



Consolidated Financial Statements

For the Year Ended December 31, 2017

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## **Independent Auditor's Report**

**To the Board of Trustees  
Seattle Foundation  
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Seattle Foundation (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **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 statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are 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 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.

*Clark Nuber PS*

Certified Public Accountants  
June 22, 2018

**SEATTLE FOUNDATION**  
**Consolidated Statement of Financial Position**  
**December 31, 2017**  
**(With Comparative Totals for 2016)**  
**(In Thousands)**

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 15,221	\$ 6,742
Accounts and other receivables	357	379
Pledges receivable and other assets, net	1,232	2,523
Bequests receivable	183	2,797
Beneficial interests held in trust	28,316	25,372
Investments	944,290	828,312
Real estate held for sale	2,928	2,178
Mission related investments	10,762	9,163
Fixed assets, net of accumulated depreciation	<u>2,870</u>	<u>3,250</u>
<b>Total Assets</b>	<b><u>\$ 1,006,159</u></b>	<b><u>\$ 880,716</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Unconditional grants payable	\$ 5,183	\$ 2,936
Other liabilities	2,871	1,707
Funds held for others	51,547	48,404
Liability for life estate	469	536
Liability for charitable lead and remainder trusts	29,608	26,494
Liability for charitable gift annuities	<u>2,473</u>	<u>2,723</u>
<b>Total Liabilities</b>	<b>92,151</b>	<b>82,800</b>
<b>Net Assets:</b>		
Unrestricted-		
Community/area of interest	110,925	93,925
Donor advised	439,639	374,041
Designated	249,366	220,041
Supporting organizations	46,305	53,575
Administrative	<u>7,829</u>	<u>7,926</u>
Total unrestricted	854,064	749,508
Temporarily restricted	47,260	37,234
Permanently restricted - perpetual trusts	<u>12,684</u>	<u>11,174</u>
<b>Total Net Assets</b>	<b><u>914,008</u></b>	<b><u>797,916</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,006,159</u></b>	<b><u>\$ 880,716</u></b>

See accompanying notes.

**SEATTLE FOUNDATION**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2017**  
**(With Comparative Totals for 2016)**  
**(In Thousands)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>Revenues and Support:</b>					
Contributions and agency funds-					
Community/area of interest	\$ 13,060	\$ 16,083	\$ -	\$ 29,143	\$ 3,940
Donor advised	68,996			68,996	96,821
Designated	1,637	498		2,135	1,680
Supporting organizations	4,537			4,537	1,534
Agency	1,388			1,388	810
Administrative	686			686	446
GiveBIG	12,634			12,634	16,354
	<u>102,938</u>	<u>16,581</u>		<u>119,519</u>	<u>121,585</u>
Less agency	(1,388)			(1,388)	(810)
Less GiveBIG	(12,634)			(12,634)	(16,354)
	<u>88,916</u>	<u>16,581</u>		<u>105,497</u>	<u>104,421</u>
Total contributions					
Dividend and interest income	14,634			14,634	12,428
Gains on investments, net	103,642	11		103,653	39,332
Change in value of charitable gift annuities and trusts	(184)	4,358	1,510	5,684	2,629
Other income	1,445			1,445	923
Net assets released from restriction	10,924	(10,924)			
	<u>219,377</u>	<u>10,026</u>	<u>1,510</u>	<u>230,913</u>	<u>159,733</u>
<b>Total Revenues and Support</b>					
<b>Expenses:</b>					
Grants-					
Community/area of interest	15,328			15,328	7,788
Donor advised	67,734			67,734	57,832
Designated	9,464			9,464	8,898
Supporting organizations	2,320			2,320	7,330
Agency	5,579			5,579	4,565
	<u>100,425</u>			<u>100,425</u>	<u>86,413</u>
Less agency	(5,579)			(5,579)	(4,565)
	<u>94,846</u>			<u>94,846</u>	<u>81,848</u>
Total grants expense					
Investment management and trustee fees	5,261			5,261	4,198
Support expenses	14,714			14,714	10,653
	<u>114,821</u>			<u>114,821</u>	<u>96,699</u>
<b>Total Expenses</b>					
<b>Change in Net Assets</b>	<b>104,556</b>	<b>10,026</b>	<b>1,510</b>	<b>116,092</b>	<b>63,034</b>
Net assets, beginning of year	749,508	37,234	11,174	797,916	734,882
<b>Net Assets, End of Year</b>	<b>\$ 854,064</b>	<b>\$ 47,260</b>	<b>\$ 12,684</b>	<b>\$ 914,008</b>	<b>\$ 797,916</b>

See accompanying notes.

**SEATTLE FOUNDATION**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2017**  
**(With Comparative Totals for 2016)**  
**(In Thousands)**

	2017	2016
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 116,092	\$ 63,034
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash items included in change in net assets:		
Depreciation	501	348
Change in present value adjustment of pledges receivable		(57)
Net gain on investments	(103,653)	(39,332)
Loss on disposal of assets	69	9
Noncash contributions of real estate held for sale	(750)	
Net gain on charitable gift annuities and trusts	(5,604)	(5,801)
Noncash change in value of beneficial interest assets	(2,944)	833
Noncash change in liability for annuities and trusts	2,864	2,339
Change in operating accounts:		
Accounts receivable and other assets	22	(132)
Pledges receivable	1,291	1,180
Bequests receivable	2,614	(1,804)
Mission related investments	(1,599)	(1,514)
Funds held for others	3,143	(613)
Unconditional grants payable	2,247	630
Other liabilities	1,097	826
	<b>15,390</b>	<b>19,946</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(190)	(2,630)
Purchase of investments	(492,904)	(390,495)
Proceeds from sale of investments	486,183	373,126
	<b>(6,911)</b>	<b>(19,999)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>8,479</b>	<b>(53)</b>
Cash and cash equivalents, beginning of year	6,742	6,795
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 15,221</b>	<b>\$ 6,742</b>
<b>Supplementary Information:</b>		
Fixed asset purchases included in accounts payable	\$ -	\$ 149
Noncash contributions of real estate held for sale	\$ 750	\$ -

