
Community Foundation of Snohomish County
A Washington Non-Profit Corporation

Financial Statements

For the Years Ended December 31, 2015 and 2014

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of Snohomish County

We have audited the accompanying financial statements of Community Foundation of Snohomish County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2015 and 2014, 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.

Aiken & Sanders

Aberdeen, WA
September 23, 2016

Community Foundation of Snohomish County
A Washington Non-Profit Corporation

Statement of Financial Position

December 31, 2015 & 2014	2015	2014
Assets		
Current Assets:		
Cash & cash equivalents	\$ 647,079	\$ 407,793
Current portion of pledge receivable	2,500	2,500
Total Current Assets	649,579	410,293
Property & Equipment:		
Land	151,200	151,200
Building & improvements	350,128	348,280
Office equipment & furniture	64,526	33,095
Accumulated depreciation	(119,658)	(96,209)
Total Property & Equipment	446,196	436,366
Other Assets:		
Life insurance policy, cash surrender value	300,718	357,478
Contributions receivable, charitable remainder trusts	1,276,327	1,479,941
Investments	11,604,494	11,533,068
Total Other Assets	13,181,539	13,370,487
Total Assets	\$ 14,277,314	\$ 14,217,146
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,766	\$ -
Security deposit payable	1,509	700
Accrued expenses	9,173	8,046
Deferred contributions	117,000	229,935
Assets held under agency agreements	2,235,055	1,978,267
Total Liabilities	2,365,503	2,216,948
Net Assets:		
Unrestricted	356,864	718,523
Unrestricted - Board designated capital reserve	30,000	24,000
Unrestricted - Board designated endowments	125,084	102,913
	511,948	845,436
Temporarily restricted	10,907,902	10,662,801
Permanently restricted	491,961	491,961
Total Net Assets	11,911,811	12,000,198
Total Liabilities and Net Assets	\$ 14,277,314	\$ 14,217,146

The accompanying notes are an integral part of these financial statements.

Community Foundation of Snohomish County
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
		<u>Other Funds</u>	<u>Quasi-Endowments</u>	<u>Total</u>		
Support and Revenue:						
Public support:						
Contributions	\$ 49,500	\$ 177,253	\$ 724,414	\$ 901,667	\$ -	\$ 951,167
Fundraiser	24,350	-	-	-	-	24,350
Less: direct event expense	(10,791)	-	-	-	-	(10,791)
Investment earnings	(46,014)	27,021	(18,401)	8,620	-	(37,394)
Rental income	22,787	-	-	-	-	22,787
Administrative fees	245,202	-	-	-	-	245,202
Net assets released from restrictions	<u>665,186</u>	<u>(271,525)</u>	<u>(393,661)</u>	<u>(665,186)</u>	-	-
Total Support and Revenue	<u>950,220</u>	<u>(67,251)</u>	<u>312,352</u>	<u>245,101</u>	<u>-</u>	<u>1,195,321</u>
Expenses:						
Program services	1,201,683	-	-	-	-	1,201,683
Management and general	50,570	-	-	-	-	50,570
Fundraising	<u>31,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,455</u>
Total Expenses	<u>1,283,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,283,708</u>
Change in Net Assets	(333,488)	(67,251)	312,352	245,101	-	(88,387)
Net Assets, Beginning of Year	<u>845,436</u>	<u>1,824,498</u>	<u>8,838,303</u>	<u>10,662,801</u>	<u>491,961</u>	<u>12,000,198</u>
Net Assets, End of Year	<u>\$ 511,948</u>	<u>\$ 1,757,247</u>	<u>\$ 9,150,655</u>	<u>\$ 10,907,902</u>	<u>\$ 491,961</u>	<u>\$ 11,911,811</u>

The accompanying notes are an integral part of these financial statements.

