

**COMMUNITY FOUNDATION
FOR SOUTHWEST WASHINGTON**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020



**COMMUNITY
FOUNDATION**

**SOUTHWEST
WASHINGTON**

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-20
SUPPLEMENTARY INFORMATION	
Consolidating Schedule of Financial Position	21
OTHER INFORMATION	
Governing Board and Contact Information	22

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Foundation for Southwest Washington
Vancouver, Washington

Opinion

We have audited the accompanying consolidated financial statements of Community Foundation for Southwest Washington (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the changes in net assets and its cash flows for the year 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 for Southwest Washington 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation for Southwest Washington's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

To the Board of Directors
Community Foundation for Southwest Washington

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 consolidated 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 consolidated 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 for Southwest Washington'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation for Southwest Washington'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.

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
August 3, 2022

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2021 and 2020

ASSETS

	2021	2020 (Restated)
Cash and cash equivalents	\$ 1,543,976	\$ 3,021,279
Contributions receivable	85,623,026	21,640,000
Investments	318,164,031	290,550,590
Impact investments	4,085,819	1,960,000
Assets held in charitable trusts	2,442,801	2,292,344
Assets held in charitable gift annuities	1,271,244	1,211,842
Other assets	218,004	141,504
Total assets	\$ 413,348,901	\$ 320,817,559

LIABILITIES AND NET ASSETS

Accounts and other payables	\$ 29,583	\$ 42,015
Refundable advance	-	224,185
Liabilities for split-interest agreements	2,153,558	2,045,608
Funds held under agency agreements	5,386,922	5,841,582
Total liabilities	7,570,063	8,153,390
Net assets		
Without donor restrictions		
Undesignated	243,629,385	221,579,222
Board designated for gift annuity reserve	742,130	672,705
Board designated for operating reserve	853,061	815,958
	245,224,576	223,067,885
With donor restrictions	160,554,262	89,596,284
Total net assets	405,778,838	312,664,169
Total liabilities and net assets	\$ 413,348,901	\$ 320,817,559

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 and 2020

	2021			2020 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
Contributions	\$ 17,065,210	\$ 66,860,108	\$ 83,925,318	\$ 10,356,201	\$ 4,570,304	\$ 14,926,505
Investment income	6,145,624	188,199	6,333,823	4,680,925	1,638,577	6,319,502
Net appreciation in the fair value of investments	22,392,969	8,119,219	30,512,188	13,211,202	1,681,805	14,893,007
Gain on contributions receivable	-	116,432	116,432	-	14,639	14,639
Paycheck Protection Loans Forgiven	471,735	-	471,735	-	-	-
Change in the actuarial value of charitable trusts and gift annuities	-	55,114	55,114	-	221,713	221,713
Service fees assessed against funds held under agency agreements and charitable trusts	77,669	-	77,669	75,615	-	75,615
	<u>46,153,207</u>	<u>75,339,072</u>	<u>121,492,279</u>	<u>28,323,943</u>	<u>8,127,038</u>	<u>36,450,981</u>
Net assets released from restrictions	4,381,094	(4,381,094)	-	4,000,085	(4,000,085)	-
Total revenues and other support	<u>50,534,301</u>	<u>70,957,978</u>	<u>121,492,279</u>	<u>32,324,028</u>	<u>4,126,953</u>	<u>36,450,981</u>
Operating Expenses						
Grants and program services	26,962,256	-	26,962,256	27,321,588	-	27,321,588
Management and general	858,230	-	858,230	759,798	-	759,798
Fundraising	557,124	-	557,124	566,130	-	566,130
Total expenses	<u>28,377,610</u>	<u>-</u>	<u>28,377,610</u>	<u>28,647,516</u>	<u>-</u>	<u>28,647,516</u>
Change in net assets	22,156,691	70,957,978	93,114,669	3,676,512	4,126,953	7,803,465
Net assets, beginning of year	<u>223,067,885</u>	<u>89,596,284</u>	<u>312,664,169</u>	<u>219,391,373</u>	<u>85,469,331</u>	<u>304,860,704</u>
Net assets, end of year	<u>\$ 245,224,576</u>	<u>\$ 160,554,262</u>	<u>\$ 405,778,838</u>	<u>\$ 223,067,885</u>	<u>\$ 89,596,284</u>	<u>\$ 312,664,169</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
Cash Flows from Operating Activities		
Cash received from contributions	\$ 5,756,921	\$ 5,651,364
Cash received from contributions to agency funds	576,910	11,550
Cash received from events	186,600	38,500
Cash received from service fees and other revenue	9,764	5,273
Cash collected on contributions receivable	300,000	539,188
Interest received	38,696	14,211
Grants and direct program expenses paid	(24,898,287)	(25,835,177)
Grants and direct program expenses paid from agency funds	(1,478,564)	(131,442)
Administrative expenses paid	(2,309,306)	(2,106,613)
Unrelated business income tax paid	(12,567)	-
Net Cash Flows from Operating Activities	<u>(21,829,833)</u>	<u>(21,813,146)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	25,789,922	25,957,419
Purchases of investments	(8,961,865)	(3,254,841)
Realized gain on investments	1,555,718	698,703
Investment expense	-	(39,843)
Collection of impact investment	904,181	-
Impact investments made	(1,000,000)	-
Net Cash Flows from Investing Activities	<u>18,287,956</u>	<u>23,361,438</u>
Cash Flows from Financing Activities		
Donation restricted for long-term use	204,799	802,295
Contributions to agency funds restricted for long-term use	4,725	6,770
Collection of contributions receivable-restricted	1,607,500	119,000
Refundable advance	247,550	224,185
Net Cash Flows from Financing Activities	<u>2,064,574</u>	<u>1,152,250</u>
Net increase (decrease) in cash and cash equivalents	(1,477,303)	2,700,542
Cash and cash equivalents, beginning of year	<u>3,021,279</u>	<u>320,737</u>
Cash and cash equivalents, end of year	<u>\$ 1,543,976</u>	<u>\$ 3,021,279</u>

