

**COMMUNITY FOUNDATION
FOR SOUTHWEST WASHINGTON**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018



**COMMUNITY
FOUNDATION**

**SOUTHWEST
WASHINGTON**

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Foundation for Southwest Washington
Vancouver, Washington

We have audited the accompanying consolidated financial statements of Community Foundation for Southwest Washington (a non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Southwest Washington as of December 31, 2019 and 2018, 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.

To the Board of Directors
Community Foundation for Southwest Washington

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KERN THOMPSON, LLC

Portland, Oregon
July 14, 2020

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 320,737	\$ 3,216,896
Contributions receivable	18,658,188	21,480,681
Investments	288,523,870	241,319,308
Impact investments	1,930,000	1,900,000
Assets held in charitable trusts	2,220,202	2,003,368
Assets held in charitable gift annuities	1,161,616	1,076,818
Other assets	155,522	163,273
Total assets	\$ <u>312,970,135</u>	\$ <u>271,160,344</u>
LIABILITIES AND NET ASSETS		
Accounts and other payables	\$ 65,389	\$ 649,832
Liabilities for split-interest agreements	2,183,216	2,029,852
Funds held under agency endowment agreements	146,004	120,658
Total liabilities	<u>2,394,609</u>	<u>2,800,342</u>
Net assets		
Without donor restrictions		
Undesignated	220,268,202	183,843,658
Board designated for gift annuity reserve	428,307	369,638
Board designated for operating reserve	807,814	708,086
	<u>221,504,323</u>	<u>184,921,382</u>
With donor restrictions	<u>89,071,203</u>	<u>83,438,620</u>
Total net assets	<u>310,575,526</u>	<u>268,360,002</u>
Total liabilities and net assets	\$ <u>312,970,135</u>	\$ <u>271,160,344</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
Contributions	\$ 15,034,566	\$ 4,048,893	\$ 19,083,459	\$ 4,918,701	\$ 13,830,040	\$ 18,748,741
Special event revenue	16,303	-	16,303	21,875	-	21,875
Investment income	4,947,834	1,427,087	6,374,921	5,141,479	1,202,140	6,343,619
Net appreciation in the fair value of investments	24,543,828	7,687,671	32,231,499	(14,282,968)	(5,024,871)	(19,307,839)
Changes in the actuarial value of charitable trusts, charitable gift annuities, and long-term contributions receivable	-	605,479	605,479	-	(410,895)	(410,895)
Service fees assessed against funds held under agency endowment agreements and charitable trusts	56,263	-	56,263	4,502	-	4,502
	<u>44,598,794</u>	<u>13,769,130</u>	<u>58,367,924</u>	<u>(4,196,411)</u>	<u>9,596,414</u>	<u>5,400,003</u>
Net assets released from restrictions	8,136,547	(8,136,547)	-	11,154,294	(11,154,294)	-
Total revenues and other support	<u>52,735,341</u>	<u>5,632,583</u>	<u>58,367,924</u>	<u>6,957,883</u>	<u>(1,557,880)</u>	<u>5,400,003</u>
Operating Expenses						
Grants and program services	14,889,280	-	14,889,280	16,883,926	-	16,883,926
Management and general	565,853	-	565,853	465,968	-	465,968
Fundraising	697,267	-	697,267	570,120	-	570,120
Total expenses	<u>16,152,400</u>	<u>-</u>	<u>16,152,400</u>	<u>17,920,014</u>	<u>-</u>	<u>17,920,014</u>
Change in net assets	36,582,941	5,632,583	42,215,524	(10,962,131)	(1,557,880)	(12,520,011)
Net assets, beginning of year	<u>184,921,382</u>	<u>83,438,620</u>	<u>268,360,002</u>	<u>195,883,513</u>	<u>84,996,500</u>	<u>280,880,013</u>
Net assets, end of year	<u>\$ 221,504,323</u>	<u>\$ 89,071,203</u>	<u>\$ 310,575,526</u>	<u>\$ 184,921,382</u>	<u>\$ 83,438,620</u>	<u>\$ 268,360,002</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from contributions	\$ 5,224,240	\$ 6,452,377
Cash received from events	134,319	29,488
Cash received from service fees and other revenue	74,687	139,758
Cash collected on contributions receivable	359,041	1,010,399
Interest received	31,262	8,128
Grants and direct program expenses paid	(14,506,189)	(15,121,592)
Administrative expenses paid	(2,326,377)	(2,264,101)
Net Cash Flows from Operating Activities	<u>(11,009,017)</u>	<u>(9,745,543)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	15,974,437	16,207,066
Purchases of investments	(11,691,183)	(7,803,333)
Realized gain on investments	1,158,562	1,723,619
Investment expense	(27,093)	(43,286)
Collection of impact investment	400,000	-
Impact investments made	(400,000)	(1,500,000)
Net Cash Flows from Investing Activities	<u>5,414,723</u>	<u>8,584,066</u>
Cash Flows from Financing Activities		
Donation restricted for long-term use	335,901	2,494,001
Collection of contributions receivable-restricted	2,362,234	654,305
Net Cash Flows from Financing Activities	<u>2,698,135</u>	<u>3,148,306</u>
Net increase (decrease) in cash and cash equivalents	(2,896,159)	1,986,829
Cash and cash equivalents, beginning of year	3,216,896	1,230,067
Cash and cash equivalents, end of year	<u><u>\$ 320,737</u></u>	<u><u>\$ 3,216,896</u></u>