Community Foundation of Snohomish County
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

	Unrestricted		Temporarily Restricted		Permanently Restricted	Total
		Other Funds	Quasi-Endowments	Total		
Support and Revenue:						
Public support:						
Contributions	\$ 54,505	\$ 157,480	\$ 952,243	\$ 1,109,723	\$ -	\$ 1,164,228
Fundraiser	62,120	-	-	-	-	62,120
Less: direct event expense	(11,929)	-	-	-	-	(11,929)
Investment earnings	29,217	4,121	529,580	533,701	-	562,918
Reclassification of agency agreements	-	-	(102,078)	(102,078)	-	(102,078)
Rental income	19,425	-	-	-	-	19,425
Administrative fees	248,440	-	-	-	-	248,440
Net assets released from restrictions	1,003,779	-	(1,003,779)	(1,003,779)	-	-
Total Support and Revenue	1,405,557	161,601	375,966	537,567	-	1,943,124
Expenses:						
Program services	1,385,190	-	-	-	-	1,385,190
Management and general	47,872	-	-	-	-	47,872
Fundraising	28,032	-	-	-	-	28,032
Total Expenses	1,461,094	-	-	-	-	1,461,094
Change in Net Assets	(55,537)	161,601	375,966	537,567	-	482,030
Net Assets, Beginning of Year	900,973	1,662,897	8,462,337	10,125,234	491,961	11,518,168
Net Assets, End of Year	\$ 845,436	\$ 1,824,498	\$ 8,838,303	\$ 10,662,801	\$ 491,961	\$ 12,000,198

The accompanying notes are an integral part of these financial statements.

Community Foundation of Snohomish County
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Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services	Management & General	Fundraising	Total
Salaries & wages	\$ 234,238	\$ 24,852	\$ 26,566	\$ 285,656
Payroll benefits & taxes	26,738	2,785	3,084	32,607
Professional services	26,496	8,974	-	35,470
Office supplies	15,357	1,689	1,805	18,851
Training & development	17,946	944	-	18,890
Building expenses	9,232	3,077	-	12,309
Marketing	5,901	1,967	-	7,868
Administrative fees	232,788	-	-	232,788
Depreciation	18,848	6,282	-	25,130
Grants & scholarships	614,139	-	-	614,139
Total	\$ 1,201,683	\$ 50,570	\$ 31,455	\$ 1,283,708

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Community Foundation of Snohomish County
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Statement of Functional Expenses

Year Ended December 31, 2014

	Program Services	Management & General	Fundraising	Total
Salaries & wages	\$ 221,498	\$ 23,336	\$ 23,669	\$ 268,503
Payroll benefits & taxes	24,568	2,588	2,625	29,781
Professional services	27,038	9,138	-	36,176
Office expenses	18,899	1,725	1,385	22,009
Training & development	8,529	449	-	8,978
Building expenses	7,270	2,423	-	9,693
Conferences	11,676	-	-	11,676
Copier rental	3,307	348	353	4,008
Marketing	6,943	2,314	-	9,257
Membership & dues	3,227	570	-	3,797
Administrative fees	196,932	-	-	196,932
Depreciation	14,944	4,981	-	19,925
Grants & scholarships	840,359	-	-	840,359
Total	\$ 1,385,190	\$ 47,872	\$ 28,032	\$ 1,461,094

The accompanying notes are an integral part of these financial statements.

Community Foundation of Snohomish County
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Statements of Cash Flows

Year Ended December 31, 2015 & 2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (88,387)	\$ 482,030
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	25,130	19,925
Increase (Decrease) in pledge receivable discount	751	(40,018)
Investment earnings	36,929	(562,918)
(Increase) Decrease in Operating Assets		
Pledge receivable	-	137,572
Contribution receivable	202,863	30,622
Life insurance policy	9,715	(150,042)
Increase (Decrease) in Operating Liabilities		
Accounts payable	2,766	(14,125)
Accrued expenses	1,127	(3,497)
Security deposit payable	809	200
Deferred contributions	(112,935)	114,935
Agency endowment	256,788	102,395
Net Cash Provided (Used) by Operating Activities	<u>335,556</u>	<u>117,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Activity: Investments	(62,992)	(92,005)
Purchase of property & equipment	(33,278)	(20,456)
Net Cash Provided (Used) by Investing Activities	<u>(96,270)</u>	<u>(112,461)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	239,286	4,618
BEGINNING CASH AND CASH EQUIVALENTS	<u>407,793</u>	<u>403,175</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 647,079</u>	<u>\$ 407,793</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Community Foundation of Snohomish County
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Notes to Financial Statements

December 31, 2015 and 2014

1. ORGANIZATION AND PURPOSE:

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 work in partnership with donors 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation--

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation's policy is to present donor funds that are restricted or endowed for specific purposes, but for the Foundation's "variance power," as temporarily or permanently restricted. While the Foundation retains authority to exercise "variance power" by which the Board may legally resolve to release donor restrictions, it has no current intention to do so. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets on which there are no donor-imposed restrictions for use, or on which donor-imposed restrictions were temporary and have expired.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and or the passage of time. At December 31, 2015 and 2014, the Foundation had temporarily restricted net assets in the amount of \$10,907,902 and \$10,662,801, respectively, available for use in subsequent periods.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation are classified as permanently restricted. At December 31, 2015 and 2014, the Foundation had permanently restricted net assets in the amount of \$491,961.