See accompanying notes.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 1 - Description of Seattle Foundation

Seattle Foundation was established in 1946 as a public charity and is incorporated under the laws of the State of Washington. Seattle Foundation's mission is to ignite powerful, rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all. It accomplishes this purpose through contributions from individuals, corporations and nonprofit agencies that support a wide range of organizations that promote educational, cultural, health, social and civic development. Seattle Foundation is authorized to accept gifts, bequests, contributions and grants of property in a variety of asset forms including cash, stock, real estate and other assets to carry out its organizational purpose. The Foundation generally does not administer programs of its own; instead, it grants funds to a variety of charitable and nonprofit organizations to support their respective programs.

Our goal as a community foundation is to simplify giving and strengthen the impact of philanthropy for the more than 1,200 individuals, families, businesses and nonprofits we serve. We provide deep community insights, powerful civic leadership, effective philanthropic advising and judicious stewardship of assets in support of our mission. We use our donor funds to support a wide range of community interests including those expressed through our Healthy Community Framework, making grants to nonprofit organizations to support their programs. In pursuit of its mission, Seattle Foundation is guided by the central principles of equity and opportunity and developed the Center for Community Partnerships (the Center) to focus directly on efforts to achieve greater racial and economic equity. Understanding that social problems are products of networks of cause and effect at a policy level, the Center focuses on advancing systems change as the most effective way to advance our mission of creating a stronger, more vibrant community for all.

**Supporting Organizations** - The consolidated financial statements include the activities of seven supporting organizations for which Seattle Foundation performs accounting and administrative functions as well as appointing a majority of voting members to the Board of Directors for each organization. Each governing board may establish its own investment policy and grant guidelines. As the supporting organizations are effectively under Seattle Foundation's control and Seattle Foundation has an economic interest, their financial activities and balances are consolidated with Seattle Foundation for financial reporting purposes. The supporting organizations make grants to outside organizations.

In addition to the seven existing supporting organizations, during the year ended December 31, 2017, the following supporting organizations were dissolved, and their remaining net assets were contributed to Seattle Foundation: Dabney Point Fund; Dillion Family Foundation; Walker Family Foundation; and The Luino and Margaret Dell'Ossso Family Foundation.

**Fund Types** - Seattle Foundation has approximately 1,200 funds, organized over a variety of fund types. While the fund attributes may have one or more of the following: specified area of interest, annual spending limitation, temporary or permanent restriction, or may be associated with a donor who recommends grant distributions, all are subject to a legal variance power. Under this power, Seattle Foundation, in its sole discretion, shall have the right to withhold, withdraw, or demand the immediate return of any funds if, in Seattle Foundation's reasonable judgment, the provider is not in compliance with the reporting obligations or cannot use the funds for the intended purpose. The fund types are as follows:

Community - Funds for which donors have neither imposed any restrictions nor reserved any rights to make recommendations regarding distributions. Distributions from these funds are made at the discretion of the Board based on identified community needs, including the Healthy Community Framework elements of Health & Wellness, Basic Needs, Arts & Culture, Education, Environment, Global Giving, and Economic Opportunity.



## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 1 - Continued

Area of Interest - Funds designated by donors who want to focus grants toward a specific field of interest or specific geographic area but who do not want to take an active role in grant making. This type of fund allows the donor to identify and support a charitable purpose such as strong and connected neighborhoods, or a category of interest such as arts or a geographic area in the State of Washington.

Donor Advised - Donor advised funds allow donors to recommend grant recipients, aligned with their values and interests, subject to the Foundation's due diligence and approval. Seattle Foundation holds almost 600 donor advised funds.

Designated - Funds designated by the donors for support of specific charitable organizations. A donor-advised fund allows donors to recommend grant making to any charitable organization, while a designated fund identifies a single organization that is supported through the donor's lifetime and beyond through the application of Seattle Foundation's spending policy, which determines the amount of the annual grant, and may be paid either annually or quarterly. If the beneficiary organization ceases to exist, loses its tax-exempt status or changes its mission, Seattle Foundation's variance power allows the monies to be re-directed to support an organization with a similar mission.

Administrative - Funds which are used to pay the operating costs of the Foundation.

Agency - Funds received under the terms of agreements with certain qualified not-for-profit organizations that specify themselves as the ultimate beneficiary for the funds. Even though these funds are classified as agency funds (funds held for others), Seattle Foundation maintains legal variance power over these assets.

**King County Accountable Community of Health, LLC** - During the year ended December 31, 2017, Seattle Foundation became the sole member of King County Accountable Community of Health, LLC, doing business as Healthier Here. The LLC revenues and expenses totaled \$6,010 and \$1,872, respectively, for the year ended December 31, 2017.

**Trueblood Diversion Workgroup** - During the year ended December 31, 2017, Seattle Foundation became the fiscal sponsor to oversee the management and disbursement of funds awarded as the result of a class action lawsuit. The funds will be distributed to various local mental healthcare organizations. Revenues and expenses for this program totaled \$9,956 and \$3,194, respectively, for the year ended December 31, 2017.

#### Note 2 - Summary of Significant Accounting Policies

**Principles of Consolidation** - The consolidated financial statements as of December 31, 2017, include the financial statements of Seattle Foundation, its supporting organizations, King County Accountable Community of Health, LLC, and the sponsored program (collectively, the Foundation). Inter-organization transactions and balances have been eliminated in the consolidation.