Supplemental note to cash flow statement:

Contributions of stock and cash made directly to investment accounts total \$12,806,621 and \$6,886,006 for 2019 and 2018 respectively.

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION

The Community Foundation for Southwest Washington (the Foundation) is a publicly-supported charity founded in 1984 to carry out charitable, educational and scientific purposes primarily in and for the benefit of citizens in Southwest Washington. The Foundation's mission is to inspire a culture of giving to create a vibrant and engaged community. It receives contributions from individuals, corporations and nonprofit agencies and with these contributions, operates an effective grants program, including both donor-directed and discretionary granting. Discretionary granting focuses on breaking the cycle of intergenerational poverty. Grants are made to a wide range of not-for-profit organizations promoting education, arts and culture, communities and neighborhoods, basic needs and healthy living, scholarships, and conservation and the environment.

The Supporting Organization of the Community Foundation for Southwest Washington (the Supporting Organization) is a separate tax-exempt trust created by the Foundation. The Foundation performs all administrative functions for the Supporting Organization and appoints the members of the Board of Trustees. The Supporting Organization was not active during 2019 and 2018 and has no assets or liabilities.

The Rood Family Foundation is a tax-exempt supporting organization of the Community Foundation for Southwest Washington. The Foundation performs all administrative functions of the Rood Family Foundation and appoints the members of the Board of Directors. The Rood Family Foundation began awarding charitable grants in 2018.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation, the supporting organizations and its wholly-owned subsidiaries: Community Foundation for Southwest Washington Charitable LLC and Community Foundation for Southwest Washington Charitable LLC #2. These charitable LLCs were formed December 12, 2012 and April 20, 2016, respectively, for the purpose of holding gifts of land and interests in operating businesses. All inter-organizational accounts and transactions have been eliminated. The LLCs are treated as disregarded entities for purposes of federal exempt organization business information return reporting.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the year ended December 31, 2019, two new accounting pronouncements became effective for the Foundation: Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09") and Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08").

Revenue streams applicable to the Foundation that qualify as exchange transactions (service fees) do not involve unfulfilled performance obligations and are recognized at a single point upon receipt when all risks and rewards transfer, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

The Foundation adopted ASU 2018-08 on a modified prospective basis to new agreements entered into during 2019. The Foundation has evaluated its donor agreements and determined that there are no contribution transactions that are subject to conditions. Accordingly, the adoption of this standard had no impact on the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors of the Foundation may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Grants and expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Investment Policy

The Foundation follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). The Foundation's assets are invested in a mixture of equities, fixed-income instruments, cash, and alternative investment classes such as hedge funds, distressed debt, and private instruments.

Agency Endowment Funds

The Foundation may accept transfers from another nonprofit organization and agree to transfer those assets, the return on investment of those assets, or both, back to the nonprofit organization at some point in the future.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Endowment Funds (Continued)

Because the Foundation maintains variance power and fiduciary responsibility for all funds held under agency endowment agreements, these funds continue to be reported as assets. However, a liability, “funds held under agency endowment agreements,” has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the nonprofit organization that established the fund for its own benefit.