Supplemental note to cash flow statement:

Contributions of stock and cash made directly to investment accounts total \$12,004,724 and \$4,976,147 for 2021 and 2020, respectively.

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR SOUTHWEST WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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.

At December 31, 2020, the Foundation had two Type 1 supporting organizations: The Supporting Organization of the Community Foundation for Southwest Washington and the Rood Family Foundation. Both organizations operate exclusively for the benefit of and to carry out the purposes of the Foundation. The Foundation performs all administrative functions for the supporting organizations and appoints their governing bodies. In December 2021, the Rood Family Foundation was dissolved.

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, Community Foundation for Southwest Washington Charitable LLC #2, Community Foundation for Southwest Washington Charitable LLC #3, and Community Foundation for Southwest Washington Charitable LLC #4. These charitable LLCs were formed December 12, 2012, April 20, 2016, November 2, 2020, and November 5, 2021, 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

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.

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

December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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.

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.

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 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.

Because the Foundation maintains variance power and fiduciary responsibility for all funds held under agency agreements, these funds continue to be reported as assets. However, a liability, "funds held under agency 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.

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

December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and December 31, 2020.

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.

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.

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

December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 – FUNDS RECLASSIFICATION AND NET ASSET RESTATEMENT

In 2021 the Foundation conducted a review of its funds and determined that 25 funds, each benefiting a particular not-for-profit organization, were erroneously classified as Designated Funds. Under GAAP, these funds are more appropriately classified as agency funds governed by Financial Accounting Standard No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (codified into "ASC Topic 958"). ASC 958 provides that in the case where a nonprofit organization transfers assets to a community foundation, but specifies itself as the beneficiary of the assets, the transaction is deemed to be reciprocal. The nonprofit organization is transferring assets in exchange for future distributions. The Foundation, by accepting the transfer, agrees that it is capable of making the distributions and that they are consistent with its mission. At the time of the transfer, the nonprofit organization recognizes an asset; the community foundation recognizes a liability.

The error in application of ASC 958 resulted in an overstatement of Foundation net assets and a corresponding understatement of liability for funds held under agency agreements in the amount of \$5,714,822 at December 31, 2019. In 2020, the change in Net Assets was overstated by \$74,246; the liability for funds held under agency agreement was understated by the same amount.

