Well-informed, engaged communities are vital to a well-functioning democracy and key to addressing all of the challenges facing our state – equitable education, climate change, economic mobility, and more. Trustworthy, rigorous, fact-based local news is a fundamental component of healthy, thriving communities. Coloradans rely on local journalists to monitor, uncover, and amplify important issues in a way that equips the public to hold the powerful to account, mobilize communities, advance causes, and enact strong policies. The best civic news also spotlights humanity among neighbors and builds a foundation for solutions.

Gates Family Foundation has supported public media since 1967 – the same year the U.S. Congress established the Corporation for Public Broadcasting – and digital news startups since 2011, as in-depth local coverage of the Foundation’s strategic priority issues has declined. In 2019 Gates made a catalytic \$900,000 investment in the Colorado Media Project (CMP), as a community-based response to the existential challenges facing local news – and the resulting negative impact on Colorado communities and their ability to engage in productive civic conversations. Gates’ commitment to CMP has since been more than tripled through investments from many local and national partners, fueling a marked increase in innovation, collaboration, and inclusiveness within Colorado’s local news ecosystem.



COLab Newsroom tenants tour Rocky Mountain Public Media’s new Buell Public Media Center prior to opening

Between 2017 and 2021, Gates committed a total of \$1.1 million in grants to CMP and three other nonprofit media organizations through its Informed Communities program; \$840,000 to eight media organizations through its Education, Natural Resources, and Community Development programs; and \$785,000 to Rocky Mountain Public Media for programs and capital improvements. Since 2020, Gates also has committed a total of \$2.25 million in impact investments in two public benefit corporations on the leading edge of innovating local civic news.

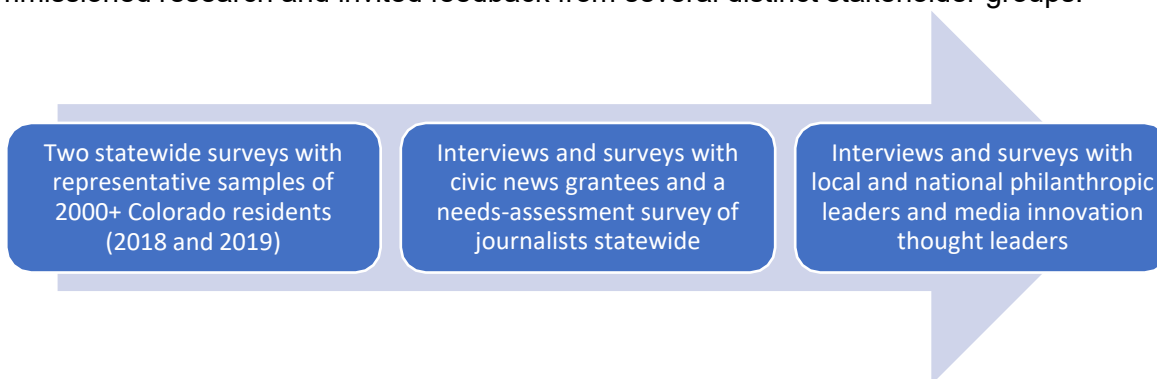
While much has been accomplished, Colorado faces the following realities:

- **Commercial models for sustaining local journalism have deteriorated**, as tech platforms dominate audience attention and advertising dollars. Consumers seek sophisticated mobile experiences, yet most local outlets underinvest in digital products. Public media is expanding its role and digital startups are attempting to fill civic news gaps, but overall the field is still fragmented and fragile.
- **Meanwhile, rapidly evolving tech tools and social platforms have democratized content creation** and the public’s role in holding the powerful to account. “New power” media models are on the rise, with individual community leaders, nonprofits, corporations, and politicians leading many civic and cultural conversations. Much about this phenomenon is positive, but it also contributes to further audience fragmentation and overwhelm.

- **Oversimplified soundbites and rampant online disinformation** exacerbate fractured and dysfunctional public conversations and political polarization. Many Coloradans long to make positive change, but trust in most institutions is at an all-time low.
- **Trust in local news is higher than in national news, but for some trust never existed.** Local newsrooms have come under increased public scrutiny as powerful institutions that have inflicted harm on communities and individuals of color. Journalists and others are examining the profession, and exploring ways to ensure that moving forward, local news is more inclusive, less reactive, and more grounded in the perspectives of community members who have the least power.
- **Public awareness of what is at stake is low.** Local journalists, nonpartisan allies, and supporters of democracy must transform the civic news sector in ways that build trust between local newsrooms and the diverse communities they serve; promote truth and civility; facilitate solutions-oriented community conversations; and develop new models for sustaining local civic news as a public good.

Gates' Informed Communities program works with allies toward the vision of a future where all Coloradans can make well-informed decisions about important issues facing their families, local communities, and Colorado, with access to high-quality local news that they trust, and inclusive opportunities to engage in a healthy, robust public square.

To ensure Gates' 2021-2025 strategies were informed by diverse perspectives, the Foundation commissioned research and invited feedback from several distinct stakeholder groups:



The research, stakeholder conversations, and the last three years of grantmaking informed the following observations that will guide Gates' Informed Communities strategy in 2022-2026:

- **Local journalism is fundamental to civic engagement.** But uncovering problems and distributing content is only half of the equation. Local news is a public good only when it helps local people understand issues and each other, fosters civic dialogue, and inspires forward-looking solutions.
- **Saving what exists is not a strategy.** Even strong local media brands and businesses must continue to evolve, to better serve and connect with more Coloradans.
- **Ownership matters.** Local, mission-aligned control of civic news organizations empowers local news leaders and staff to prioritize community service over corporate profits, which in turn can inspire innovation and investment from communities.
- **Diversifying voices, perspectives, partners, and leadership is not a nice-to-do,** it is core for capacity, accountability, relevance, trust, revenue, and survival. The tent for reimagining

civic news must continue to expand beyond journalists to include new partners and models for reaching 21st century audiences.

The priority strategies for Gates' Informed Communities program in 2022-2026 are:

Evolve and Strengthen the Civic News Ecosystem	Address Civic News and Information Gaps in Gates' Core Focus Areas	Cultivate More Inclusive Civic News Leadership, Voices & Models
Catalyze and support innovations that help make Colorado's civic news ecosystem more collaborative, sustainable, inclusive, and responsive to the communities it serves	Support civic news organizations and projects that increase the amount and reach of high-quality reporting on public education, natural resources, and community development issues	Support people and projects that harness a more diverse array of partners and community assets to reimagine civic news, with an emphasis on better service to communities of color, rural areas, and other underserved communities

The Foundation will work in partnership with Colorado Media Project, the Colorado News Collaborative, higher education, community-based organizations, and path-leading civic news organizations to advance these strategies. CMP is a multi-funder initiative housed at Rose Community Foundation that catalyzes support for accelerating innovation and community service in Colorado's local civic news and information ecosystem. COLab is a capacity-building hub and innovation lab working with journalists from more than 120 local media outlets to advance Better News, More Trust, and Faster Evolution to serve all Coloradans.