**Basis of Presentation** - The consolidated financial statements of Seattle Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 2 - Continued

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash in bank accounts and highly liquid investments with maturities of three months or less at date of acquisition. Cash and cash equivalents on deposit with brokers or in investment pools are considered to be investments.

**Pledges Receivable** - Pledges receivable (unconditional promises to give) are stated at the amount management expects to receive. Management provides an allowance for probable uncollectible pledges through a charge to contribution revenue and a credit to the allowance account based on its assessment of each pledge. Pledges that are deemed uncollectible are written off through a charge to the allowance and a credit to pledges receivable. Pledges are recognized as revenues in the period the pledge is received. Pledges receivable over periods more than one year are recorded at present value. Amortization of discounts is included in contribution revenue.

**Bequests Receivable** - Bequests are recorded as contribution revenue when Seattle Foundation is notified of its beneficiary status, the bequest becomes irrevocable, and Seattle Foundation's interest can be estimated. If the value of Seattle Foundation's interest cannot be estimated, contribution revenue is recognized when distributions are received.

**Charitable Trusts and Charitable Gift Annuities** - Seattle Foundation has an irrevocable interest in a number of charitable trusts and charitable gift annuities whose maturities are based on the life expectancies of the income beneficiaries or on a specified period of time (Note 5).

Trusts and annuities for which Seattle Foundation is the trustee and a beneficiary are recorded at the fair value of the trust assets, which are included in investments on the consolidated statement of financial position. A corresponding liability for the net present value of future amounts to be paid to other trust beneficiaries is reported as a liability for charitable lead and remainder trusts, and liability for charitable gift annuities on the consolidated statement of financial position.

Trusts for which Seattle Foundation is not the trustee but in which Seattle Foundation has a beneficial interest are recorded at the net present value of expected future payments to be received as beneficial interests held in trust on the consolidated statement of financial position.

**Investments** - Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Investments in securities traded on organized securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter markets are valued at the last reported bid price. Real estate investments are recorded at fair value determined by periodic appraisals which are obtained as deemed necessary based upon economic conditions and management's discretion with the assistance of third-party investment managers. The fair value of other investments, principally investments in hedge funds and private equities, for which quoted market prices are not available, are determined by management with the assistance of third-party investment managers using methods it considers appropriate. Securities are generally held in custodial investment accounts administered by certain financial institutions.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 2 - Continued

Investments are made according to the Investment Objectives and Policies adopted by Seattle Foundation's and supporting organizations' Boards of Trustees. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate benchmarks and indices. Outside parties are contracted by Seattle Foundation to provide investment consulting.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

**Real Estate Held for Sale** - Seattle Foundation receives gifts in the form of real estate. Seattle Foundation generally liquidates the real estate as soon as practical after transfer of title to Seattle Foundation.

**Mission Related (Impact) Investments** - Seattle Foundation has made loans, loan guaranties, and equity investments for program purposes. Loans receivable are generally due over a period of one to ten years. The loans are recorded net of a present value discount, and imputed interest is recognized over the term of the loans, calculated using the simple-interest method on the principal outstanding. Seattle Foundation has outstanding capital commitments for equity mission related investments totaling \$1.3 million at December 31, 2017. There were no outstanding capital commitments at December 31, 2016. Management has reviewed the collectability of the notes receivable and equity investments and has determined an allowance for impairment is not necessary as of December 31, 2017 and 2016.

**Fixed Assets Capitalization and Depreciation** - Seattle Foundation capitalizes assets with a cost greater than \$5,000 and an estimated useful life of more than one year. Purchased fixed assets are recorded at cost and donated fixed assets are recorded at fair value on the date received. Software development costs incurred to create a website and intangibles consisting of rebranding costs are capitalized.

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the lease as follows:

Technology, equipment and software	3 - 5 years
Leasehold improvements	10 years
Furniture and fixtures	3 - 10 years
Intangibles	5 - 10 years

**Funds Held for Others** - In accordance with U.S. GAAP, when a not-for-profit organization, such as a community foundation, accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor, the community foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. These funds, identified as agency funds, are included in Seattle Foundation's assets with an offsetting liability on the consolidated statement of financial position. The liability is valued at the fair value of the agency funds, estimated by Seattle Foundation. Activities related to the agency funds do not affect the change in net assets of Seattle Foundation.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 2 - Continued

**Net Assets** - Seattle Foundation presents its net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Seattle Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets on which there are no donor-imposed restrictions for use or on which donor-imposed restrictions have expired.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of Seattle Foundation or the passage of time. Items that affect this net asset category are gifts for which a time restriction has not been met, and income that is not yet available for use as designated by the donor. Temporarily restricted net assets include charitable remainder trusts, charitable lead trusts, pledges, and bequests which will be collected in a future year, and the net assets of the LLC and sponsored program.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions to be maintained permanently by Seattle Foundation. Permanently restricted net assets consist of perpetual trusts.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Seattle Foundation's corporate bylaws and contribution documents grant Seattle Foundation "variance power" that in effect gives Seattle Foundation control over all grant disbursements. Consequently, all contributions are classified as unrestricted if they are available to Seattle Foundation with no restriction as to when the funds are available for expenditure.

**Revenue Recognition** - Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributed real estate is recorded at appraised or estimated fair value on the date received.