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

December 31, 2021 and 2020

NOTE 3 – FUNDS RECLASSIFICATION AND NET ASSET RESTATEMENT (CONTINUED)

To facilitate comparison of the 2020 and 2021 financial statements, the beginning balances of net assets have been restated. The table below shows the cumulative effect of the classification error on net assets and the corresponding change in liability for agency funds as of December 31, 2020:

	<u>As Previously Reported</u>	<u>Correction to Reclassify Agency Funds</u>	<u>Amounts as Restated</u>
Cumulative effect on Net Assets December 31, 2019:			
Net assets without donor restrictions	\$ 221,504,323	\$ (2,112,950)	\$ 219,391,373
Net assets with donor restrictions	<u>89,071,203</u>	<u>(3,601,872)</u>	<u>85,469,331</u>
Combined	310,575,526	(5,714,822)	304,860,704
Change in Net Assets 2020:			
Net assets without donor restrictions	3,852,064	(175,552)	3,676,512
Net assets with donor restrictions	<u>4,025,647</u>	<u>101,306</u>	<u>4,126,953</u>
Combined	7,877,711	(74,246)	7,803,465
Net Assets at December 31, 2020:			
Net assets without donor restrictions	225,356,387	(2,288,502)	223,067,885
Net assets with donor restrictions	<u>93,096,850</u>	<u>(3,500,566)</u>	<u>89,596,284</u>
Combined	<u>\$ 318,453,237</u>	<u>\$ (5,789,068)</u>	<u>\$ 312,664,169</u>
Agency funds reported at December 31, 2020	\$ 52,514		
Cumulative adjustment to restate at December 31, 2020	<u>5,789,068</u>		
Agency funds at December 31, 2020 restated	<u>\$ 5,841,582</u>		

NOTE 4 – 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, 2021 and 2020, bequest gifts total \$85,623,026 and \$21,640,000, 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 5 – 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.

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

December 31, 2021 and 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Fair values of assets measured on a recurring basis at December 31, 2021 were as follows:

	<u>2021</u>			Fair Value
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments measured at fair value:</u>				
Domestic common stocks and equity funds	\$ 39,969,315	\$ -	\$ -	\$ 39,969,315
Fixed income securities and funds	23,065,077	-	-	23,065,077
Interests in private equity partnerships and limited liability companies	-	-	29,695,281	29,695,281
International equity securities	32,846,739	-	-	32,846,739
Money market funds and other cash equivalents	7,683,539	-	-	7,683,539
Land	-	-	36,500	36,500
	<u>\$ 103,564,670</u>	<u>\$ -</u>	<u>\$ 29,731,781</u>	\$ 133,296,451
Investments Measured at Net Asset Value				<u>184,867,580</u>
Total investments				<u>\$ 318,164,031</u>
<u>Other assets measured at fair value:</u>				
Assets held in charitable trusts	<u>\$ 2,442,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,442,801</u>
Assets held in charitable gift annuities	<u>\$ 1,271,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,271,244</u>

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

December 31, 2021 and 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2020 were as follows:

	2020			Fair Value Total
	Level 1	Level 2	Level 3	
<u>Investments measured at fair value:</u>				
Domestic common stocks and equity funds	\$ 40,228,713	\$ -	\$ -	\$ 40,228,713
Fixed income securities and funds	19,688,182	-	-	19,688,182
Interests in private equity partnerships and limited liability companies	-	-	18,250,807	18,250,807
International equity securities	38,504,528	-	-	38,504,528
Money market funds and other cash equivalents	8,873,128	-	-	8,873,128
Land	-	-	36,500	36,500
	<u>\$ 107,294,551</u>	<u>\$ -</u>	<u>\$ 18,287,307</u>	\$ 125,581,858
Investments Measured at Net Asset Value				<u>164,968,732</u>
Total investments				<u>\$ 290,550,590</u>
<u>Other assets measured at fair value:</u>				
Assets held in charitable trusts	<u>\$ 2,292,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,292,344</u>
Assets held in charitable gift annuities	<u>\$ 1,211,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,211,842</u>

For the years ended December 31, 2021 and 2020, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 18,287,307	\$ 10,846,853
Gifts	1,283,899	2,972,063
Purchases (sales) - net	2,577,982	2,491,337
Total gains and losses included on the Statement of Activities	<u>7,582,593</u>	<u>1,977,054</u>
Balance, ending	<u>\$ 29,731,781</u>	<u>\$ 18,287,307</u>