Through both Gates and CMP, Foundation staff will leverage many tools – convening, facilitation, project design support, technical assistance, as well as independent and collaborative funding, grants and impact investments – to advance these strategies.



Some of the 24 Colorado Community Media newspaper titles kept in local hands, through a Gates impact investment in the National Trust for Local News in 2021

Strategy 1: Evolving and strengthening Colorado’s civic news ecosystem by catalyzing and supporting innovations that make it more collaborative, sustainable, inclusive, and responsive to the communities it serves.

Substrategies:

- Support ecosystem-level innovations in technology, newsroom collaboration, efficiencies, and distribution that enhance public service and sustainability of local civic newsrooms
- Support capacity-building initiatives that help civic newsrooms engage communities, increase responsiveness, diversify funding streams, increase revenue, and strengthen resiliency
- Help navigate and support high-impact ownership transitions or growth opportunities that prioritize community needs and advance ecosystem collaboration and sustainability
- Engage more funders and civic leaders in understanding the issues and growing support for innovative strategies to evolve, strengthen and sustain local civic news

Targeted outcomes:

- A more collaborative and efficient civic news ecosystem with access to capacity building and technical support resources needed for continuous evolution
- More public awareness of the value of civic news
- More philanthropic and community investment in civic news and a reimagined public square
- More civic news organizations staying in local hands or launching with new models, sustained with strong support from local communities



In 2019 Colorado Media Project and Free Press hosted a community forum in Longmont to listen to residents’ ideas and aspirations for local news

Gates’ support might look like:

- Gates’ continued role in helping to steer the Colorado Media Project, by working with partners to design initiatives, pool funds, and offer grants that spur innovation, impact, and equity in civic news
- A contribution to CMP’s #newsCOnneeds fund, to offer matching grants and build philanthropic fundraising capacity of nonprofit and locally owned civic newsrooms
- Support for COLab and its core partners as a hub for building capacity in local newsrooms and civic news entrepreneurs to deliver Better News, More Trust, and Faster Innovation
- Leveraging staff time and connections to help navigate and support significant media ownership transitions, innovations, or growth
- Convening working groups to develop ecosystem innovations and shared policy agendas

Strategy 2: Addressing civic news and information gaps in Gates' core focus areas by supporting strong civic news organizations and innovative projects that increase the amount and reach of high-quality reporting on public education, natural resources, and community development and other issues of importance to the Foundation.

Substrategies:

- Support strong civic news organizations and/or projects that increase public awareness and support for equitable education, sustainable natural resources, and equitable community development
- Support reporting fellowships and collaborations that build content knowledge, stronger coverage, and peer leadership among local journalists and storytellers in Gates' core issue areas

Targeted outcomes:

- Important issues including public education, natural resources, and community development are covered with depth, nuance, community perspectives, and solutions-based narratives
- Public officials, institutions, corporations, and other powerful entities are held accountable for decisions that impact the lives of Coloradans and the environment
- More public awareness of, demand for, and policies enacted to advance equitable education, sustainable natural resources, and equitable community development



Endale Getahun's KETO-FM, a multi-lingual radio station serving immigrants in Aurora, is a recipient of Colorado Media Project's Informed Communities Fund for COVID reporting

Gates' support might look like:

- Operating support for strong civic news organizations that reach broad or targeted audiences in Gates' core issue areas
- Support for innovative reporting projects that amplify issues and solutions in Gates' core issues areas
- Support for topical reporting fellowships or other learning opportunities for reporters to gain in-depth content knowledge and context, and develop skills, sources, and story ideas
- Underwriting or advertising support to promote stories, research, events or messages from Gates or its grantees

Strategy 3: Cultivating more inclusive civic news leadership, voices, and models through support of people and projects that harness a wider array of partners and community assets to reimagine civic news, with an emphasis on better service to communities of color, non-English speakers, rural and low-income residents, and others not adequately served, reached, or represented.

Substrategies:

- Support capacity-building and projects that build media leadership, entrepreneurship, civic news reporting, and storytelling skills – particularly for journalists, content creators, and residents of color and from rural or other underserved communities

- Support innovative models that leverage trusted institutions such as libraries and universities, community-based organizations, influential leaders and residents, and other local assets to increase civic news capacity and meet the information needs of communities in more networked and sustainable ways

Targeted outcomes:

- More community-driven models for civic news that include curated content from trusted sources
- More equitable philanthropic and community resources to support civic news leaders of color and rural communities
- More entrepreneurship and leadership among civic news content creators of color and in low-income rural communities
- Narrative shift toward more inclusive and holistic representations of people of color, rural communities and residents, and others not adequately served, reached, or represented

Gates' support might look like:

- Support for community polling, engagement, working groups etc. to drive strategy and evolution of local newsrooms or the ecosystem
- A contribution to CMP's Informed Communities Fund, to support projects that address demands from journalists and community leaders of color for more diversity, inclusion, and equity in local newsrooms and their coverage
- Support for projects that leverage higher education, students, faculty, libraries, trusted nonprofits and community leaders, and residents to meet civic news and information needs
- Support for media ownership transitions, innovations or growth that significantly impact communities of color, rural or other underserved communities
- Prioritizing equity, inclusion, and service to diverse communities in grantee selection