Contributions

All contributions are considered available for the Foundation’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions and investment income that are limited to specific uses by donor restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized. Contributions of assets other than cash are recorded at their estimated fair value.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Receivables

Receivables are carried at amounts management expects to be realized. The Foundation determines the requirement for an allowance for uncollectible receivables based upon management’s judgment including such factors as prior collection history, nature of contributions, and assessments of underlying asset valuations expected to be converted. No allowance for uncollectible receivables was necessary at December 31, 2019 and December 31, 2018.

Investments

The Foundation carries several types of investments at their fair values based on quoted prices in active markets. These include: investments in marketable equity securities; equity funds with readily determined fair values; investments in debt securities; and investments in fixed income funds. The Foundation initially records its real estate investments at the fair value as of the dates the investments are donated to the Foundation and thereafter carries such investments primarily at current appraised or comparable values. Fair values for alternative investments in off-shore hedge funds, limited liability companies, and private equity partnerships for which quoted market prices are not readily available are estimated in good faith by management based on analyses from independent investment advisors or financial information prepared by the general partners of the respective partnership or limited liability company. Because these alternative investments are recorded at their estimated fair values, the reported value may differ from the value that would have been used had a quoted market price existed. Interest income is accrued as earned, and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held Under Split-Interest Agreements

The Foundation receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by the Foundation and distributions are made to the beneficiaries under the terms of the agreement. These funds are generally invested in equity and fixed income mutual funds. Initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in value of split-interest agreements in the accompanying consolidated financial statements.

Obligations under split-interest agreements, including charitable remainder trusts, charitable lead trusts, and charitable gift annuities are recorded when incurred at the present value of the distributions to be made to the designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specific period. Present values are determined using discount rates determined by the Internal Revenue Service and actuarially-determined life expectancies. Obligations under split-interest agreements are revalued annually at December 31 to reflect actual experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest agreements.

Property and Equipment

Office furniture and equipment are carried at cost when purchased; at market value when acquired by gift. Cost of furniture and equipment greater than \$5,000 is capitalized and depreciated on a straight-line basis over the estimated useful life of the asset, generally three to five years.

Grants

Grants to the community are made from available resources in accordance with donor and grant committee recommendations and are approved by the Board of Directors.

Income Taxes

The Foundation and the Supporting Organizations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Washington statutes. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

Concentrations of Credit Risk

Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities, money market funds, and partnership and similar interests. These financial instruments may subject the Foundation to concentrations of credit risk. Under the terms of an insured cash sweep agreement with the Foundation's primary banking institution, bank deposits in excess of current FDIC insurance limits are placed into deposit accounts at other depository institutions and are fully protected against loss.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 3 – CONTRIBUTIONS RECEIVABLE

From time to time the Foundation is the recipient of bequest gifts. Such gifts are recorded as revenue in the year a particular gift becomes irrevocable and its value can be objectively estimated. For the years ended December 31, 2019 and 2018, bequest gifts total \$18,658,188 and \$21,480,681, respectively. The timing of the receipts is not currently determinable. Accordingly, the contributions are reported as net assets with donor restrictions until such time as the gifts are received.

NOTE 4 – FAIR VALUE MEASUREMENTS

Financial assets required to be measured on a recurring basis (at least annually) are classified under a three-tier fair value hierarchy. The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. Investments, assets held in charitable trusts, and assets held in charitable gift annuities are the only assets of the Foundation measured at fair value on a recurring basis.

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies. Assets in this level include debt securities and partnerships that hold Level 1 assets.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include alternative investments, real estate held for investment, investments in partnerships and limited liability companies, and beneficial interests in charitable remainder trusts.

Realized and unrealized gains and losses from these assets are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs.

Investments for which fair value is measured using net asset value per share as a practical expedient are not categorized within the fair value hierarchy. These investments are non-published funds following investment company accounting standards and are available for at least quarterly redemption.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2019 were as follows:

	2019			Fair Value Total
	Level 1	Level 2	Level 3	
<u>Investments measured at fair value:</u>				
Domestic common stocks and equity funds	\$ 29,468,258	\$ -	\$ -	\$ 29,468,258
Fixed income securities and funds	17,247,191			17,247,191
Interests in private equity partnerships and limited liability companies			10,810,353	10,810,353
International equity securities	41,254,732			41,254,732
Money market funds and other cash equivalents	17,870,044			17,870,044
Land	-	-	36,500	36,500
	<u>\$ 105,840,225</u>	<u>\$ -</u>	<u>\$ 10,846,853</u>	\$ 116,687,078
Investments Measured at Net Asset Value				<u>171,836,792</u>
Total investments				<u>\$ 288,523,870</u>
<u>Other assets measured at fair value:</u>				
Assets held in charitable trusts	<u>\$ 2,220,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220,202</u>
Assets held in charitable gift annuities	<u>\$ 1,161,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,161,616</u>

