

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021

COMMUNITY
FOUNDATION
of Snohomish County

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of Snohomish County
Everett, Washington

Opinion

We have audited the accompanying financial statements of Community Foundation of Snohomish County (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Snohomish County as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of Snohomish County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Snohomish County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Snohomish County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Snohomish County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
September 27, 2023

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 4,559,732	\$ 6,273,667
Investments	14,276,454	9,183,250
Investments held for others	3,551,023	3,866,401
Promises to give	-	41,990
Prepaid expenses	6,000	6,000
Total Current Assets	<u>22,393,209</u>	<u>19,371,308</u>
Bequest Receivable	5,526,371	6,000,000
Loan Receivable	600,000	600,000
Assets Held in Trust	267,104	328,078
Life Insurance Cash Surrender Value	343,277	372,424
Endowment Investments	25,966,431	24,282,273
Property and Equipment, net	334,713	342,802
	<u>\$ 55,431,105</u>	<u>\$ 51,296,885</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 117,201	\$ 29,345
Accrued payroll liabilities	39,229	36,437
Grant funds held for distribution	6,036	-
Grants payable	-	37,740
Funds held for others	3,551,023	3,866,401
Total Current Liabilities	<u>3,713,489</u>	<u>3,969,923</u>
Net Assets		
Without donor restrictions		
Undesignated	24,514,815	22,078,939
Board-designated capital reserve	142,277	163,080
Board-designated endowment	984,348	1,058,068
Total Without Donor Restrictions	<u>25,641,440</u>	<u>23,300,087</u>
With donor restrictions	<u>26,076,176</u>	<u>24,026,875</u>
Total Net Assets	<u>51,717,616</u>	<u>47,326,962</u>
	<u>\$ 55,431,105</u>	<u>\$ 51,296,885</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Contributions	\$ 8,484,216	\$ 5,423,808	\$ 13,908,024	\$ 8,362,498	\$ 7,608,249	\$ 15,970,747
Fundraising events	18,252	-	18,252	18,125	-	18,125
Total Public Support	8,502,468	5,423,808	13,926,276	8,380,623	7,608,249	15,988,872
Revenue						
Investment gain/(loss)	(1,692,769)	(1,682,957)	(3,375,726)	1,436,135	2,192,160	3,628,295
Rental income	54,575	-	54,575	38,525	-	38,525
Administrative fees and other	75,769	-	75,769	67,518	-	67,518
Total Revenue	(1,562,425)	(1,682,957)	(3,245,382)	1,542,178	2,192,160	3,734,338
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	1,691,550	(1,691,550)	-	1,444,760	(1,444,760)	-
Total Public Support, Revenue, and Other Support	8,631,593	2,049,301	10,680,894	11,367,561	8,355,649	19,723,210
Expenses						
Program services	5,822,056		5,822,056	3,893,221		3,893,221
Management and general	293,392		293,392	315,919		315,919
Fundraising	174,792		174,792	141,567		141,567
Total Expenses	6,290,240		6,290,240	4,350,707		4,350,707
Total Change in Net Assets	2,341,353	2,049,301	4,390,654	7,016,854	8,355,649	15,372,503
Net Assets - Beginning of Year	23,300,087	24,026,875	47,326,962	16,283,233	15,671,226	31,954,459
Net Asset - End of Year	\$ 25,641,440	\$ 26,076,176	\$ 51,717,616	\$ 23,300,087	\$ 24,026,875	\$ 47,326,962