6. RESPONSIVE CAPITAL GRANTS PROGRAM

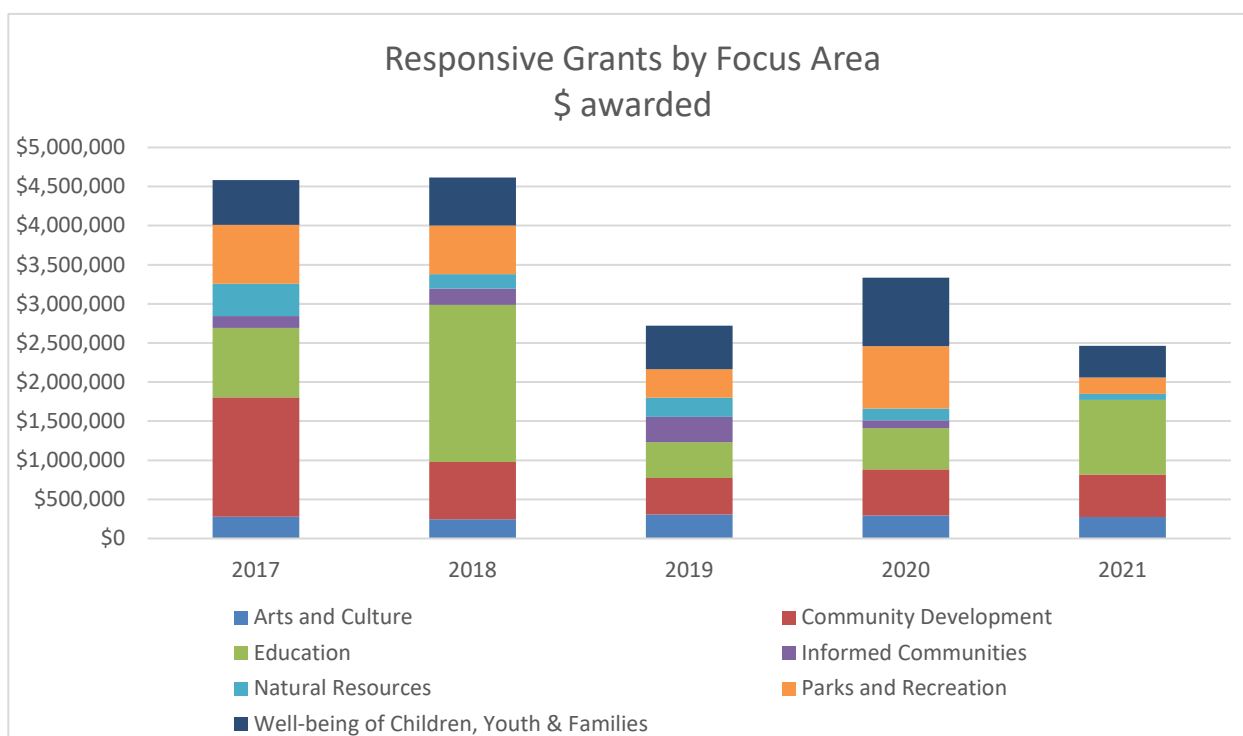
Introduction

In the past five years, the Foundation's capital grants program has funded more than 300 various capital and noncapital projects across the state. While a majority of grant dollars supported urban and statewide projects, 160 grants were awarded to rural capital projects.

The Foundation funds capital projects within five categories: Arts and Culture; Community Development; Education; Parks & Recreation; and Well-being of Children, Youth & Families. The capital grants program is a significant tool in leveraging the Foundation's work by investing in capital projects strongly aligned with strategic initiatives in Education, Natural Resources, Community Development, and Informed Communities.

From 2017 through 2021, a small percentage of capital grant dollars were directed toward noncapital projects such as continued support for the operations of the Boys and Girls Club Gates Camp, the Denver Santa Claus Shop, and Gates' Harvard Fellows program. Noncapital grants also included continuation of a long-term operational commitment to Rocky Mountain Public Media and statewide efforts to promote a healthy civil society and build nonprofit capacity, respectively, through grants to Together We Count and the Colorado Nonprofit Association.

All of the Foundation's program staff participate in staffing and evaluating capital grant requests. These experiences keep the staff in touch with the realities of local governments and the nonprofit sector and help maintain a familiarity with all regions of the state.



Colorado faces the following realities:

- Organizational capacity and access to capital varies widely across geographies and types of organizations.
- Nonprofits will continue to face challenges related to the pandemic recovery.
- The capital grants program grows increasingly more competitive as the universe of capital grant makers has shrunk over time.
- The average and median grant size has declined over time as the program has become more competitive.
- While in recent years the Foundation has directed over 25% of grants to projects and organizations serving BIPOC communities, the percentage of capital grants awarded to organizations led by people of color was not reflective of the “minority population” in Colorado. We know nationally BIPOC led organizations are not funded at the same level as white led organizations.

Based on learning from the last five years of grantmaking and a landscape scan of funders in Colorado, the Foundation will focus its Capital Grants program on the following strategies in 2022-2026:

Invest in Capital Projects	Amplify Needs and Goals for Capital Projects	Develop Leadership and Capital Planning Skills for Diverse Leaders
Invest in capital projects in the categories of Arts & Culture; Community Development; Education; Natural Resources; Parks & Recreation; and Well-Being of Children, Youth & Families	Invest in technology and platforms to share capital project information with a larger universe of potential funders to enable nonprofits to more easily raise capital funds	Invest in leadership development to elevate the capacity of nonprofit organizations serving diverse communities; target early-stage capital planning grants to under-resourced BIPOC organizations

Strategy 1: Continue to **invest in capital projects** across the state.

Substrategies:

- Continue to leverage or combine capital grants, initiated grantmaking, and impact investments to create more ways to address priority issues.
- Maximize opportunities to leverage public recovery and other dollars via technical assistance support and/or providing matching funds
- Continue investing grant dollars in capital projects with a focus on rural projects as well as capital projects that align with Foundation initiatives
- Increase consideration of climate-relevant capital projects
- Invest in noncapital projects to build capacity within the nonprofit sector as a whole – i.e., leadership development and advocacy work related to statewide initiatives



Community Cycles new bicycle center

Targeted outcomes:

- Community organizations across Colorado have the infrastructure necessary to achieve their missions

Gates' support might look like:

- Prioritize investments in the Foundation's core interest areas, such as grants toward the construction of charter schools, conservation easements, and renovations of social enterprise incubators
- Prioritize rural and small to medium-sized organizations

Strategy 2: Explore, invest in, and assist in the development of a capital campaign giving platform or other technologies to assist nonprofits who are launching capital campaigns.

Substrategies:

- Explore ways to take advantage of the broad exposure Gates has to capital projects throughout the state by developing tools or platforms for sharing that information with a larger universe of potential funders and supporters
- Update and make more accessible the capital campaign planning guide as a tool to support communities planning capital projects

Targeted outcomes:

- Increased and diversified capital funding available to nonprofits across the state

Gates' support might look like:

- The development of or investment a broadly-accessible platform through which nonprofits could showcase their active capital projects



Springs Rescue Mission's Kitchen and Dining Hall

Strategy 3: Develop leadership and capital planning skills for diverse leaders to elevate the capacity of community-serving organizations.