Fair values of assets measured on a recurring basis at December 31, 2018 were as follows:

	2018			Fair Value Total
	Level 1	Level 2	Level 3	
<u>Investments measured at fair value:</u>				
Domestic common stocks and equity funds	\$ 29,010,176	\$ -	\$ -	\$ 29,010,176
Fixed income securities and funds	19,465,275	-	-	19,465,275
Interests in private equity partnerships and limited liability companies	-	-	8,271,664	8,271,664
International equity securities	29,259,597	-	-	29,259,597
Money market funds and other cash equivalents	6,722,576	-	-	6,722,576
Land	-	-	36,500	36,500
	<u>\$ 84,457,624</u>	<u>\$ -</u>	<u>\$ 8,308,164</u>	\$ 92,765,788
Investments Measured at Net Asset Value				<u>148,553,520</u>
Total investments				<u>\$ 241,319,308</u>
<u>Other assets measured at fair value:</u>				
Assets held in charitable trusts	<u>\$ 2,003,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,003,368</u>
Assets held in charitable gift annuities	<u>\$ 1,076,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,076,818</u>

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

For the years ended December 31, 2019 and 2018, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	2019	2018
Balance, beginning	\$ 8,308,164	\$ 22,588,478
Purchases (sales) - net	1,961,974	(10,468,936)
Total gains and losses included on the Statement of Activities	576,715	(3,811,378)
Balance, ending	\$ 10,846,853	\$ 8,308,164

NOTE 5 – INVESTMENTS MEASURED AT NET ASSET VALUE

The Foundation's investments measured at net asset value (NAV) were as follows:

2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RIIFL Absolute Return Fixed Income Fund	\$ 22,415,197	\$ -	Daily	1 day
RIIFL Multi-Asset Core Plus Fund	101,306,213	-	Daily	1 day
RIIFL Core Bond Fund	40,063,546	-	Daily	1 day
RIIFL Real Estate Equity Fund	4,250,031	-	Daily	1 day
Total Return Fund Quarterly, Ltd.	3,801,805	-	Quarterly	65 days
	\$ 171,836,792	\$ -		
<hr style="border: 0.5px solid black;"/>				
2018				
RIIFL Absolute Return Fixed Income Fund	\$ 20,786,022	\$ -	Daily	1 day
RIIFL Multi-Asset Core Plus Fund	85,028,889	-	Daily	1 day
RIIFL Core Bond Fund	35,357,595	-	Daily	1 day
RIIFL Real Estate Equity Fund	4,049,626	-	Daily	1 day
Total Return Fund Quarterly, Ltd.	3,331,388	-	Quarterly	65 days
	\$ 148,553,520	\$ -		

Russell Investments Institutional Funds, LLC (RIIFL)

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 6 – ASSETS HELD IN CHARITABLE TRUSTS AND CHARITABLE GIFT ANNUITIES

Assets held related to these trusts and agreements at December 31, are as follows:

	2019		2018	
	Trusts	Annuities	Trusts	Annuities
Common stocks and equity funds	\$ 942,267	\$ 638,182	\$ 722,970	\$ 293,993
Fixed income securities and funds	906,597	269,690	934,551	453,820
Money market funds and other cash equivalents	89,633	34,193	52,937	92,985
International funds	281,705	219,551	292,910	236,020
	<u>\$ 2,220,202</u>	<u>\$ 1,161,616</u>	<u>\$ 2,003,368</u>	<u>\$ 1,076,818</u>

A liability for these trusts and charitable gift annuities, representing the actuarially-determined present value of the estimated future payments to be made to the beneficiaries using discount rates in the range of 1.8% to 8.5%, has been recognized.