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.

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Notes to Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

B. Cash and Cash Equivalents--

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.

C. Property & Equipment--

Property and equipment is stated at cost if purchased or at fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets of three to seven years. Expenditures greater than \$1,000 are capitalized. Amounts less than \$1,000 are expensed when incurred.

D. 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.

E. Allocation of Functional Expenses--

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

F. Use of Estimates--

The preparations of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

G. Volunteer Services--

The efforts of volunteer workers are not reflected in the accompanying financial statement; however, many volunteers have donated significant amounts of their time to the Foundation. The in-kind value of labor donated is not recognized as revenue because its value is not readily determinable.

Community Foundation of Snohomish County
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Notes to Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Income Taxes--

The Foundation is tax-exempt in accordance with Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income tax has been recorded.

I. Fair Value Measurement--

Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted market prices for identical assets. Level 3 inputs have the lowest priority and are used only when Level 1 and Level 2 inputs are not available. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair value of investments was measured on a recurring basis using quoted prices in active markets for identical assets (Level 1) in 2015 and 2014. There were not any investments that were valued using Level 2 or Level 3 inputs in either years.

J. Advertising--

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

3. INVESTMENTS AND INVESTMENT RETURN:

The Foundation records investments in marketable and debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. At December 31, 2015, the Foundation's investments included \$300,895 in cash and money market funds, \$3,498,649 in fixed income funds, and \$7,804,950 in stocks and mutual funds. At December 31, 2014, the Foundation's investments included \$285,058 in cash and money market funds, \$3,061,768 in fixed income funds, and \$8,186,242 in stocks and mutual funds.

Investment earnings consist of the following components for the year ended December 31 2015:

	2015
Unrealized gains and losses	\$ (230,353)
Interest and dividends	269,079
Realized gains and losses	(13,624)
Management fees charged	(62,496)
Investment earnings (losses)	\$ <u>(37,394)</u>

**Community Foundation of Snohomish County
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Notes to Financial Statements

December 31, 2015 and 2014

3. INVESTMENTS AND INVESTMENT RETURN (CONT.):

Investment earnings consist of the following components for the year ended December 31 2014:

		2014	
Unrealized gains and losses	\$	382,723	
Interest and dividends		255,266	
Realized losses		(14,970)	
Management fees charged		(60,101)	
Investment earnings (losses)	\$	562,918	

Earnings are allocated between funds in the investment pool which include endowment funds and permanently restricted funds based upon allowed uses.

4. PLEDGE RECEIVABLE:

The Foundation records unconditional promises to give as pledges receivable at their net best present value of expected cash flows discounted at six percent. Pledges receivable are due as follows at December 31, 2015 and 2014:

		2015		2014
Less than one year	\$	2,500	\$	2,500
One to five years		-		-
More than five years		-		-
Pledge receivable		2,500		2,500
Less unamortized discount on pledges receivable in excess of one year		-		-
Net present value of pledge receivable	\$	2,500	\$	2,500

5. CONTRIBUTIONS RECEIVABLE ---SPLIT-INTEREST AGREEMENT:

In 2002, a donor established a trust with a local bank naming the Foundation as beneficiary in a charitable remainder trust. Under terms of the split-interest agreement, the Foundation is to receive approximately \$1,000,000 upon the donor's death. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash flows. Based on the Donor's life expectancy and a 4% discount rate the fair value of the Foundation's interest in the trust was estimated to be \$916,747 and \$917,498, respectively, at December 31, 2015 and 2014. On an annual basis, the Foundation revalues the contribution receivable based on applicable mortality tables and current market conditions.

In 2008, the Foundation was notified that they are beneficiary to a second charitable remainder trust. Under the terms of this split-interest agreement, the Foundation is to receive 25% of the remaining assets of the trust upon its termination in the year 2015. The receivable for this split-interest agreement is carried at fair value based on quoted prices in the active market which was \$0 and \$167,149, respectively, at December 31, 2015 and 2014.