Substrategies:

- Explore investments in human capital by identifying and investing in leadership development for BIPOC and rural nonprofit leaders

Targeted outcomes:

- Increased number of nonprofit leaders that complete leadership trainings and receive positive evaluations of trainings from leaders

Gates' support might look like:

- A grant to provide scholarships for BIPOC and/or rural nonprofit leaders to participate in leadership development programs
- Targeted, early-stage grants to help under resourced BIPOC organizations plan and successfully complete capital campaigns

F. FINANCIAL OVERVIEW

1. Philosophy Regarding Management and Deployment of Foundation Assets for Maximum Impact and Long-Term Sustainability

The Foundation takes a holistic view of the management and deployment of all of its assets. A primary goal is to invest in staff to give the Foundation sufficient capacity and expertise to make grants in multiple areas and also to catalyze activity and maximize impact in a variety of other ways. In addition, the Foundation engages in multiple forms of impact investing, seeking to continue to grow the percentage of its assets that are mission-aligned and/or create a social or environmental benefit. The Foundation manages its annual charitable distribution to maximize impact and chooses to operate its program-related investments (PRI) program above and beyond the required five percent minimum distribution required of private foundations by the IRS. As a result, the Foundation caps the total amount of funds deployed as PRIs in order to balance the opportunity for expanded impact towards its mission with the financial impact of commitments of capital at below market rates of return.

At the same time, the board and staff recognize the obligation to be good stewards of the endowment assets to ensure the Foundation will be sustainable and fulfill its perpetual mandate. That mandate requires investment and management of assets in a fashion that ensures that they will grow over time. It also requires a thoughtful approach to the management of risk, and discipline in the way the Foundation manages its operations. All the pieces of the puzzle – staffing and operating choices, grant distributions, portfolio management, impact investing, Hover Building management, and management of related family funds – must be coordinated to strike the right balance between maximizing near-term impact and ensuring good stewardship of the institution and its assets for long-term sustainability.

2. Impact Investing

Name	Type of Investment	Returns	Charitable Distribution	Program Alignment
Program-Related Investments (PRI)	Debt, Fixed Income, Guarantees	Below-market rates of return	Yes, over and above the 5% required payout	Highly mission-aligned
Mission-Related Investments (MRI)	Largely private equity and other direct investments	Risk-adjusted market rates of return	No	Closely mission-aligned
Sustainable/Responsible Investing (SRI)	Largely public equity investments with positive or negative screens, carbon exposure, or ESG* factors considered	Risk-adjusted market rates of return	No	Mission and Values-aligned
Sustainable/Responsible Operations (SRO)	GFF policies, vendors, and expenses	N/A	Yes, charitable admin expenses are part of the 5% required payout	Mission and Values-aligned

* ESG stands for environmental, social, and governance factors considered when evaluating an investment

There are four categories of activity that fall under the umbrella of impact investing: program-related investments (PRIs), mission-related investments (MRIs), sustainable and responsible investing (SRIs), and sustainable and responsible operations (SROs) as outlined on the previous page.

Highlights of Recommended Impact Investing Parameters, 2022-2026

PRI Program Parameters

- Increase the cap to 6% of main Foundation assets (calculated as a 36-monthly rolling average)
- Increase the annual charitable distribution payout calculation from the required 5% to 5.125%
- The PRI portfolio value is excluded from the endowment market value when the 5.125% charitable distribution payout is calculated
- Add an additional 0.5% to the PRI cap for non-cash guarantees
- Institute a policy for addressing any loss of PRI capital
- Consider selective borrowing (cap at 5% of main Foundation assets)
- Track and make progress on impact metrics with particular attention to DEI metrics

MRI/SRI Program Parameters

- Commit up to 10-15% of new private equity commitments for emerging, innovative, and Colorado-centric impact managers
- Commit up to 15-20% of new private equity commitments for more established impact managers
- Collectively MRIs will be capped at 30% of the private equity portfolio
- Collaborate with the Foundation's financial advisor to explore opportunities to move the endowment toward net-zero carbon emissions
- Track impact metrics and make progress on and track DEI metrics as well, particularly in the MRI portfolio
- Monitor the portfolio's ESG metrics

Program-Related Investments

PRIs are investments with a strong alignment to the Foundation's mission with an expected rate of return that is below market rates of return. PRIs are eligible to be included in the Foundation's charitable distributions, but the Foundation has the discretion to treat these as commitments above and beyond the required payout. PRIs are currently capped at five percent of the main Foundation endowment (or approximately \$16.3 million as of September 2021) measured by the total amount of capital that can be deployed in this fashion at any time. There are several assumptions within this definition:

- The current **cap of five percent** is calculated on the main Foundation's portion of the assets in part to ensure the family funds (which make up 50 percent of the endowment assets) are not burdened by the PRI program. In addition, the PRI cap balances increasing

community impact with the Foundation's perpetual mandate.

- Given the limit on PRI funds, **strong alignment** to the Foundation's mission and core areas of focus is important. This requirement means PRIs are generally Colorado-based organizations or funds, focused on Colorado communities, and aligned with the priorities of the Foundation's core programmatic interests.
- Because funds are limited, **capital preservation** is important. Current PRI commitments represent a range of risk, but the Foundation generally is not willing to forgive PRI investments and convert them to grants unless all other options for recovering its investment capital have been exhausted. PRIs are underwritten with the expectation of a complete return of capital. As of December 2021, the PRI program has not experienced any losses or late payments.
- The Foundation is willing to accept **below-market rates of return** and has no minimum rate of return mandate or target. Many PRIs earn no return. Interest earned on PRI capital is income to the Foundation and can be used for additional grants, administrative expenses, or investments. Generally, returns range from zero to three percent annually.



Gates PRI Investment – The Colorado Sun

- PRIs are considered charitable distributions by the IRS and qualify as part of the five percent charitable distribution. The Foundation has opted to distribute PRIs **over and above the five percent charitable distribution payout**. However, the PRI portfolio value is not currently included in the endowment market value when the five percent charitable distribution payout is calculated. As a result, over time as the PRI portfolio value grows, the deployment of capital as part of the PRI portfolio increasingly reduces the annual charitable distribution payout amount.

Other general guidelines include:

- PRIs are a tool to support the Foundation's mission across all programmatic priorities and attention is paid to making sure PRI dollars are spread across all focus areas.
- PRIs are mostly unsecured debt along with guarantees and fixed income commitments. PRIs tend to have terms between three to 10 years with interest rates ranging from zero percent to as high as six and a half percent. Maturities are staggered to allow for capital to continue to recycle, however



Arkansas River Basin's Bessemer Ditch, Gates PRI Investment

many recent PRIs were distributed in 2020 in response to the COVID-19 pandemic.

- Non-cash guarantees mean that the Foundation does not deploy capital unless there is a default on the loan. Each guarantee is assessed for risk and a loan loss portion of the value of the guarantee is included in deployed capital to ensure the Foundation does not exceed its current cap of five percent.
- The value of each PRI ranges between \$250,000 to as high as \$5 million, but most are between \$500,000 and \$1 million.
- Although they are not included as PRIs for the purposes of tax reporting, the Foundation has deposited cash in two certificates of deposit that are considered part of the PRI program for internal purposes. These deposits are mission-aligned but earn a reduced interest rate compared with other cash options. For that reason, the Foundation has elected to include them in its internal PRI reporting and as part of deployed PRI capital. (Note: Certificate of deposit with Native American Bank was returned in July 2021.)