The issuance of charitable gift annuities in the State of Washington is regulated by the Washington State Office of the Insurance Commissioner. The Insurance Commissioner requires, among other things, that the issuer of charitable gift annuities maintain certain minimum reserves, calculated in accordance with rules promulgated in RCW 48.38.020 of the Washington Insurance Code, and that these reserves be held in separate investment accounts. The minimum calculated reserve required at December 31, 2019 and 2018 totaled \$933,280 and \$954,657, respectively. The Foundation held \$1,161,616 and \$1,076,818 in separate accounts for these purposes at December 31, 2019 and 2018, respectively.

NOTE 7 – IMPACT INVESTMENTS

The Foundation has made four impact investments. These investments diversify and enhance the Foundation's investment portfolio, are aligned with its charitable mission, and are structured to achieve both a financial return and a social return. Impact investments at December 31, 2019 and 2018 are in the form of loans and total \$1,930,000 and \$1,900,000, respectively. All loans are current at December 31, 2019.

On December 7, 2017, the Foundation entered into a \$400,000 loan agreement with Housing Initiative, LLC, a wholly owned subsidiary of Council for the Homeless, a Vancouver, Washington based 501 (c)(3). The loan was for the purpose of acquiring land and constructing an 18-unit affordable housing development located in Vancouver. The development provides housing for low-income people with developmental disabilities and previously homeless or near homeless individuals. In 2019, Housing Initiative repaid the loan in full.

On December 13, 2018, the Foundation entered into a \$1,000,000 subordinated debt agreement with a private high school located in Vancouver, Washington. The loan is used for the financing of the school and its athletic fields. The 3% loan has a term of 15 years, with payments deferred for the first 3 years; a balloon payment will be due at the end of year 15. At December 31, 2019, accrued interest added to the loan principal totals \$30,000.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 7 – IMPACT INVESTMENTS (Continued)

On December 27, 2018, the Foundation entered into a \$500,000 subordinated debt agreement with Lighthouse Community Credit Union, a Vancouver community development financial institution. The organization provides financial and banking services to the area's low to moderate income population. The loan is used to increase the credit union's lending capacity by approximately \$5 million. The 2% loan is payable over 20 years, with a balloon payment due at maturity.

On April 22, 2019, the Foundation made a second \$400,000 loan to Housing Initiative, LLC. The loan is for the purpose of acquiring land and constructing apartments for people exiting homelessness with complex behavioral and/or physical health conditions. The 3% loan is payable at the end of 5 years, including deferred interest. At December 31, 2019, \$8,000 in interest has been accrued on the loan.

NOTE 8 – FUNDS HELD UNDER AGENCY ENDOWMENT AGREEMENTS

Activity for the year ended December 31 is as follows:

	2019	2018
Beginning balance	\$ 120,658	\$ 124,668
Additions:		
Contributions and transfers	10,000	3,782
Investment income (loss)	17,610	(6,547)
Total income (loss)	27,610	(2,765)
Deductions		
Grants and transfers	-	-
Service fees assessed	(2,264)	(1,245)
Total deductions	(2,264)	(1,245)
Ending balance	\$ 146,004	\$ 120,658

NOTE 9 – RETIREMENT PLAN

The Foundation helps its employees meet long-term retirement objectives by sponsoring a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. Employees meeting eligibility requirements may make elective contributions to the plan beginning on their date of hire. The Foundation, at its discretion, may make additional contributions to the plan once an employee has been employed for six months. After three years of service, employees become fully vested in the Foundation's contributions to the plan. For 2019 and 2018, the Foundation's contributions to the plan were \$77,451 and \$63,545 respectively.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Funds with donor restrictions include endowment funds created by donor stipulation requiring investment of the gift in perpetuity or for a specified term; charitable gift annuities and trusts, the assets of which are contractually restricted; and contributions receivable restricted for timing. Net assets with donor restrictions at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment Funds:		
Discretionary	\$ 22,105,797	\$ 20,519,583
Designated	28,912,098	24,807,641
Donor advised	9,231,185	6,695,224
Field of interest	2,340,283	2,219,968
Scholarship	7,053,358	7,034,827
Contributions Receivable	18,658,188	21,480,681
Gift Annuities	(199,972)	(247,478)
Trusts	<u>970,266</u>	<u>928,174</u>
Total Net Assets With Donor Restrictions	<u>\$ 89,071,203</u>	<u>\$ 83,438,620</u>