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022						2021					
	Program Services Operations	Program Services Casino Road	Total Program Services	Management and General	Fundraising	Total	Program Services Operations	Program Services Casino Road	Total Program Services	Management and General	Fundraising	Total
Grants and scholarships	\$ 4,308,503	\$ 149,429	\$ 4,457,932	\$ -	\$ -	\$ 4,457,932	\$ 2,390,797	\$ 378,454	\$ 2,769,251	\$ -	\$ 150	\$ 2,769,401
Salaries and wages	416,739	277,519	694,258	195,683	139,839	1,029,780	234,428	223,510	457,938	181,421	109,287	748,646
Professional services	282,515	14,957	297,472	34,898	-	332,370	237,761	44,382	282,143	34,871	-	317,014
Building expenses	21,543	133,326	154,869	9,679	-	164,548	110,120	36,707	146,827	12,767	-	159,594
Payroll benefits and taxes	33,702	32,615	66,317	26,092	16,309	108,718	27,426	26,542	53,968	21,233	13,271	88,472
Office expenses	49,902	45,730	95,632	5,323	1,331	102,286	92,313	13,188	105,501	7,193	7,193	119,887
Training and development	24,050	4,065	28,115	5,759	3,662	37,536	32,919	6,756	39,675	8,127	5,994	53,796
Marketing	6,826	-	6,826	13,651	13,651	34,128	2,836	-	2,836	5,672	5,672	14,180
CRUT payouts	13,715	-	13,715	-	-	13,715	26,915	-	26,915	-	-	26,915
Depreciation	5,167	1,753	6,920	2,307	-	9,227	6,097	2,070	8,167	2,722	-	10,889
Gift processing fees	-	-	-	-	-	-	-	-	-	41,913	-	41,913
Total Expenses	<u>\$ 5,162,662</u>	<u>\$ 659,394</u>	<u>\$ 5,822,056</u>	<u>\$ 293,392</u>	<u>\$ 174,792</u>	<u>\$ 6,290,240</u>	<u>\$ 3,161,612</u>	<u>\$ 731,609</u>	<u>\$ 3,893,221</u>	<u>\$ 315,919</u>	<u>\$ 141,567</u>	<u>\$ 4,350,707</u>

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 9,033,742	\$ 7,635,413
Investments	31,099	33,146
Other revenue	130,344	106,043
Cash paid for:		
Personnel	(1,135,706)	(834,134)
Grants and scholarships	(4,489,636)	(3,005,477)
Services and supplies	<u>(558,372)</u>	<u>(723,880)</u>
Net Cash Provided by Operating Activities	<u>3,011,471</u>	<u>3,211,111</u>
Cash Flows from Investing Activities		
Purchases of investments	(20,196,155)	(10,552,656)
Proceeds from sale of investments	<u>15,470,749</u>	<u>9,756,698</u>
Net Cash Used by Investing Activities	<u>(4,725,406)</u>	<u>(795,958)</u>
Changes in Cash and Cash Equivalents	(1,713,935)	2,415,153
Cash and Cash Equivalents - beginning of year	<u>6,273,667</u>	<u>3,858,514</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,559,732</u>	<u>\$ 6,273,667</u>

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Community Foundation of Snohomish County (the Foundation) is organized as a nonprofit tax-exempt corporation under the laws of the State of Washington. As a community foundation, it serves donors across the full spectrum of philanthropy including arts and culture, health and welfare, education, human services, environment, and community.

The mission of the Foundation is to strengthen communities in greater Everett and Snohomish County by:

- Building permanent charitable funds,
- Connecting donors to charitable causes they care about,
- Making effective grants, and
- Providing leadership to address community issues.

Income taxes

The Internal Revenue Service has recognized Community Foundation of Snohomish County as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The Board of Directors has designated otherwise unrestricted net assets to act as a capital reserve in anticipation of future capital replacements and improvements. Capital reserves are intended for large planned or emergency capital needs. A separate capital reserve fund was established in 2011 and is increased periodically with board approval in anticipation of future capital replacements and improvements. The board designated capital reserve balance as December 31, 2022 and 2021 was \$142,277 and \$163,080, respectively.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Non-endowed grant making funds	\$ 483,763	\$ 102,168
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Donor-advised endowment funds	9,377,701	7,484,266
General endowment funds	12,382,447	13,126,824
Community impact endowment funds	1,653,518	1,279,948
Field of interest endowment funds	583,643	187,775
Scholarship endowment funds	<u>984,774</u>	<u>1,145,392</u>
	<u>24,982,083</u>	<u>23,224,205</u>
Not subject to Foundation endowment spending policy and appropriation:		
Life Insurance	343,227	372,424
Assets held in trust	<u>267,104</u>	<u>328,078</u>
	<u>\$ 26,076,176</u>	<u>\$ 24,026,875</u>

The Foundation’s grant distribution goal is to provide a consistent and stable flow of grants. The annual grant expenditure allowed will be four percent of the fund balances, unless otherwise stated in the fund agreement. The allocation is made in January based upon the average of the prior three year-end fund balances. A minimum of \$500 can be distributed in annual grants from funds that have achieved a minimum balance of \$25,000 and have achieved four quarters of earnings.