Risk management within the PRI program is important. Several guidelines regarding risk include:

- The Foundation minimizes risk by investing in larger, diversified funds that make multiple investments. For example, the Metro Denver Impact Fund run by the Urban Land Conservancy invests in a variety of affordable housing projects and community real estate assets that are enhanced and preserved. Similarly, nonprofit lenders such as First Southwest Community Fund will make investments in many small businesses across rural Colorado. There are exceptions to this approach when the need is great and the alignment to mission is strong. In some cases (*The Colorado Sun*, for example) the PRI investment is tied to the success or failure of a single entity rather than a more diversified fund.
- Risk is also minimized by investing in partners that have a track record of success. There are exceptions, but an experienced team and organizational history is an important consideration in evaluating risk.
- The Foundation collaborates on almost all of its PRIs, either joining in when other funders lead or in some cases with the Foundation leading and bringing other funders to the transaction.

Historical summary of the past five years of PRI commitments

Over the past five years, PRI capital has been allocated across all priority areas of the Foundation.

All PRIs have a focus in Colorado, although their reach may extend beyond the state. While few of the PRIs are solely dedicated to rural communities, many of the statewide initiatives have a rural component. Most PRIs are unsecured debt. The use of non-cash guarantees has allowed the PRI program to extend its impact beyond the current cap of five percent and utilize the Foundation's strong balance sheet.

The Foundation's balance sheet was also used to secure a low-cost \$12.5 million short-term loan from FirstBank in May of 2020 during the COVID-19 pandemic. The Foundation lent this capital under the same terms to three Colorado-based nonprofit lenders to make Paycheck Protection Program (PPP) loans to small, underserved businesses across Colorado. This structure allowed the Foundation to deploy additional capital for impact without selling any of its investments when the financial markets were down. Finally, fixed income investments use the Foundation's excess cash to provide much-needed start-up capital for new financial institutions like the Colorado-based Clean Energy Credit Union and Native American Bank. A current snapshot (as of December 2021) of the PRI portfolio is provided on the next page.

Investment Name	Program Alignment	Investment Type	Start Year	Time Horizon	Expected Return	Geographic Location	Amount Committed
AXL Academy (loan repaid Feb 2021)	Education	Guarantee	2016	5 years	0.00%	Colorado	\$ -
B:Side (formerly Colorado Lending Source)	Community Development	Debt	2020	3 years	0.00%	Rural Colorado	\$ 250,000
Bessemer Ditch	Natural Resources	Debt	2021	5 Years	0.50%	Pueblo Region	\$ 500,000
Clean Energy Credit Union	Natural Resources	Fixed Income	2019	2 years	1.20%	Colorado/U.S.	\$ 240,000
Colorado Charter Facility Solutions	Education	Debt	2017	10 years	1.25%	Colorado	\$ 5,000,000
Colorado Community Media**	Informed Communities	Guarantee	2021	5 years	0.00%	Colorado	\$ 750,000
Colorado Sun	Informed Communities	Debt	2021	8 years	3.00%	Colorado	\$ 1,500,000
Dearfield Fund for Black Wealth	Community Development	Private Equity	2021	10 years	1-2%	Metro Denver	\$ 1,000,000
DreamSpring	Community Development	Debt	2019	10 years	2.00%	Rural Colorado	\$ 500,000
Energize Colorado Gap Fund	Community Development	Debt	2020	6 years	0.00%	Colorado	\$ 1,000,000
FirstBank - PPP Credit Facility (loans repaid Jul 2021)*	Community Development	Guarantee	2020	26 months	0.00%	Colorado	\$ -
First Southwest Community Fund	Community Development	Debt	2020	7 years	0.00%	Rural Colorado	\$ 500,000
First Southwest Community Fund - Innovate Onward Fund	Community Development	Debt	2021	7 years	0.00%	Rural Colorado	\$ 500,000
FreshLo Montbello Project	Community Development	Debt	2021	10 Years	2.00%	Denver	\$ 200,000
Greenline Ventures	Community Development	Debt	2018	7 years	6.50%	Colorado/U.S.	\$ 684,138
IndieDwell-Colorado	Community Development	Debt	2021	5 Years	2.00%	Pueblo & Colorado	\$ 250,000
Metro Denver Impact Fund	Community Development	Debt	2020	7 years	1.50%	Denver Metro	\$ 1,250,000
Native American Bank (repaid Jul 2021)	Community Development	Fixed Income	2020	1 year	0.50%	Native Communities	\$ -
Rural Affordable Housing	Community Development	Debt	2021	4 years	0.50%	Rural Colorado	\$ 200,000
Transit Oriented Development (TOD) Fund	Community Development	Debt	2015	15 years	2.00%	Denver Region	\$ 1,250,000
Total Current Investments							\$ 15,574,138

PRI program parameters for the next five years:

During the 2021 strategic plan process, Foundation staff considered several strategic questions to update the PRI policy to strike an appropriate balance between maximizing near-term impact and ensuring good stewardship of the institution and its assets for long-term sustainability. The following outlines the PRI program parameters agreed upon for the next five years, from 2022-2026:

- 1) Increase the PRI cap and slightly increase the annual charitable distribution payout.** Increase the PRI cap on deployed capital from five percent of the main Foundation's assets (\$16.3M as of September 2021) to six percent calculated on the previous 36-monthly rolling average (\$15.8M as of September 2021). In order to offset the reduction in grants due to the commitment of capital to the PRI portfolio, the Foundation will increase the charitable payout from 5 percent annually to 5.125 percent annually. The PRI portfolio value is excluded from the endowment market value when the 5.125 percent charitable distribution payout is calculated. Based on modeling by the Foundation's financial advisor Ellwood Associates, over 20 years these changes would allow the Foundation to expand the amount of PRI capital deployed and slightly increase grant distributions. The modeling also shows this approach will limit the impact on long-term asset values, consistent with the perpetual mandate of the Foundation.
- 2) Add an additional half a percent to the PRI cap for non-cash guarantees.** Allow for up to an additional half a percent (\$1.32M as of September 2021) calculated off the same 36 monthly rolling average over and above the six percent cap to be used exclusively for non-cash guarantees. Currently some or all of the value of non-cash guarantees is included in the deployed capital totals for PRIs, depending on the risk profile of the guarantee. This additional half a percent would allow the Foundation to expand its impact through the use of guarantees where appropriate without deploying additional capital.
- 3) Institute a policy for how to handle any loss of PRI capital.** Any loss of PRI capital due to default (net of interest earned) may either decrease grants in the following years (one to three years depending on the size of the grant and the program area), or decrease the PRI capital available, or the loss could be split between the grant and PRI programs. These decisions, if required, will be handled on a case-by-case basis depending on the size of the loss and program area impacted. The recommended course of action will be brought to the trustees for final approval.