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

December 31, 2021 and 2020

NOTE 6 – INVESTMENTS MEASURED AT NET ASSET VALUE

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

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RIIFL Unconstrained Bond Fund	\$ 20,793,450	\$ -	Daily	1 day
RIIFL Sustainable Multi Asset Core Plus Fund	109,848,838	-	Daily	1 day
RIIFL Core Bond Fund	43,483,910	-	Daily	1 day
RIIFL Real Estate Equity Fund	5,070,649	-	Daily	1 day
Russell Investments Total Return Fund Quarterly, Ltd.	<u>5,670,733</u>	<u>-</u>	Quarterly	65 days
	<u>\$ 184,867,580</u>	<u>\$ -</u>		
<hr/>				
2020				
RIIFL Unconstrained Bond Fund	\$ 20,437,282	\$ -	Daily	1 day
RIIFL Sustainable Multi Asset Core Plus Fund	96,908,409	-	Daily	1 day
RIIFL Core Bond Fund	38,445,715	-	Daily	1 day
RIIFL Real Estate Equity Fund	4,261,632	-	Daily	1 day
Russell Investments Total Return Fund Quarterly, Ltd.	<u>4,915,694</u>	<u>-</u>	Quarterly	65 days
	<u>\$ 164,968,732</u>	<u>\$ -</u>		

Russell Investments Institutional Funds, LLC (RIIFL)

NOTE 7 – IMPACT INVESTMENTS

Impact investments diversify and enhance the Foundation's investment portfolio; they are aligned with its charitable mission and are structured to achieve both a financial and social return. Impact investments held during 2021 and 2020 are in the form of loans to various nonprofit organizations and government entities in southwest Washington. Loans held on December 31, 2021 serve homelessness prevention and capital projects. All loans are current on December 31, 2021.

2021 Impact Investment Activity:

December 31, 2020 loans outstanding (3)	\$ 1,960,000
Loans fully repaid during 2021 (2)	(900,000)
Loans initiated during 2021 (3)	3,000,000
Increase in principal per terms of 2018 loan	<u>25,819</u>
December 31, 2021 loans outstanding (4)	<u>\$ 4,085,819</u>

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

December 31, 2021 and 2020

NOTE 8 – ASSETS HELD IN CHARITABLE TRUSTS AND CHARITABLE GIFT ANNUITIES

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

	2021		2020	
	Trusts	Annuities	Trusts	Annuities
Common stocks and equity funds	\$ 1,016,339	\$ 739,041	\$ 1,023,388	\$ 577,133
Fixed income securities and funds	950,053	186,602	868,249	372,574
Money market funds and other cash equivalents	153,187	69,650	63,252	35,941
International funds	323,222	275,951	337,455	226,194
	<u>\$ 2,442,801</u>	<u>\$ 1,271,244</u>	<u>\$ 2,292,344</u>	<u>\$ 1,211,842</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, 2021 and 2020 totaled \$700,872 and \$717,344, respectively. The Foundation held \$1,271,244 and \$1,211,842 in separate accounts for these purposes at December 31, 2021 and 2020, respectively.

NOTE 9 – REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM LOAN)

On April 20, 2020 and January 27, 2021, the Foundation received Paycheck Protection Program loans under the Coronavirus Aid, Relief and Economic Security Act. Loan amounts were \$224,185 and \$247,550, respectively. The loans were funded by the Small Business Administration and used to cover salaries and other personnel costs, facility rent, and communication expenses. The Foundation complied with all loan terms and the loans were forgiven on January 27, 2021 and August 12, 2021, respectively.

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

December 31, 2021 and 2020

NOTE 10 – FUNDS HELD UNDER AGENCY AGREEMENTS

Activity for the year ended December 31 is as follows:

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
Beginning balance	\$ 5,841,582	\$ 5,860,826
Additions:		
Contributions and transfers	610,068	28,720
Investment income (loss)	503,065	273,730
Total income (loss)	<u>1,113,133</u>	<u>302,450</u>
Deductions		
Grants and transfers	(1,492,086)	(242,902)
Service fees assessed	(75,707)	(78,792)
Total deductions	<u>(1,567,793)</u>	<u>(321,694)</u>
Ending balance	<u>\$ 5,386,922</u>	<u>\$ 5,841,582</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
Endowment Funds:		
Discretionary	\$ 23,618,893	\$ 22,031,142
Designated	28,045,347	26,241,455
Donor advised	10,766,182	9,264,610
Field of interest	4,006,697	2,313,376
Scholarship	7,675,760	7,319,829
Contributions Receivable	85,623,026	21,640,000
Gift Annuities	(171,759)	(178,208)
Trusts	<u>990,116</u>	<u>964,080</u>
Total Net Assets With Donor Restrictions	<u>\$ 160,554,262</u>	<u>\$ 89,596,284</u>