Administrative fees are charged quarterly to individual funds at rates established in the donor fund agreements. These fees are reported as reclassifications between the applicable net asset classes at the time they are charged to donor funds.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purpose of reporting cash flows, the Foundation considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Foundation does business with local banks and their policy is to review the bank accounts/balances with those banks and to calculate the banks' tier 1 capital ratio annually.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are reported at their fair values in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Investment returns are allocated between funds in the investment pool, which include endowment funds and funds with donor restrictions based upon allowed uses.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received.

Bequests

Bequests are recognized at the time the Foundation's right to them is established by a court and the proceeds are subject to reasonable estimation.

Property and equipment

Property and equipment are stated at cost or, if donated, at fair value at date of donation. Property and equipment with an original cost of \$1,000 or greater are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally two to seven years. Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 350,128	\$ 350,128
Furniture and equipment	<u>64,259</u>	<u>63,122</u>
	414,387	413,250
Less accumulated depreciation	<u>(230,874)</u>	<u>(221,648)</u>
	183,513	191,602
Land	<u>151,200</u>	<u>151,200</u>
	<u>\$ 334,713</u>	<u>\$ 342,802</u>

Support and revenue recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. As of December 31, 2022 and 2021, there were no conditional contributions and grants for which no amounts had been received in advance.

The Foundation recognizes revenue from space rentals in the period in which the space is occupied. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Volunteer Services

In accordance with financial accounting standards, donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. However, many volunteers have donated significant amounts of their time to the Foundation. The in-kind value of these volunteer hours donated is not recognized as revenue as it does not meet the criteria for recognition.

Grants

Grants are approved by the Board of Directors of the Foundation in accordance with respective by-laws and guidelines. Grants are recorded in the financial statements when approved.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on employee counts (such as facilities and portions of IT costs) or estimated percentage of effort.

Advertising

The Foundation's policy is to expense advertising costs as they are incurred.

NOTE B - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) is as follows as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 4,504,501	\$ -	\$ -	\$ 4,504,501
Stocks and mutual funds	31,918,463	-	-	31,918,463
Fixed income funds	<u>7,370,944</u>	-	-	<u>7,370,944</u>
	<u>\$43,793,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$43,793,908</u>

Fair value of assets measured on a recurring basis (at least annually) is as follows as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 2,900,209	\$ -	\$ -	\$ 2,900,209
Stocks and mutual funds	30,423,109	-	-	30,423,109
Fixed income funds	<u>4,008,606</u>	-	-	<u>4,008,606</u>
	<u>\$37,331,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$37,331,924</u>

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. The Foundation also uses fair value concepts to test various long-lived assets for impairment.

NOTE C - LIQUIDITY

The Foundation manages its cash to meet general expenditures and grants following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

General expenditures include management and general expenses, fundraising expenses and some program expenses. Administrative fees provide an ongoing source of income for general operations and programs. Fees are assessed on funds quarterly, based on fund balance and/or activity.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established and whether the fund is endowed or not. Endowed funds are generally invested in the Foundation's Investment Pool. The amount available for granting is calculated annually according to the Foundation's spending policy. In order to protect the principal value of an endowment, no grant distributions are made that will cause the spendable balance to fall below zero.

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position date comprise of the following:

	<u>2022</u>	<u>2021</u>
Total financial assets	\$ 55,090,392	\$50,948,083
Less amounts not available to be used within one year:		
Loan Receivable	(600,000)	(600,000)
Assets held in trust	(267,104)	(328,078)
Life Insurance Cash Surrender Value	(343,277)	(372,424)
Board-designated capital reserve	(142,277)	(163,080)
Donor restricted funds	(483,763)	(102,168)
Endowment investments	(25,966,431)	(24,282,273)
Bequest Receivable	<u>(5,526,371)</u>	<u>(6,000,000)</u>
	<u>\$ 21,761,169</u>	<u>\$19,100,060</u>

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE D - BEQUEST

The Foundation is the beneficiary of a bequest under a will in which clear title has been established and the proceeds are measurable. As of December 31, 2022, the estimated proceeds total \$6,500,000 of which \$1,000,000 had been received. Management believes the remaining bequest receivable of \$5.5M is fully collectible. For the year ended December 31, 2021, this bequest represented 41% of total public support.