- 4) **Consider strategic borrowing.** Strategic borrowing by the Foundation similar to the FirstBank PPP credit facility mentioned above may be considered, but total borrowing should be capped at five percent of the main Foundation endowment (\$16.3M as of September 2021). The Foundation's loan loss exposure on strategic borrowing must fit within the six percent cap on PRI capital plus the half percent cap on non-cash guarantees.
- 5) **Continue to make progress on impact metrics, with particular attention to DEI.** Commit to tracking DEI metrics across the PRI portfolio and making steady progress towards greater diversity, equity, and inclusion within leadership of the partner organizations and communities served by these investments. As of December 2021, PRIs have been awarded to partner organizations of which 47 percent are women-led and 32 percent are BIPOC-led, and 32 percent of the Foundation's PRI investments serve communities of color. In addition to DEI metrics, staff will continue to work on ways to present both financial and social metrics across the PRI portfolio on an annual basis. Some specific metrics important to the Foundation to monitor and report on annually over the next five years as the PRI portfolio grows are:
 - An estimate of the endowment returns foregone due to the deployment of capital through the PRI portfolio
 - An estimate of the grants foregone due to the deployment of capital through the PRI portfolio
 - An estimate of the additional grants deployed due to the increased grant payout rate of 5.125 percent

Mission-Related Investments

MRIs are portfolio investments that align with the Foundation's mission and investment strategy and are expected to generate risk-adjusted, market-rate returns. While the Foundation has not had a target or cap to date for MRIs, there are norms and principles that guide decision-making regarding MRIs, including:

- Prioritize private equity and other direct investments that provide capital directly to relevant entities.
- Prioritize investments that are highly-relevant to core Foundation interests in K-12 education, natural resources, community development, and informed communities.
- Colorado relevance is a plus, but not required for an investment to be considered mission-aligned.
- MRI investments are not meant to be concessionary – it is expected MRIs can generate market returns appropriate for their asset class and risk profile.
- Within the MRI portfolio, the Foundation is willing to be more flexible on less-proven and more diverse or more Colorado-specific managers and funds to reach more mission-relevant options.

Other general guidelines include:

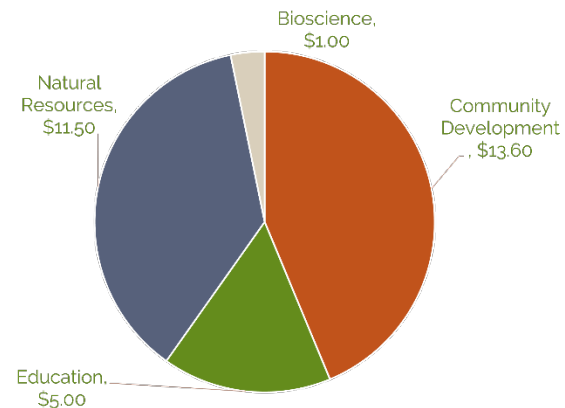
- MRIs must align with the investment policy statement of the Foundation. Each MRI is reviewed by the Foundation's investment advisory firm to ensure the investment fits into the pacing model for the private equity asset allocation and enhances the diversification of the Foundation's investments.
- MRIs are sourced and due diligence is conducted largely in-house utilizing the expertise of both the finance team and program staff who have considerable knowledge in the Foundation's core programmatic areas. There are times when staff are not equipped to evaluate an investment opportunity and will seek external support.

Historical summary of the past five years of MRIs

Over the past five years, staff has been very selective in bringing forward MRI investments, seeking opportunities that are highly-aligned with the Foundation's focus areas and have strong potential to earn market rate returns. The following are some lessons learned and areas for greater consideration.

Staff has seen a robust pipeline of opportunities, especially in the community development area. There are opportunities to engage in unique markets such as water, affordable housing, inequality, and climate that are not always available in traditional private equity investments.

MRI by Program Area
Committed Capital
As of December 2021



Investment opportunities focused equally on risk, return, and impact are growing and maturing in private equity markets. The Foundation's ability to understand the full landscape within certain market segments is critical moving forward as selecting the right investments and the best managers ensures MRIs perform as well as or better than traditional investments.

Even in the impact investing market, DEI metrics are still very low. Greater intentionality is needed to ensure the Foundation sees the full landscape of managers, especially emerging managers when making MRI decisions. Finally, caution is needed to ensure that the options selected are truly capable of delivering mission-relevant impact. As of December 2021, the Foundation has 17 active MRI investments for a total of \$31.1 million, all in private equity investments.

Strategy	Fund Name	Program Area	Vintage Year	Commitment (\$ Mil)
Venture / Growth Equity	Colorado Impact I	Community Development	2014	\$3.6
	Reach Capital II	Education	2018	\$1.0
	Blackhorn Ventures Industrial Impact	Natural Resources-Climate	2019	\$3.0
	Greater Colorado Venture	Community Development	2019	\$0.5
	Avesta Fund 1	Inequality and Climate Change	2020	\$1.0
	Colorado Impact Bridge	Community Development	2020	\$1.5
	CU Healthcare Innovation	Bioscience	2020	\$1.0
	Owl Ventures IV	Education	2020	\$3.0
	Buff Venture Fund	Community development	2021	\$1.0
	Encourage Capital	Natural Resources - Water	2021	\$0.5
	Reach Capital III	Education	2021	\$1.0
	Total MRI Commitments			\$17.1
	Total Foundation Commitments			\$80.2
Opportunistic	Beartooth Capital III	Natural Resources	2019	\$1.0
	Lyme Forest V	Natural Resources	2018	\$2.0
	Lyme Conservation Opportunities	Natural Resources	2019	\$1.0
	PGIM Impact Value Partners	Community Development	2019	\$3.0
	Rose Affordable Housing Preservation V	Community Development	2019	\$3.0
	Ember Infrastructure I	Natural Resources-Climate	2021	\$4.0
	Total MRI Commitments			\$14.0
	Total Foundation Commitments			\$70.4
Buyout	Total MRI Commitments	None		\$0.0
	Total Foundation Commitments			\$121.2
Total Portfolio	Total MRI Commitments			\$31.1
	Total Foundation Commitments			\$271.9

Sustainable and Responsible Investments

Sustainable and responsible investing (SRI) is a recent addition under the umbrella of the Foundation's impact investing program. SRI has the option of employing positive and/or negative screens to the public equity allocation of the portfolio. It can also employ inclusionary environmental, social and governance (ESG) ratings to measure social metrics and financial risks associated with portfolio investments. Currently, the Foundation does not apply any positive or negative screens to its portfolio but has partnered with Ellwood Associates to apply MSCI ESG Ratings across its public equity holdings with a focus on ESG metrics and carbon exposure.