Interpretation of Relevant Law

Washington State has enacted The Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes a set of prudent management and investment standards for administering endowment funds. Under UPMIFA, the Foundation must consider a donor's intent to maintain an endowment in perpetuity, but it may spend so much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value.

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

December 31, 2021 and 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Interpretation of Relevant Law (continued)

The Foundation retains variance power over its endowment assets. Its organizing documents and fund agreements set forth the power to modify any restriction or condition on distribution of funds for any specified charitable purpose or to specified organizations if in the sole judgement of the Foundation's Board, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Southwest Washington.

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, 2021 and 2020, deficiencies of this nature are \$383,076 and \$709,558, 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 \$4,525,736 and \$10,713,476, and a current value of \$4,142,659 and \$10,003,918.

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

	2021	2020 (Restated)
Endowment net assets, beginning of year	\$ 70,510,412	\$ 66,159,848
Endowment investment return:		
Interest and dividends	1,480,789	1,638,577
Total net gains and losses, net of fees	6,826,629	1,681,806
Contributions to endowments	1,404,249	4,146,780
Transfers from endowments	(3,914,662)	(3,116,599)
Endowment net assets, end of year	\$ 76,307,417	\$ 70,510,412

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.

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

December 31, 2021 and 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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.

NOTE 12 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2021	2020 (Restated)
Undesignated:		
Administrative	\$ 755,111	\$ 333,036
Discretionary	4,248,334	4,016,825
Designated	2,271,029	1,891,044
Donor Advised	231,384,362	210,581,619
Field of Interest	1,045,189	2,110,833
Scholarship	3,925,360	2,645,865
Total Undesignated	243,629,385	221,579,222
Board Designated:		
Gift Annuity Reserve	742,130	672,705
Operating Reserve	853,061	815,958
Total Board Designated	1,595,191	1,488,663
Total Net Assets Without Donor Restrictions	\$ 245,224,576	\$ 223,067,885

NOTE 13 – 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 2021 and 2020, the Foundation's contributions to the plan were \$80,599 and \$78,368, respectively.

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

December 31, 2021 and 2020

NOTE 14 – LIQUIDITY

The following chart represents the Foundation’s financial assets available to meet cash needs for general expenditures within one year of December 31, 2021. 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	\$	1,543,976
Contributions receivable		85,623,026
Impact investments		4,085,819
Investments		318,127,531
Assets held in charitable trusts		2,442,801
Assets held in charitable gift annuities		1,271,244
Other financial assets		160,384
Total financial assets		<u>413,254,781</u>
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Long-term investment of endowment funds		(71,957,895)
Investments subject to contractual restrictions		(43,306,354)
Investments in limited liability corporations		(1,257,064)
Impact investments		(4,034,827)
Charitable trusts		(2,442,801)
Gift annuities		(1,271,244)
Contributions receivable		(83,000,000)
Interest receivable		(70,248)
Life insurance cash surrender value		(110,383)
Total unavailable assets		<u>(207,450,816)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>205,803,965</u>
* Total assets at year-end	\$	413,348,901
Nonfinancial assets (real property, prepaid expenses)		<u>(94,120)</u>
Total financial assets	\$	<u>413,254,781</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.

At December 31, 2021, the Foundation holds 114 endowment funds with net assets totaling \$76.3 million. The Foundation will appropriate for spending in 2022 approximately 4.5% of each fund’s three-year rolling average fair market value for grantmaking purposes and 1.2% for administrative fees.

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

December 31, 2021 and 2020

NOTE 15 – 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 \$148,334 and \$145,466 for the years ended December 31, 2021 and 2020, respectively.