**Grants** - Community, area of interest, agency and designated grants are approved by the Board of Trustees of Seattle Foundation in accordance with Seattle Foundation's bylaws and operating guidelines. The Board has delegated authority to certain Foundation senior staff members to approve donor advised fund grant recommendations consistent with Seattle Foundation's charitable purposes and policies. Grants are approved by the Board of Trustees of Seattle Foundation or supporting organizations under their respective bylaws and guidelines. Unconditional grants and distributions are recorded in the consolidated financial statements when approved and communicated to the grantee. Grants approved by the Board of Trustees that are payable upon the performance of specified conditions by the grantee are not reflected in grants payable in the consolidated financial statements until those conditions are satisfied.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 2 - Continued

**In-Kind Contributions** - Each year, volunteers give their time and expertise to Seattle Foundation in a wide variety of areas including grants, audit, investment, finance and other activities. These contributions, despite their considerable value to the mission of Seattle Foundation, are not reflected in the consolidated financial statements.

**Concentration of Credit Risk** - Investments in cash, mutual funds, and investments held in banks generally exceeded the available federally insured amounts.

Approximately 14% of contributions was from one donor for the year ended December 31, 2016, there were no contribution concentrations for the year ended December 31, 2017. Approximately 100% and 87% of pledges receivable were from four donors at December 31, 2017 and 2016, respectively.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Expense Allocation** - Expenses which apply to more than one functional category have been allocated among program and support expenses based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs, information technology and general office supplies are allocated based on the overall number of staff in various functional categories used by functional departments. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

**Income Taxes** - Seattle Foundation and its supporting organizations qualify as tax-exempt organizations and are not subject to federal or state income taxes, except on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code. In addition, Seattle Foundation and its supporting organizations qualify for the charitable contribution deduction under Section 170(b)(a)(A) of the Internal Revenue Code and have been classified as organizations that are not private foundations as defined in Section 509(a) of the Code. Seattle Foundation is subject to federal income tax only on "unrelated business taxable income" as defined in Section 512 of the Code. Unrelated business income tax, if any, is immaterial and no tax provision has been made in the accompanying consolidated financial statements. King County Accountable Community of Health, LLC (Note 1) is wholly owned by Seattle Foundation and is a disregarded entity for tax purposes.

**New Accounting Pronouncements** - During the year ended December 31, 2017, Seattle Foundation implemented ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement that investments for which fair value is measured using the net asset value (NAV) per share, or its equivalent, be categorized in the fair value hierarchy (Note 3). The change was implemented retrospectively for all periods presented.

**Comparative Amounts for 2016** - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Seattle Foundation's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 2 - Continued

**Subsequent Events** - Seattle Foundation has evaluated subsequent events through June 22, 2018, the date on which the consolidated financial statements were available to be issued.

#### Note 3 - Investments and Fair Value Measurements

**Fair Value Measurements** - U.S. GAAP establishes a framework for measuring fair value and requires certain disclosures. To increase consistency and comparability in fair value measurements, fair value is required to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

U.S. GAAP utilizes a three-level valuation hierarchy based on observable and unobservable inputs. Observable inputs consist of data obtained from independent sources. Unobservable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

While this requirement applies to all financial assets recorded on a recurring basis, it primarily applies to the securities held in Seattle Foundation's investment portfolio and certain liabilities.

**Valuation Techniques** - Valuation techniques utilized to determine fair value are consistently applied. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Cash and Money Market Funds - Includes cash held in investment pools and is reflected at cost plus accrued interest, which represents fair value.

Marketable Equity and Fixed Income Securities - Valued at the closing price reported on the active market in which the securities are traded.

Real Return Funds - Valued at net asset value (NAV), which represents Seattle Foundation's proportionate share of the net assets of the investment as reported by the underlying investment managers or general partners.

Real Estate and Other Assets - Valued based on estimates of similar assets and are generally illiquid.

Beneficial Interests Held in Trust - Valued at Seattle Foundation's proportionate share of the underlying assets held by the trusts.

Funds Held for Others - Valued at each fund's proportionate share of Seattle Foundation's investment portfolio, which is valued as described above.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

Note 3 - Continued

Fair values of Seattle Foundation's investments and liabilities measured on a recurring basis are as follows at December 31, 2017:

	In Thousands			
	Level 1	Level 2	Level 3	Total
<b>Investments at Fair Value:</b>				
Cash and money market funds	\$ 75,672	\$ 1,779	\$ -	\$ 77,451
Domestic equities	278,498			278,498
International equities	75,131			75,131
Domestic fixed income	112,624	3,820		116,444
International fixed income	2,624	301		2,925
Real estate funds	2,959			2,959
Real return funds	6,997			6,997
Real estate notes receivable			193	193
Real estate			451	451
Other assets			816	816
	<u>554,505</u>	<u>5,900</u>	<u>1,460</u>	<u>561,865</u>
Beneficial interests held in trust			<u>28,316</u>	<u>28,316</u>
<b>Total Investments in the Fair Value Hierarchy</b>	<b><u>\$ 554,505</u></b>	<b><u>\$ 5,900</u></b>	<b><u>\$ 29,776</u></b>	590,181
Investments measured at NAV				<u>382,425</u>
<b>Total Investments at Fair Value</b>				<b><u>\$ 972,606</u></b>
<b>Liabilities at Fair Value:</b>				
Funds held for others	\$ -	\$ -	\$ 51,547	\$ 51,547
<b>Total Liabilities at Fair Value</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 51,547</u></b>	<b><u>\$ 51,547</u></b>

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

Note 3 - Continued

Fair values of Seattle Foundation's investments and liabilities measured on a recurring basis are as follows at December 31, 2016:

	In Thousands			
	Level 1	Level 2	Level 3	Total
<b>Investments at Fair Value:</b>				
Cash and money market funds	\$ 53,413	\$ 1,324	\$ -	\$ 54,737
Domestic equities	252,106			252,106
International equities	54,014			54,014
Domestic fixed income	93,975	3,991		97,966
International fixed income	2,377			2,377
Real return funds	6,222			6,222
Real estate			412	412
Other assets			958	958
	<u>462,107</u>	<u>5,315</u>	<u>1,370</u>	<u>468,792</u>
Beneficial interests held in trust			<u>25,372</u>	<u>25,372</u>
<b>Total Investments in the Fair Value Hierarchy</b>	<b><u>\$ 462,107</u></b>	<b><u>\$ 5,315</u></b>	<b><u>\$ 26,742</u></b>	494,164
Investments measured at NAV				<u>359,520</u>
<b>Total Investments at Fair Value</b>				<b><u>\$ 853,684</u></b>
<b>Liabilities at Fair Value:</b>				
Funds held for others	\$ -	\$ -	\$ 48,404	\$ 48,404
<b>Total Liabilities at Fair Value</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 48,404</u></b>	<b><u>\$ 48,404</u></b>



SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

Note 3 - Continued

A reconciliation of the beginning and ending balances, by each major category of assets, for fair value measurements made using significant unobservable inputs (Level 3) is as follows for the years ended December 31:

	In Thousands			
	Investments	Beneficial Interests Held in Trust	Total 2017 Assets at Fair Value	Total 2016 Assets at Fair Value
Beginning balance	\$ 1,370	\$ 25,372	\$ 26,742	\$ 27,632
Total gains-				
Realized and unrealized	57	3,299	3,356	(645)
Interest and dividends, net of fees				48
Purchases and receipts	149		149	
Sales and distributions	(116)	(355)	(471)	(293)
<b>Ending Balance</b>	<b>\$ 1,460</b>	<b>\$ 28,316</b>	<b>\$ 29,776</b>	<b>\$ 26,742</b>

A reconciliation of the beginning and ending balances, by each major category of liability, for fair value measurements made using significant unobservable inputs (Level 3) is as follows for the years ended December 31:

	In Thousands	
	2017 Funds Held for Others	2016 Funds Held for Others
Beginning balance	\$ (48,404)	\$ (49,017)
Total gains-		
Realized and unrealized	(7,176)	(2,960)
Interest and dividends, net of fees	(776)	(187)
Purchases and receipts	(1,416)	(1,331)
Sales and distributions	6,225	5,091
<b>Ending Balance</b>	<b>\$ (51,547)</b>	<b>\$ (48,404)</b>

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

Note 3 - Continued

The table below summarizes significant terms of the agreements with certain investment companies. There are no significant redemption restrictions or unfunded commitments on other types of investments. After year end, two commitments totaling \$14.6 million were approved.

Asset Class	Fair Value (in thousands)	Remaining Life	Unfunded Commitments (in thousands)	Redemption Terms	Redemption Restrictions
Hedged Strategies	\$85,891	No limit.	None	Redemption terms are quarterly with notification periods ranging from 45 to 90 days.	Lockup provisions range from none to 24 months.
Private Equity	\$36,552	Ranging from 1 to 11 years.	\$4,692	Closed end funds not eligible for redemption.	Not redeemable.
Real Estate (Closed End Funds)	\$15,565	Closed end funds range from 1 to 11 years.	\$18,347	Closed end funds not eligible for redemption.	Not redeemable.
Real Return Funds	\$27,897	Ranging from 6 to 12 years.	\$8,792	Closed end funds not eligible for redemption.	Not redeemable.
Domestic Equity	\$67,376	No limit.	None	No restrictions.	Lockup provision for 42 months.
International Equity	\$105,098	No limit.	None	No restrictions.	None
Other Global Equities	\$43,590	No limit.	None	Redemption terms are quarterly with notification periods ranging from 60 to 180 days.	Lockup provisions range from none to 3 months.
Other Assets	\$456	No limit.	None	Closely held interests not eligible for redemption.	Not redeemable.
<b>Total</b>	<b>\$382,425</b>		<b>\$31,831</b>		

Hedged Strategies and International Equity - Managers in this category strictly utilize long/short equity strategies in pursuit of investment returns. Investments may be made directly to the managers' funds or to a fund of funds vehicle.

Private Equity - Includes closed end fund of funds that make direct investments in venture capital and buy-out managers. The funds have a predetermined lifespan and redemptions during the life of the fund are not allowed.

Real Estate (Closed End Funds) and Other Global Equities - Closed end funds have predetermined lifespans and redemptions during the life of the funds are not allowed.

Real Return Funds - Includes investments in commingled trusts that, in turn, provide exposure to Treasury Inflation Protected Securities (TIPS), commodities, natural resources and other inflation hedging strategies.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 3 - Continued

Domestic Equity - Includes a fund that invests in public equity markets and follows a value-driven strategy.

Other Assets - Includes closely held stock, life insurance annuities, real estate, and life insurance cash values.

Seattle Foundation has various sources of liquidity at its disposal, including cash, cash equivalents, marketable debt securities and marketable equity securities. Had it been necessary to generate liquid funds to meet short-term needs on December 31, 2017, management estimates that it could have liquidated approximately \$707 million.

#### Note 4 - Pledges Receivable

Pledges receivable are expected to be received as follows at December 31:

	In Thousands	
	2017	2016
Due within one year	\$ 520	\$ 1,774
Due within two to five years	717	754
	1,237	2,528
Less discount to present value	(5)	(5)
<b>Pledges Receivable, Net</b>	<b>\$ 1,232</b>	<b>\$ 2,523</b>

#### Note 5 - Charitable Trusts and Charitable Gift Annuities

Charitable trusts and charitable gift annuities are recorded as follows:

Charitable Gift Annuities - Under its Charitable Gift Annuity (CGA) program, Seattle Foundation receives contributions from donors pursuant to written agreements that stipulate periodic payments will be made to specified beneficiaries. Upon the death of the beneficiaries, the related periodic payments cease and the related remaining funds, decreased by payments to other beneficiaries if stipulated, become available for use by Seattle Foundation.