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by Washington State. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from an endowment fund, and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Foundation may spend so much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. A donor's intent to maintain an endowment in perpetuity must still be considered and the fund managed accordingly. However, the Foundation retains variance power over its endowment assets. The Foundation's organizing documents and fund agreements set forth the power to modify any restrictions or conditions on distributions from funds if, in the Foundation's judgment, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area being served.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of the gifts. For the years ended December 31, 2019 and 2018, deficiencies of this nature are \$588,601 and \$2,757,315, respectively. These deficiencies resulted from unfavorable market fluctuations. For the same periods, total donor-restricted endowment funds experiencing deficiencies have an original gift value of \$7,788,559 and \$38,873,826, and a current value of \$7,199,958 and \$36,116,511.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes to endowment funds classified as net assets with donor restrictions are as follows for the years ended December 31:

	2019	2018
Endowment net assets, beginning of year	\$ 64,094,595	\$ 61,301,218
Endowment investment return:		
Interest and dividends	205,301	1,202,140
Total net gains and losses, net of fees	8,909,459	(5,024,872)
Contributions to endowments	665,649	10,196,186
Transfers from endowments	(4,113,283)	(3,580,077)
Endowment net assets, end of year	\$ 69,761,721	\$ 64,094,595

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by these funds while seeking to maintain the purchasing power of the endowments. The Foundation's spending and investment policies work together to achieve these objectives. The Foundation's investment policy establishes an achievable return objective through diversification of asset classes.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which the 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. Investment decisions are made in the context of the Foundation's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

Spending Policy and How Investment Objectives Relate to the Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of the trailing three-year rolling-average of a fund's fair-value. In establishing this spending rate, the Foundation considers numerous factors listed in UPMIFA, including long-term expected return on investments, inflation, and other economic indicators. Accordingly, over the long term, the Foundation expects its spending policy to allow its endowment funds to grow at a rate equal to inflation. This is consistent with the Foundation's objective to maintain the purchasing power of its endowed assets.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor-imposed restrictions consist of the following at December 31:

	2019	2018
Undesignated:		
Administrative	\$ 436,243	\$ 403,676
Discretionary	5,009,450	3,986,668
Designated	4,044,471	3,576,793
Donor Advised	207,201,337	172,929,712
Field of Interest	1,025,412	796,253
Scholarship	2,551,288	2,150,556
Total Undesignated	220,268,201	183,843,658
Board Designated:		
Gift Annuity Reserve	428,308	369,638
Operating Reserve	807,814	708,086
Total Board Designated	1,236,122	1,077,724
Total Net Assets Without Donor Restrictions	\$ 221,504,323	\$ 184,921,382

NOTE 12 – OPERATING LEASE

The Foundation currently leases its office space under a 73-months operating lease commencing on September 1, 2018 and ending on September 30, 2024. Monthly payments due under the lease began at \$10,737 and increase to \$12,867. Rent expense was \$135,760 and \$112,804 for the years ended December 31, 2019 and 2018, respectively.

Future commitments are as follows:

Year Ending December 31,		
2020	\$	145,370
2021		148,238
2022		151,162
2023		154,145
2024		117,311
	\$	716,226

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 13 – LIQUIDITY

The following chart represents the Foundation’s financial assets available to meet cash needs for general expenditures within one year of December 31, 2019. Amounts not available for expenditure within one year include long-term investment of endowment funds, investments subject to contractual restriction, illiquid investments, and contributions receivable.

Financial assets at year-end*	
Cash and cash equivalents	\$ 320,737
Contributions receivable	18,658,188
Impact investments	1,930,000
Investments	288,487,370
Assets held in charitable trusts	2,220,202
Assets held in charitable gift annuities	1,161,616
Other financial assets	106,334
Total financial assets	<u>312,884,447</u>
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:	
Long-term investment of endowment funds	(66,308,515)
Investments subject to contractual restrictions	(26,166,935)
Investments in limited liability corporations	(2,529,533)
Impact investments	(1,930,000)
Charitable trusts	(2,220,202)
Gift annuities	(1,161,616)
Contributions receivable	(18,000,000)
Interest receivable	(8,000)
Life insurance cash surrender value	(98,300)
Total unavailable assets	<u>(118,423,101)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 194,461,346</u>
* Total assets at year-end	\$ 312,970,135
Nonfinancial assets (real property, prepaid expenses)	<u>(85,688)</u>
Total financial assets	<u>\$ 312,884,447</u>

As part of the Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

Certain investments, including hedge funds and private equity, include lock-up provisions and are not available for spending within one year.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 13 – LIQUIDITY (CONTINUED)

At December 31, 2019, the Foundation holds 123 endowment funds with net assets totaling \$69.8 million. The Foundation will appropriate for spending in 2020 approximately 3.75% of each fund's three-year rolling average fair market value for grantmaking purposes and 1.2% for administrative fees.