Gates MRI Investment – Greater Colorado Venture Fund

The first ESG and carbon reporting for the Foundation's investment managers was presented to the Investment Advisory Committee (IAC) at its February 2021 meeting. This report shows there is some exposure to climate risk, but it is limited. In addition, ESG ratings on the portfolio are mostly in line with industry benchmarks. Ellwood Associates has started to track DEI metrics among the fund managers on its platform and specifically for the Foundation's portfolio. Initial reports show low DEI metrics across the Foundation's portfolio; however, this reality is a persistent challenge across the entire financial sector.

MRI and SRI program parameters for the next five years:

During the 2021 strategic plan process, the staff and board explored several strategic questions to update the MRI and SRI programs in order to allow a greater percentage of the Foundation's assets to be used in service to its mission while also ensuring good stewardship of the institution and assets for long-term sustainability. The following outlines the additional parameters that will be incorporated into the MRI and SRI programs over the next five years.

1. **MRI Limit** – Cap the percentage of new private equity commitments made annually over the next five years at 30 percent of private equity investments. Overall, the current private equity allocation across the whole portfolio is 25 percent, so 30 percent (MRI allocation) of the 25 percent private equity allocation would equate to seven and a half percent of the overall endowment dedicated to MRIs. As of December 2021, MRIs account for 11 percent of the private equity portfolio as illustrated in the chart on the previous page.

There would be two components to the limits for MRIs. Between 10 and 15 percent of the MRI allocation commitments annually are to be used for newer/emerging managers, more innovative or untested investment theses that are mission-aligned and possibly more Colorado-centric, such as the Greater Colorado Venture Fund. For these MRIs, the Foundation's capital often plays a critical role in launching a fund or bringing other funders to the table. Other examples of these types of MRIs include Avesta Fund I and Encourage Capital. The other 15 to 20 percent is to be used for more established fund managers or investment theses that may still not be on traditional investment advisors' platforms but do

have more established track records and/or are housed within more significant institutions. Examples of these types of MRIs would include Lyme Timber Forest Fund V, Rose Affordable Housing Preservation Fund V, PGIM Impact Value Partners, and Owl Ventures IV.



Gates MRI Investment – Reach Capital

A 30 percent MRI limit would mean approximately \$10 million would be committed to MRIs each year for the next five years while an additional \$20 million would be committed each year for the next five years to traditional private equity investments. Sourcing this number of commitments may require some additional external support to supplement in-house capacities and expertise.

2. **Net-Zero Carbon Opportunities** – With support from the Foundation’s investment advisor, commit to understanding and developing opportunities to move toward net-zero carbon emissions for the portfolio. The Foundation will commit to investigating the landscape and exploring net-zero opportunities to present to the IAC and trustees by the end of 2022. The intention is to define what net-zero means for the Foundation and consider opportunities that avoid disruption to the portfolio and take advantage of naturally occurring transitions within the investment portfolio. This approach will ensure the Foundation stays ahead of the curve regarding climate risk within the portfolio and the further development and standardization of climate metrics to ensure the efficacy of a net-zero target when the Foundation is ready. While the path to net-zero might not be clear immediately, the urgency to transition to a low-carbon economy is quite clear and highly-aligned with the Foundation’s goals.
3. **Progress on Impact Metrics with Particular Attention to DEI** - Commit to tracking DEI metrics and making progress towards greater diversity, equity, and inclusion both in terms of the leadership and employee base of the Foundation’s financial advisors as well as the fund managers represented within the Foundation’s investment portfolio. In 2021 Ellwood reported 12 percent of its investment managers on its platform were diverse-owned and four percent were women-owned. This commitment is important from a values perspective but also because there is evidence that diversity of leadership leads to better financial outcomes. In addition, there may be segments of the financial landscape that are overlooked if diversity is not intentionally considered among the many other factors in making investment decisions.

There are some challenges in the sector in that not every fund manager tracks this information and, in some countries, tracking this data may not be legal. But the signal to the market that the Foundation and other investors are paying attention to this data is an important step towards change. Within the MRI portfolio, the Foundation has the ability to be more intentional and can make DEI metrics more of a priority. As of December 2021, MRIs led by women represented 31 percent of the portfolio and led by people of color represented 18 percent of the portfolio. No specific target is recommended at this time, but greater transparency with each investment recommendation, consistent tracking of metrics, and overall progress are all goals over the next five years. In addition, staff along

with the Foundation's investment advisor commit to presenting financial and social metrics specific to the MRI portfolio on an annual basis.

4. **Track ESG Metrics** – The Foundation will continue to track ESG metrics across the portfolio with the recognition that ESG metrics are currently not consistent across rating agencies and further development and standardization are needed before the Foundation would begin relying more directly on ESG ratings in its decision-making. Given the volume of investment dollars seeking ESG options, it is anticipated there will be further improvement in the rating methodologies and additional opportunities to use ESG metrics as part of the management of the portfolio in future years.

3. Family Funds

The concept of family funds was developed in the late 1990s, and the first family fund was established in 1998. As of 2021, there are eight



Gates Center for Regenerative Medicine

UNIVERSITY OF COLORADO / ANSCHUTZ MEDICAL CAMPUS

Gates Center – Gates Frontiers Fund Grantee

family funds with total assets of more than \$300 million. Collectively the family funds made \$13.74 million in grant distributions in 2021 through 139 individual grant commitments.

The option of family funds was created to encourage the philanthropy of family members by making available the capacities and infrastructure of the Gates Family Foundation at a very low cost. The Foundation can act as the agent for family members, handling all grant due diligence to ensure funds are being committed to charitable purpose organizations in good standing, communication with grantees, reporting, grants management, investment of family fund assets, and all required reporting, compliance, and tax functions. From a legal standpoint, there is only one Foundation, and the family funds are not separate legal entities.