The present value of the periodic payments is actuarially determined at year end based on mortality and discount rate assumptions that meet or exceed those set forth under Washington state law as applicable to issues of charitable gift annuities. It is expected that the investment earnings and a portion of the original contributions will be distributed; however, if for some reason principal is depleted, Seattle Foundation is responsible to continue the periodic payments.

Upon receipt of a CGA contribution, Seattle Foundation records the fair value of the assets received and the net present value of the actuarially determined liability. The portion of the actuarially determined residuum payable to Seattle Foundation is recorded as a contribution.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 5 - Continued

Investment income and changes in the estimated liability are recognized in the consolidated statement of activities. As of December 31, 2017, Seattle Foundation had 43 active CGAs. Underlying investments were valued at \$3,380 and \$3,723 at December 31, 2017 and 2016, respectively. The corresponding liability for payments to other beneficiaries was determined to be \$2,473 and \$2,724 at December 31, 2017 and 2016, respectively. Seattle Foundation maintains assets equal to reserves on outstanding agreements and a surplus of 10 percent of such reserves, under Washington state law.

Charitable Remainder Trusts - Under Seattle Foundation's Charitable Remainder Trust (CRT) program, a donor establishes and funds a trust with specified distributions to be made to the donor and/or other beneficiaries over the trust's term. Seattle Foundation will receive the amounts remaining in a CRT at the end of the trust's stated term.

Charitable Lead Trusts - Under Seattle Foundation's Charitable Lead Trust (CLT) program, a donor establishes and funds a trust with specified distributions to be made to Seattle Foundation. At the termination of the trust, the amount remaining in the CLT reverts to the donor and/or other beneficiaries.

Upon formation of an irrevocable CRT or CLT when Seattle Foundation is the trustee, the fair value of the assets received is recorded as an investment, and the net present value of Seattle Foundation's actuarially determined charitable interest is recorded as contribution revenue. The difference is recorded as a liability. Subsequently, changes in the fair value of the assets and changes in the estimated liability are recognized in the consolidated statement of activities. Included in investments are CRTs and CLTs with a fair value of \$50,088 and \$45,244, at December 31, 2017 and 2016, respectively. The corresponding liability totaled \$29,608 and \$26,494 at December 31, 2017 and 2016, respectively.

When Seattle Foundation has irrevocable rights to a CRT or CLT, but Seattle Foundation is not the trustee and does not hold the assets, Seattle Foundation's interest in the trust assets and specified future distributions is recorded as a beneficial interest held in trust, using actuarial assumptions. The change in value of Seattle Foundation's beneficial interest during the year is recorded as a component of change in value of charitable gift annuities and trusts. At December 31, 2017, beneficial interests in CRTs and CLTs totaled \$10,092 and \$4,372, respectively. At December 31, 2016, beneficial interests in CRTs and CLTs totaled \$8,735 and \$4,429, respectively.

Perpetual Trusts - Seattle Foundation is a named income beneficiary on various perpetual trusts for which Seattle Foundation does not serve as trustee. Under these arrangements, Seattle Foundation is to receive all income earned on its share of the underlying assets held in perpetuity. Contribution revenue and the related asset are recognized at fair value in the period in which Seattle Foundation receives notice that the trust agreement conveys an unconditional, irrevocable right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying consolidated statement of activities as a component of change in value of charitable gift annuities and trusts. At December 31, 2017 and 2016, beneficial interests in perpetual trusts totaled \$13,852 and \$12,208, respectively. Included in these amounts is a perpetual trust held for others which totaled \$1,168 and \$1,034 at December 31, 2017 and 2016, respectively.

The assets held in charitable gift annuities and charitable trusts, for which Seattle Foundation is the trustee, are recorded at fair value using the same valuation method as Seattle Foundation's investments. Beneficial interest held in trusts, for which Seattle Foundation is not the trustee, is based on estimates provided by third party trustees.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 6 - Fixed Assets

Fixed assets consist of the following at December 31:

	In Thousands	
	2017	2016
Technology, equipment and software	\$ 1,987	\$ 1,928
Leasehold improvements	1,990	1,978
Furniture and fixtures	816	830
Intangible assets	196	196
	4,989	4,932
Less accumulated depreciation	(2,119)	(1,682)
<b>Fixed Assets, Net</b>	<b>\$ 2,870</b>	<b>\$ 3,250</b>

Depreciation expense totaled \$501 and \$348 for the years ended December 31, 2017 and 2016, respectively.

#### Note 7 - Unconditional Grants Payable

Unconditional grants payable are scheduled to be disbursed as follows at December 31:

	In Thousands	
	2017	2016
Due within one year	\$ 3,691	\$ 1,389
Due within two to five years	1,251	1,494
Thereafter	241	53
<b>Total Unconditional Grants Payable</b>	<b>\$ 5,183</b>	<b>\$ 2,936</b>

The discount for present value was immaterial at December 31, 2017 and 2016.

#### Note 8 - GiveBIG

Seattle Foundation's annual GiveBIG campaign, which began in 2011, is an online giving event designed to raise money for nonprofit organizations in Greater Seattle. Select contributions are increased by \$2,500 as part of the Dollar for Change provided by both Seattle Foundation and GiveBIG sponsors.