NOTE E - ASSETS HELD IN TRUST

In 2010, the Foundation became the beneficiary of a charitable remainder trust. Under the terms of this split-interest agreement, the Foundation is to receive the full balance of the trust upon the death of the donor. The receivable for the split-interest agreement is carried at fair value of the underlying investments based on quoted prices in the active market, which was \$267,104 and \$328,078, respectively, as of December 31, 2022 and 2021.

NOTE F - IMPACT INVESTING NOTES RECEIVABLE

During 2016, the Foundation loaned HopeWorks Social Enterprises (the Company) \$300,000 and in 2018, an additional \$300,000 for Phase II. The Company purchased property and an adjacent lot to be used to house at least three of the social enterprises developed and owned by the Company. This loan will help to payback the loans that are owed to the bank, another organization, and do repairs on the property. Interest is paid annually at 2% for the first 3 years, 3% afterwards. The loan is due in 2025. The loan is secured by the property.

NOTE G - LIFE INSURANCE CASH SURRENDER VALUE

In 2002, the Foundation became beneficiary of a \$2,000,000 life insurance policy. In 2018, the life insurance policy was changed to a non-bill status.

NOTE H - FUNDS HELD FOR OTHERS

The Foundation holds assets under agency fund agreements for the benefit of twenty-eight unrelated nonprofit organizations. These funds may be distributed to the respective beneficiaries upon their request, and as such, are included in current liabilities in the Foundation's statements of financial position.

NOTE I - ENDOWMENT

The Foundation's endowment consists of 133 individual funds established for a variety of purposes. The Foundation's Board has designated net assets with donor restrictions for various purposes to aid in the management of the Foundation's resources and to satisfy certain board objectives. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE I - ENDOWMENT (Continued)

As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The State of Washington enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009. The Board of directors and management of the Foundation have determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary is appropriate. The Foundation classifies net assets with donor restrictions as (a) the original value of gifts donated to the endowment with donor restrictions, and (b) the original value of subsequent gifts to the endowment with donor restrictions. The Foundation maintains an ongoing relationship with its donors and, with donor permission, allows appropriation of endowment funds in accordance with the Foundation's grant policy.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide an average rate of return of approximately six to eight percent annually. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The primary investment objective of the Foundation is to earn through a combination of appreciation and income annual return net of fees of 6-8%. This return should cover the spending rate of the Foundation plus administrative fees plus the inflation rate as measured by the consumer price index.

COMMUNITY FOUNDATION OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE I - ENDOWMENT (Continued)

Change in Endowment Net Assets for the Year Ended December 31, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment Funds, beginning of year	\$ 1,058,068	\$23,224,205	\$24,282,273
Contributions	240,015	4,928,176	5,168,191
Investment gain/(loss)	(82,030)	(1,614,289)	(1,696,319)
Appropriation of endowment assets for expenditure	<u>(231,705)</u>	<u>(1,556,009)</u>	<u>(1,787,714)</u>
Endowment Funds, end of year	<u>\$ 984,348</u>	<u>\$24,982,083</u>	<u>\$25,966,431</u>

Change in Endowment Net Assets for the Year Ended December 31, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment Funds, beginning of year	\$ 991,360	\$14,856,254	\$15,847,614
Contributions	45,290	7,494,898	7,540,188
Investment return	77,352	2,176,026	2,253,378
Appropriation of endowment assets for expenditure	<u>(55,934)</u>	<u>(1,302,973)</u>	<u>(1,358,907)</u>
Endowment Funds, end of year	<u>\$ 1,058,068</u>	<u>\$23,224,205</u>	<u>\$24,282,273</u>

NOTE J - RETIREMENT PLAN

The Foundation sponsors a 403(b) retirement plan covering all employees and provides a 5% matching provision. During the years ended December 31, 2022 and 2021, the Foundation contributed \$31,890 and \$30,520, respectively, to the retirement plan for eligible employees.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2022 through September 27, 2023, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2022, including the estimates inherent in the processing of financial statements.