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Notes to Financial Statements

December 31, 2015 and 2014

5. CONTRIBUTIONS RECEIVABLE ---SPLIT-INTEREST AGREEMENT (CONT.):

In 2010, the Foundation became the beneficiary of a third 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 based on quoted prices in the active market, which was \$359,580 and \$395,294, respectively, at December 31, 2015 and 2014.

6. ASSETS HELD UNDER AGENCY AGREEMENTS:

The Foundation holds assets under agency fund agreements for the benefit of fifteen 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.

7. RETIREMENT PLAN:

The Foundation sponsors a SIMPLE retirement plan covering all employees and provides a three percent matching provision. During the years ended December 31, 2015 and 2014 \$8,888 and \$7,512, respectively, was contributed to the retirement plan for eligible employees.

8. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2015 and 2014, the Foundation received donations from Board members, management, staff and their families of \$11,260 and \$13,779, respectively.

9. CONCENTRATION OF CREDIT RISK:

As of December 31, 2015 and 2014, the Foundation maintained cash accounts with Coastal Community Bank, Mountain Pacific Bank, Banner Bank, and Heritage Bank, all of which are insured by the Federal Deposit Insurance Corporation's Transaction Account Guaranty Program.

The pledge receivables are primarily from donors located in Snohomish County, Washington. Consequently, the Foundation's ability to collect the pledges is affected by the economy in Snohomish County.

10. LIFE INSURANCE:

In 2002, the Foundation became beneficiary of a \$2,000,000 life insurance policy. The premiums are paid by the donor by making a contribution to the Foundation in the same amount as the premium. In the years ending December 31, 2015 and 2014, the Foundation received donations of \$52,851 and the Board elected to pay the annual life insurance premium. During 2014, the Foundation received a life insurance policy of \$101,312 which was surrendered for cash in 2015.

11. CAPITAL RESERVE:

The capital reserve was established in anticipation of future capital replacements and improvements. Capital reserves are intended for large planned or emergency capital needs. A separate capital reserve 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, 2015 and 2014 was \$30,000 and \$24,000, respectively.

**Community Foundation of Snohomish County
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Notes to Financial Statements

December 31, 2015 and 2014

12. ENDOWMENT:

The Foundation's endowment consists of 105 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

Net Assets Composition by Type of Fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Restricted</u>			<u>Restricted</u>	<u>2015</u>
		<u>Other Funds</u>	<u>Quasi Endowments</u>	<u>Total</u>		
Donor-restricted & Board-designated endowment funds	\$ 125,084	\$ 1,757,247	\$ 9,150,655	\$ 10,907,902	\$ 491,961	\$ 11,524,947

Net Assets Composition by Type of Fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>			<u>Permanently Restricted</u>	<u>Total 2014</u>
		<u>Other Funds</u>	<u>Quasi Endowments</u>	<u>Total</u>		
Donor-restricted & Board-designated endowment funds	\$ 102,913	\$ 1,015,287	\$ 9,647,514	\$ 10,662,801	\$ 491,961	\$ 11,257,675

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Notes to Financial Statements

December 31, 2015 and 2014

12. ENDOWMENT (CONT.):

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>			<u>Permanently Restricted</u>	<u>Total</u>
		<u>Other Funds</u>	<u>Quasi-Endowments</u>	<u>Total</u>			
Donor-restricted endowment net assets, beginning of year	\$ -	\$ 510,895	\$ 6,136,199	\$ 6,647,094	\$ 491,961	\$ 7,139,055	
Contributions	-	77,779	628,468	706,247	-	706,247	
Investment return	-	(2,054)	(15,320)	(17,374)	-	(17,374)	
Appropriation of endowment assets for expenditure	-	(190,634)	(183,420)	(374,054)	-	(374,054)	
Donor-restricted endowment net assets, end of year	<u>\$ -</u>	<u>\$ 395,986</u>	<u>\$ 6,565,927</u>	<u>\$ 6,961,913</u>	<u>\$ 491,961</u>	<u>\$ 7,453,874</u>	
Board-designated endowment net assets, beginning of year	\$ 102,913	\$ 102,141	\$ 3,511,315	\$ 3,613,456	\$ -	\$ 3,716,369	
Contributions	49,300	6,575	95,946	102,521	-	151,821	
Investment return	(153)	-	(3,081)	(3,081)	-	(3,234)	
Reclassification	-	809,211	(809,211)	-	-	-	
Appropriation of endowment assets for expenditure	(26,976)	(6,381)	(210,241)	(216,622)	-	(243,598)	
Board-designated endowment net assets, end of year	<u>\$ 125,084</u>	<u>\$ 911,546</u>	<u>\$ 2,584,728</u>	<u>\$ 3,496,274</u>	<u>\$ -</u>	<u>\$ 3,621,358</u>	
Other restricted funds, non-endowment	<u>\$ -</u>	<u>\$ 449,715</u>	<u>\$ -</u>	<u>\$ 449,715</u>	<u>\$ -</u>	<u>\$ 449,715</u>	
Total	<u><u>\$ 125,084</u></u>	<u><u>\$ 1,757,247</u></u>	<u><u>\$ 9,150,655</u></u>	<u><u>\$ 10,907,902</u></u>	<u><u>\$ 491,961</u></u>	<u><u>\$ 11,524,947</u></u>	