Future commitments are as follows:

Year Ending December 31,	
2022	\$ 151,258
2023	154,241
2024	<u>117,383</u>
	<u>\$ 422,882</u>

NOTE 16 – CONCENTRATIONS

For the year ended December 31, 2021, 91% of contributions were made by two donors. For the year ended December 31, 2020, 56% of contributions were made by four donors.

NOTE 17 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and December 31, 2020, the Foundation recognized \$9,787,574 and \$34,400, respectively, in contributions from members of the Board of Directors. Neither the Supporting Organization of the Community Foundation for Southwest Washington or the Rood Family Foundation received gifts from members of their respective governing bodies in 2021 or 2020.

NOTE 18 – 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. Expenses not directly associated with a particular activity are allocated among program and supporting activities based upon estimates of how Foundation employees’ time is allocated among the three activities.

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, 2021 and 2020

	2021					2020 (Restated)				
	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	\$ 1,537,319	\$ 6,657	\$ -	\$ -	\$ 1,543,976	\$ 3,000,670	\$ 19,108	\$ 1,501	\$ -	\$ 3,021,279
Contributions receivable	85,623,026	-	-	-	85,623,026	21,640,000	-	-	-	21,640,000
Investments	318,164,031	-	-	-	318,164,031	290,550,590	-	-	-	290,550,590
Impact investments	4,085,819	-	-	-	4,085,819	1,960,000	-	-	-	1,960,000
Assets held in charitable trusts	2,442,801	-	-	-	2,442,801	2,292,344	-	-	-	2,292,344
Assets held in charitable gift annuities	1,271,244	-	-	-	1,271,244	1,211,842	-	-	-	1,211,842
Other assets	218,004	-	-	-	218,004	143,005	-	-	(1,501)	141,504
Total Assets	\$ 413,342,244	\$ 6,657	\$ -	\$ -	\$ 413,348,901	\$ 320,798,451	\$ 19,108	\$ 1,501	\$ (1,501)	\$ 320,817,559
LIABILITIES										
Accounts and other payables	\$ 29,583	\$ -	\$ -	\$ -	\$ 29,583	\$ 253,633	\$ 12,567	\$ 1,501	\$ (1,501)	\$ 266,200
Liabilities for charitable trusts	1,452,686	-	-	-	1,452,686	1,328,264	-	-	-	1,328,264
Liabilities for charitable gift annuities	700,872	-	-	-	700,872	717,344	-	-	-	717,344
Funds held under agency endowment agreements	5,386,922	-	-	-	5,386,922	5,841,582	-	-	-	5,841,582
Total Liabilities	7,570,063	-	-	-	7,570,063	8,140,823	12,567	1,501	(1,501)	8,153,390
NET ASSETS										
Without Donor Restrictions										
Undesignated	243,622,728	6,657	-	-	243,629,385	221,572,681	6,541	-	-	221,579,222
Board designated for gift annuity reserve	742,130	-	-	-	742,130	672,705	-	-	-	672,705
Board designated for operating reserve	853,061	-	-	-	853,061	815,958	-	-	-	815,958
Total Without Donor Restrictions	245,217,919	6,657	-	-	245,224,576	223,061,344	6,541	-	-	223,067,885
With Donor Restrictions	160,554,262	-	-	-	160,554,262	89,596,284	-	-	-	89,596,284
Total Net Assets	405,772,181	6,657	-	-	405,778,838	312,657,628	6,541	-	-	312,664,169
Total Liabilities and Net Assets	\$ 413,342,244	\$ 6,657	\$ -	\$ -	\$ 413,348,901	\$ 320,798,451	\$ 19,108	\$ 1,501	\$ (1,501)	\$ 320,817,559

The accompanying independent auditors' 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
Vanessa Gaston, Secretary

Cristhian Canseco Juarez
John Deeder
Alicia Lowe
Karissa Lowe
Mark Matthias
George Middleton

EXECUTIVE MANAGEMENT AND STAFF

Matt Morton, President
Janie Spurgeon, Executive Vice President and Chief Development Officer
Pam Cabanatuan, Chief Financial Officer
Anne Digenis, Senior Philanthropic Advisor
Maury Harris, Senior Communications Officer
Esra Khalil, Program Officer
Maka Gibson, Program Officer
Deanna Green, Scholarship Manager and Development Associate
Rachon Hanson, Accountant
Ursula Arlauskas, Development Associate
Chrissy Brown, Operations Assistant

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