GiveBIG contributions are made online to over 1,600 nonprofit organizations representing a broad range of issues. Donors contribute through a secure third-party service provider, and the contributions are forwarded directly to the nonprofit organizations. Seattle Foundation does not collect personal or payment information from any GiveBIG donor. In order for the nonprofit organizations to receive maximum benefit, no fees are charged by Seattle Foundation.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 8 - Continued

Contributions and other information related to GiveBIG consist of the following for the years ended December 31:

	In Thousands	
	2017	2016
Online contributions	\$ 12,634	\$ 16,354
Dollars for change	452	
Stretch pool		1,000
<b>Total GiveBIG Contributions</b>	<b>\$ 13,086</b>	<b>\$ 17,354</b>
Number of donors	33,348	42,569
Number of gifts	82,076	89,097
Number of nonprofit recipient organizations	1,662	1,641

#### Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future periods or for specific programs. They consist of the following at December 31:

	In Thousands	
	2017	2016
Charitable remainder and lead trusts	\$ 34,944	\$ 31,913
Pledges receivable	1,232	2,524
Bequests receivable	183	2,797
Fiscal sponsorship and LLC	10,901	
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 47,260</b>	<b>\$ 37,234</b>

#### Note 10 - Endowments

Seattle Foundation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. However, because of Seattle Foundation's variance power as described in Notes 1 and 2, all endowments are classified as unrestricted.

**Interpretation of Relevant Law** - The Board has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for Seattle Foundation to track the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

**Note 10 - Continued**

Seattle Foundation's organizing documents set forth the power to modify any restrictions or conditions on distributions from funds if, in Seattle Foundation's judgment, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area being served. Because of this variance power, Seattle Foundation classifies as unrestricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

Endowment net assets consist of the following at December 31:

	In Thousands	
	2017	2016
Donor-restricted endowment funds	\$ 133,922	\$ 118,216
Board designated quasi-endowment funds	226,522	201,194
<b>Endowment Net Assets</b>	<b>\$ 360,444</b>	<b>\$ 319,410</b>

Changes to endowment net assets are as follows for the years ended December 31:

	In Thousands	
	2017	2016
Endowment net assets, beginning of year	\$ 319,410	\$ 301,321
Endowment investment return-		
Interest and dividends, net of fees	5,999	5,266
Total net gains	47,972	18,217
Total investment returns	53,971	23,483
Contributions	6,518	13,540
Net transfer from endowments	(19,455)	(18,934)
<b>Endowment Net Assets, End of Year</b>	<b>\$ 360,444</b>	<b>\$ 319,410</b>

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the total amount of the gifts made to the endowment by the donor. Deficiencies of this nature that are reported in unrestricted net assets were \$102 and \$214 at December 31, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations in prior years.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 10 - Continued

**Return Objectives and Risk Parameters** - Seattle Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Seattle Foundation has been instructed to hold in perpetuity or for donor-specified periods and board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that, over time, will provide a real rate of return equal to the spending rate while assuming a reasonable level of investment risk. Seattle Foundation expects its endowment funds, over time, to provide an average real rate of return of approximately 4.5 percent annually. While actual returns may vary, the targeted nominal rate of return is approximately 7 percent.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Seattle Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - Seattle Foundation has a general policy of appropriating for distribution each year 4.5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, Seattle Foundation considered the long-term expected return on its endowment. Over the long term, Seattle Foundation expects the spending policy to allow its endowment to grow at a rate equal to inflation. This follows Seattle Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

#### Note 11 - Support Expenses

The detail of support expenses is as follows for the years ended December 31:

	In Thousands	
	2017	2016
Administrative fund	\$ 7,520	\$ 7,819
Program and support services for other funds	6,495	2,834
Change in allowance for loss from uncollectible amounts	699	
<b>Total Support Expenses</b>	<b>\$ 14,714</b>	<b>\$ 10,653</b>

Fundraising expenses were immaterial for the years ended December 31, 2017 and 2016.

#### Note 12 - Retirement Plans

Seattle Foundation maintains a defined contribution retirement plan that complies with Code Section 403(b). All regular employees are eligible to participate in the retirement plan immediately upon commencing employment. Although employee contributions can be made to the plan immediately, an employee is not eligible to receive matching contributions from Seattle Foundation until completion of the orientation period, which is currently 90 days.



## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017 (In Thousands)

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#### Note 12 - Continued

Seattle Foundation matches employee contributions based on years of service as follows:

<u>Years of Service</u>	<u>Matching Percentage</u>
0 - 4 years	5.0%
5 - 9 years	7.5%
10 or more	10.0%

Total matching expense was \$258 and \$256 for the years ended December 31, 2017 and 2016, respectively. All contributions under the plan vest with employees when contributions are made.

Seattle Foundation also maintained a nonqualified deferred compensation plan covered under Section 457(b) of the Internal Revenue Code. Only employees specifically designated by the Board of Trustees are eligible. The maximum salary deferral under the 457(b) plan was \$18 (plus a catch-up provision of \$6 for eligible participants) for the years ended December 31, 2017 and 2016, respectively. There were no matching provisions. The nonqualified deferred compensation plan was administered by Seattle Foundation. There was one participant in the 457(b) plan during the year ended December 31, 2016. There were no participants in the 457(b) plan at December 31, 2017. Assets of the 457(b) plan totaled \$86 and \$91 as of December 31, 2017 and 2016, respectively. Assets in the plan are held by Seattle Foundation on a nontrust basis and are subject to the claims of its creditors.

#### Note 13 - Commitments

**Revolving Line of Credit** - Seattle Foundation entered into a line of credit agreement on November 10, 2014, which provides for borrowings of up to \$10 million and bears interest equal to the LIBOR rate plus 0.90%; however, in no event can the interest rate charged exceed the highest rate permitted by applicable state or federal law or be less than 0.90% per annum. The covenants require Seattle Foundation to maintain collateral of at least \$50 million in assets at an account established with the creditor. The credit agreement also contains various other customary restrictive covenants. Seattle Foundation has complied with all covenants and there was no outstanding balance owed on the line at December 31, 2017 or December 31, 2016.