NOTE 14 – CONCENTRATIONS

For the year ended December 31, 2019, 71% of contributions were made by three donors. For the year ended December 31, 2018, 21% of contributions were made by two donors.

NOTE 15 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and December 31, 2018, the Foundation recognized \$2,116,382 and \$37,150, respectively, in contributions from members of the Board of Directors. In 2018, 100% of contributions to the Rood Family Foundation were made by members of its Board of Directors. The Rood Family Foundation received no gifts in 2019.

NOTE 16 – EXPENSE ANALYSIS

The following chart classifies the Foundation's operating expenses by function: program services, management and general activities, and fundraising. The Foundation's operating expenses include grants to the community and administrative expenses. Administrative expenses are allocated among program services and supporting activities based upon estimates of how Foundation employees' time is allocated among the three activities.

	2019			Total Expense
	Program Services	Management and General	Fundraising	
Grants to the community	\$ 13,942,946	\$ -	\$ -	\$ 13,942,946
Program expenses	65,405	-	-	65,405
Salaries and related expenses	603,715	387,788	477,848	1,469,351
Professional services	16,285	10,461	12,890	39,636
Outreach expenses	68,344	43,900	54,095	166,339
Occupancy	55,038	35,353	43,563	133,954
Equipment lease, tech support, software	57,332	36,826	45,379	139,537
Office and postage	27,880	17,908	22,067	67,855
Professional development	17,950	11,530	14,208	43,688
Insurance	15,085	9,689	11,940	36,714
Telecommunications	7,694	4,942	6,090	18,726
Travel	7,855	5,046	6,218	19,119
Other	3,751	2,410	2,969	9,130
	<u>\$ 14,889,280</u>	<u>\$ 565,853</u>	<u>\$ 697,267</u>	<u>\$ 16,152,400</u>

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE 16 – EXPENSE ANALYSIS (CONTINUED)

	2018			Total Expense
	Program Services	Management and General	Fundraising	
Grants to the community	\$ 15,543,719	\$ -	\$ -	\$ 15,543,719
Program expenses	533,914	-	-	533,914
Salaries and related expenses	547,397	316,349	387,059	1,250,805
Professional services	15,999	9,246	11,313	36,558
Outreach expenses	74,171	42,865	52,445	169,481
Occupancy	50,810	29,364	35,927	116,101
Equipment lease, tech support, software	54,854	31,701	38,786	125,341
Office and postage	18,231	10,536	12,891	41,658
Professional development	17,521	10,125	12,389	40,035
Insurance	13,871	8,016	9,808	31,695
Telecommunications	6,262	3,619	4,427	14,308
Travel	4,237	2,448	2,996	9,681
Other	2,940	1,699	2,079	6,718
	<u>\$ 16,883,926</u>	<u>\$ 465,968</u>	<u>\$ 570,120</u>	<u>\$ 17,920,014</u>

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 14, 2020, which is the date the consolidated financial statements were available to be issued.

In March of 2020, the World Health Organization declared a rapidly spreading coronavirus to be a pandemic. To protect public health, governmental authorities worldwide imposed social distancing and quarantine measures on large segments of their populations, including mandatory business closures. Although Congress has taken action to mitigate the financial and economic impacts of the pandemic in the U.S., its effects and duration are uncertain. Financial markets have experienced volatility during this period, which directly affects the valuation of Foundation investments. Still, the ultimate financial effects of the pandemic cannot be reasonably estimated at this time.