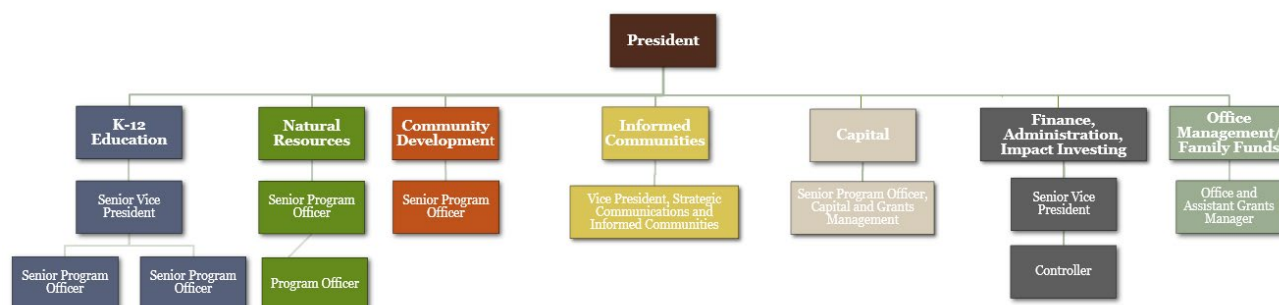
Family members who establish family funds can identify the mission and priorities for their fund and choose the geography within which they would like to make grant distributions. Family funds are limited to supporting charitable purpose organizations within the United States but are not constrained by the main Foundation focus on Colorado. Each family fund has one or more designated decision-makers who initiate grantmaking. There is not a process for organizations to apply directly to family funds through the Foundation.

G. FOUNDATION OPERATIONS

1. Staffing

The Foundation's current 12-person staff is depicted below:

GFF Organizational Chart



The growth in staff has increased in-house expertise, grown the Foundation's ability to initiate grantmaking, provided more capacity for convening and staff leadership, and facilitated the growth of new functions such as impact investing. Review of capital grant requests is shared by most of the staff. Due diligence for impact investments (PRI and MRI) is generally a collaboration between program staff in the appropriate area and the finance team, often with support from the Foundation's President and its investment consultant.

Increasingly, how the Foundation budgets the time of its staff is as or more important than how it budgets its financial resources.

2. Board Engagement

Foundation board members participate in four board meetings per year (the June meeting being part of a three-and-a-half day annual staff and board retreat and the September meeting including a day-and-a-half field experience somewhere in Colorado in addition to the board meeting). A subset of trustees participates on the Investment Advisory Committee (four meetings and an annual retreat each year) and the audit committee. When a board vacancy arises, a board development committee including at least the four family trustees is responsible for reviewing candidates. It is also quite common to engage board members and solicit feedback via email between board meetings when there are issues that require more immediate attention.



Gates Board and Staff (2018)

Over time, the goal has been to engage board members more in strategic issues and to devote less time to individual grant recommendation reviews. The annual retreat and fall field

experience are also learning opportunities for board members to engage with thought partners, grantees, and others with relevant expertise. Board members are also actively engaged throughout the strategic planning processes the Foundation undertakes every five years.

3. Strategic Communications

Throughout much of its history, the Foundation had never had any type of external communications capacity. The 2016 planning effort resulted in a change in approach. The board and staff recognized that the Foundation was leaving a lot of value on the table by not being able to publicly share what it is learning or to convene partners and stakeholders where appropriate. The Foundation is well-positioned to see a lot in each of the fields in which it is active. It also has the opportunity to learn from the work of its many creative and innovative partners. It makes sense to have the capacity to capture and share what is learned. The staff and board also recognized the potential to support the communications needs of some of its partners more directly.



Grand Mesa Arts Center

The Strategic Plan that resulted from the 2016 process committed the Foundation to building a strategic communications capability. In 2017 the Foundation recruited its first Vice President for Strategic Communications. The addition of the role paid immediate dividends, dramatically increasing the Foundation's ability to capture and share learnings, convene, and support the communications needs of partners.

With the launch of the Colorado Media Project in the summer of 2018, and the Foundation's three-year commitment to continue the effort in 2019-2021, the staffing realities of the strategic communications function changed. The Foundation's Vice President for Strategic Communications also became the program staff for the Foundation's Informed Communities work. In 2020 and 2021, the Foundation loaned Melissa Davis, its Vice President for Strategic Communications and Informed Communities, to the Colorado Media Project to serve as its executive director. The demands of that role have temporarily reduced the Foundation's strategic communications capacities. The intention is to explore third party resources that might partially address this capacity issue while that staffing arrangement remains in place.

4. Evaluation and Learning

As the Foundation's mix of tools has expanded, it has required greater attention to the approaches used to evaluate grant commitments, catalytic staff activities, and impact investments. The Foundation has used a variety of approaches, including individual grant evaluations, quarterly snapshot reports and year-end lookbacks that track both dollar commitments and staff activity, and initial impact reporting formats for both PRI and MRI commitments. Staff also have begun capturing more information related to efforts where the Foundation is playing a leadership, convening, or catalytic role.

Current evaluation efforts channel a great deal of effort into grant-level evaluations and reporting to the board. There is a less consistent approach to evaluation at the strategy or program area level. Also, the impact investing reporting continues to evolve as more information on the actual impacts of those commitments starts to become available. The approach to evaluation explored in the 2021 strategic planning process places a greater emphasis on prioritizing evaluation for the highest priority strategies in each program area and using evaluation less as an accountability tool for grantees and the board and more as a feedback loop to inform Foundation strategies going forward.

In conjunction with evaluation, the Foundation has also embraced establishing learning objectives for each program area. Foundation staff developed a new approach to guide evaluation and learning activities going forward.

Evaluation and Learning Approach

These concepts ground the Gates Family Foundation's thinking on strategy, learning, and evaluation.

- **Context and community matter.** We take the time to understand the underlying factors and trends to the challenges we are addressing.
- **Evaluation and learning are better when done collectively.** We ask grantees what matters most to them to build a shared definition of success. We take the time to understand what grantees need to learn and we share our plans and philosophy with them.
- **Evaluation exists to inform and improve our impact.** We connect back our learnings to our strategic plan and refine our strategies with new insights.
- **We seek right-sized evaluation approaches.** We are efficient and choiceful about what we evaluate and manage expectations with grantees.

5. Proposed Operations Changes

The board and staff reviewed a variety of topics related to operations as a part of the strategic planning process. Staff provided analysis and modeling focused on whether the current staffing model and cost of operations when combined with the Foundation's approach to grant distributions and PRI commitments will be sustainable and allow for asset growth over time. The conclusion was with appropriate discipline, the current model can be sustainable and can support both the desired operating capacities and growth in the Foundation's assets over time.

The staff also explored other changes and improvements to operating norms, summarized on the next page:

Operations Changes

- Staff meetings – reserve more time for learning and team sharing
- Team building – continue volunteer service, learning, and purely social events
- Living our values – continue progress on sustainability, vendor choices, accessibility
- Capital grants – refine review process, focus evaluation on a high-impact subset of grantees
- Grants management – review process and research grants management tools available
- Board meetings – increase strategic content, reduce volume of material provided, expand board learning opportunities
- Communications – explore options to supplement resources available to program teams
- IT – enhance infrastructure and support