**Leases** - Operations of Seattle Foundation are conducted in leased office space in Seattle, Washington. The prior lease for office space expired in November 2016. In March 2016, Seattle Foundation leased space in Westlake Tower to accommodate growth and expand meeting space available to support community convenings and outreach. The new lease commenced in November 2016 and expires in February 2027. Seattle Foundation may extend the initial term of the new lease for two successive periods of five years. Both leases include escalating base rent plus a proportionate share of the actual operating costs of the building as specified in the lease agreements. Rent expense was \$851 and \$419 for the years ended December 31, 2017 and 2016, respectively.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017  
(In Thousands)

Note 13 - Continued

Seattle Foundation also leases copier equipment. Future minimum lease payments under all noncancelable leases for existing office space and equipment are:

For the Year Ending December 31,	In Thousands		
	Office Space	Equipment Leases	Total
2018	\$ 728	\$ 9	\$ 737
2019	746	9	755
2020	763	4	767
2021	781		781
2022	799		799
Thereafter	3,519		3,519
<b>Total Future Lease Payments</b>	<b>\$ 7,336</b>	<b>\$ 22</b>	<b>\$ 7,358</b>

The new office in Westlake Tower also includes office space for community partners, aligned with Seattle Foundation's mission, to sublease. As of December 31, 2017, Seattle Foundation had sublease agreements with Global Washington, Seattle International Foundation and SkillUp Washington. The subleases have terms that extend through 2021 with total annual sublease payments ranging from \$160 to \$179.

**SUPPLEMENTARY INFORMATION**

**SEATTLE FOUNDATION**

**Consolidating Statement of Financial Position  
December 31, 2017  
(In Thousands)**

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 15,016	\$ 205	\$ -	\$ 15,221
Accounts and other receivables	85	272		357
Pledges receivable and other assets, net	1,232			1,232
Bequests receivable	183			183
Beneficial interests held in trust	28,316			28,316
Investments	902,943	41,347		944,290
Real estate held for sale		2,928		2,928
Mission related investments	8,262	2,500		10,762
Fixed assets, net of accumulated depreciation	2,870			2,870
<b>Total Assets</b>	<b>\$ 958,907</b>	<b>\$ 47,252</b>	<b>\$ -</b>	<b>\$ 1,006,159</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Unconditional grants payable	\$ 5,068	\$ 115	\$ -	\$ 5,183
Other liabilities	2,738	133		2,871
Funds held for others	51,547			51,547
Liability for life estate	-	469		469
Liability for charitable lead and remainder trusts	29,608			29,608
Liability for charitable gift annuities	2,473			2,473
<b>Total Liabilities</b>	<b>91,434</b>	<b>717</b>		<b>92,151</b>
<b>Net Assets:</b>				
Unrestricted-				
Community/area of interest	110,925			110,925
Donor advised	439,639			439,639
Designated	249,366			249,366
Supporting organizations		46,305		46,305
Administrative	7,829			7,829
Total unrestricted	807,759	46,305		854,064
Temporarily restricted	47,030	230		47,260
Permanently restricted - Perpetual trusts	12,684			12,684
<b>Total Net Assets</b>	<b>867,473</b>	<b>46,535</b>		<b>914,008</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 958,907</b>	<b>\$ 47,252</b>	<b>\$ -</b>	<b>\$ 1,006,159</b>

See independent auditor's report.

**SEATTLE FOUNDATION**

**Consolidating Statement of Activities  
For the Year Ended December 31, 2017  
(In Thousands)**

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
<b>Unrestricted</b>				
<b>Revenues and Support:</b>				
Contributions and agency funds	\$ 111,772	\$ 4,540	\$ (13,374)	\$ 102,938
Less agency and GiveBIG	(14,022)			(14,022)
Total contributions	97,750	4,540	(13,374)	88,916
Dividend and interest income	13,832	802		14,634
Gains on investments, net	97,836	5,806		103,642
Change in value of charitable gift annuities and trusts	(184)			(184)
Other income	1,246	1,667	(1,468)	1,445
Transfers within	779	(779)		
Net assets released from restriction	10,807	117		10,924
<b>Total Revenues and Support</b>	<b>222,066</b>	<b>12,153</b>	<b>(14,842)</b>	<b>219,377</b>
<b>Expenses:</b>				
Grants	92,526	15,694	(13,374)	94,846
Investment management and trustee fees	4,739	522		5,261
Support expenses	12,975	3,207	(1,468)	14,714
<b>Total Expenses</b>	<b>110,240</b>	<b>19,423</b>	<b>(14,842)</b>	<b>114,821</b>
<b>Change in Unrestricted Net Assets</b>	<b>111,826</b>	<b>(7,270)</b>		<b>104,556</b>
<b>Temporarily Restricted</b>				
<b>Revenues and Support:</b>				
Contributions	16,234	347		16,581
Gain on investments	11			11
Change in value of charitable gift annuities and trusts	4,358			4,358
Net assets released from restriction and transfers	(10,807)	(117)		(10,924)
<b>Change in Temporarily Restricted Net Assets</b>	<b>9,796</b>	<b>230</b>		<b>10,026</b>
<b>Permanently Restricted</b>				
<b>Revenues and Support:</b>				
Change in value of charitable gift annuities and trusts	1,510			1,510
<b>Change in Permanently Restricted Net Assets</b>	<b>1,510</b>			<b>1,510</b>
<b>Total Change in Net Assets</b>	<b>123,132</b>	<b>(7,040)</b>		<b>116,092</b>
Net assets, beginning of year	744,341	53,575		797,916
<b>Net Assets, End of Year</b>	<b>\$ 867,473</b>	<b>\$ 46,535</b>	<b>\$ -</b>	<b>\$ 914,008</b>

See independent auditor's report.