The Foundation has taken the following actions in response to the coronavirus:

1. The Foundation received a \$224,185 loan under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act. It has complied with program regulations and expects 100% of the loan to be forgiven in 2020.
2. All Foundation employees are currently working remotely, with no disruption in services provided.
3. The Foundation launched the Southwest Washington COVID Response Fund to mobilize charitable resources. This is a new way of operating for the Foundation and represents a considerable shift of resources.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

**Charitable Gift Annuity Certificate of Exemption No. 152845
Presentation for WA State Office of the Insurance Commissioner**

December 31, 2019 and 2018

	2019					2018				
	CFSWW	Supporting Organization of the CFSWW	Rood Family Foundation	Eliminations	Consolidated	CFSWW	Supporting Organization of the CFSWW	Rood Family Foundation	Eliminations	Consolidated
ASSETS										
Cash and cash equivalents	\$ 319,270	\$ -	\$ 1,467	\$ -	\$ 320,737	\$ 3,135,436	\$ -	\$ 81,460	\$ -	\$ 3,216,896
Contributions receivable	18,658,188	-	-	-	18,658,188	21,480,681	-	-	-	21,480,681
Investments	288,523,870	-	-	-	288,523,870	241,319,308	-	-	-	241,319,308
Impact investments	1,930,000	-	-	-	1,930,000	1,900,000	-	-	-	1,900,000
Assets held in charitable trusts	2,220,202	-	-	-	2,220,202	2,003,368	-	-	-	2,003,368
Assets held in charitable gift annuities	1,161,616	-	-	-	1,161,616	1,076,818	-	-	-	1,076,818
Other assets	156,989	-	34	(1,501)	155,522	163,273	-	-	-	163,273
Total Assets	\$ 312,970,135	\$ -	\$ 1,501	\$ (1,501)	\$ 312,970,135	\$ 271,078,884	\$ -	\$ 81,460	\$ -	\$ 271,160,344
LIABILITIES										
Accounts and other payables	\$ 65,389	\$ -	\$ 1,501	\$ (1,501)	\$ 65,389	\$ 649,832	\$ -	\$ -	\$ -	\$ 649,832
Liabilities for charitable trusts	1,249,936	-	-	-	1,249,936	1,075,195	-	-	-	1,075,195
Liabilities for charitable gift annuities	933,280	-	-	-	933,280	954,657	-	-	-	954,657
Funds held under agency endowment agreements	146,004	-	-	-	146,004	120,658	-	-	-	120,658
Total Liabilities	2,394,609	-	1,501	(1,501)	2,394,609	2,800,342	-	-	-	2,800,342
NET ASSETS										
Without Donor Restrictions										
Undesignated	220,268,202	-	-	-	220,268,202	183,762,198	-	81,460	-	183,843,658
Board designated for gift annuity reserve	428,307	-	-	-	428,307	369,638	-	-	-	369,638
Board designated for operating reserve	807,814	-	-	-	807,814	708,086	-	-	-	708,086
Total Without Donor Restrictions	221,504,323	-	-	-	221,504,323	184,839,922	-	81,460	-	184,921,382
With Donor Restrictions	89,071,203	-	-	-	89,071,203	83,438,620	-	-	-	83,438,620
Total Net Assets	310,575,526	-	-	-	310,575,526	268,278,542	-	81,460	-	268,360,002
Total Liabilities and Net Assets	\$ 312,970,135	\$ -	\$ 1,501	\$ (1,501)	\$ 312,970,135	\$ 271,078,884	\$ -	\$ 81,460	\$ -	\$ 271,160,344

The accompanying independent auditor's report should be read with the supplementary information.

OTHER INFORMATION

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

BOARD OF DIRECTORS

T. Randall Grove, J.D., LL.M., Chair
Kristy Weaver, Vice Chair
Kim Capeloto, Treasurer
Marty Forsmann, Secretary

Twyla Barnes, Ed. D.
Jody Campbell
John Deeder
Dr. Robert Djergaian
Steve Hansen
Vanessa Gaston
Inna Liu
Alicia Lowe
Mark Matthias
George Middleton
Kirk Raboin

EXECUTIVE MANAGEMENT AND STAFF

Jennifer Rhoads, President
Janie Spurgeon, Executive Vice President and Chief Development Officer
Shona Carter, Vice President of Programs
Pam Cabanatuan, Chief Financial Officer
Anne Digenis, Senior Philanthropic Advisor
Maury Harris, Senior Communications Officer
Lea Whitlock, Digital Marketing Coordinator
Esra Khalil, Program Officer
Maka Chee, Program Officer
Deanna Green, Scholarship Manager and Program Associate
Rachon Hanson, Accountant
Ursula Arlauskas, Development Associate
Chrissy Trammell, Operations Assistant
Richard Melching, Strategic Advisor

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