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Notes to Financial Statements

December 31, 2015 and 2014

12. ENDOWMENT (CONT.):

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
		<u>Other Funds</u>	<u>Quasi-Endowments</u>	<u>Total</u>		
Donor-restricted endowment net assets, beginning of year	\$ -	\$ 612,678	\$ 5,163,201	\$ 5,775,879	\$ 491,961	\$ 6,267,840
Contributions	-	157,430	739,225	896,655	-	896,655
Investment return	-	484	467,277	467,761	-	467,761
Reclassification	-	(47,158)	(2,500)	(49,658)	-	(49,658)
Appropriation of endowment assets for expenditure	-	(212,539)	(231,004)	(443,543)	-	(443,543)
Donor-restricted endowment net assets, end of year	<u>\$ -</u>	<u>\$ 510,895</u>	<u>\$ 6,136,199</u>	<u>\$ 6,647,094</u>	<u>\$ 491,961</u>	<u>\$ 7,139,055</u>
Board-designated endowment net assets, beginning of year	\$ 127,337	\$ 117,141	\$ 3,468,146	\$ 3,585,287	\$ -	\$ 3,712,624
Contributions	34,000	-	37,183	37,183	-	71,183
Investment return	3,516	-	33,257	33,257	-	36,773
Reclassification	-	(5,000)	-	(5,000)	-	(5,000)
Appropriation of endowment assets for expenditure	(61,940)	(10,000)	(27,271)	(37,271)	-	(99,211)
Board-designated endowment net assets, end of year	<u>\$ 102,913</u>	<u>\$ 102,141</u>	<u>\$ 3,511,315</u>	<u>\$ 3,613,456</u>	<u>\$ -</u>	<u>\$ 3,716,369</u>
Other restricted funds, non-endowment	<u>\$ -</u>	<u>\$ 402,251</u>	<u>\$ -</u>	<u>\$ 402,251</u>	<u>\$ -</u>	<u>\$ 402,251</u>
Total	<u><u>\$ 102,913</u></u>	<u><u>\$ 1,015,287</u></u>	<u><u>\$ 9,647,514</u></u>	<u><u>\$ 10,662,801</u></u>	<u><u>\$ 491,961</u></u>	<u><u>\$ 11,257,675</u></u>

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Notes to Financial Statements

December 31, 2015 and 2014

12. ENDOWMENT (CONT.):

A. 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument (usually the donor agreement) at the time the accumulation is added to the fund. 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

B. Fund with Deficiency--

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets.

C. 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 produce results that approximate the price and yield results of the S&P 500 and other relative indexes while assuming an overall moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately five to seven percent annually. Actual returns in any given year may vary from this amount.

D. Strategies Employed 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.

E. Satisfaction of Donor Restrictions--

Temporarily restricted net assets that were released from donor restrictions by incurring expense satisfying the restricted purposes or time restrictions specified by donors as of December 31, 2015 and 2014 was \$665,186 and \$1,003,779, respectively.

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Notes to Financial Statements

December 31, 2015 and 2014

12. ENDOWMENT (CONT.):

F. **Board Designated Net Assets--**

The Foundation's Board has designated unrestricted net assets for various purposes to aid in the management of the Foundation's resources and to satisfy certain board objectives.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 23, 2016, the date on which the financial statements were available for issue.

14. UNCERTAIN TAX POSITIONS:

The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013. Currently, there is no examination or pending examination with the Internal Revenue Services (IRS).

As of December 31, 2015, there are no tax positions for which the deductibility is certain but for which there is uncertainty regard the timing of such deductibility.

