



Consolidated Financial Statements
For the Year Ended December 31, 2021

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Seattle Foundation and Affiliates (collectively, Seattle Foundation), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Seattle Foundation as of December 31, 2021, and the changes in its 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Seattle Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Seattle Foundation's December 31, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



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Responsibilities of Management for the Financial Statements

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

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 Seattle Foundation's ability to continue as a going concern for 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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 Seattle Foundation'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 Seattle Foundation'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 supplementary information consisting of agency contributions on page 5, the consolidating statement of financial position and the consolidating statement of activities on pages 30 and 31 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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
May 16, 2022

SEATTLE FOUNDATION

Consolidated Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

	2021	2020
Assets:		
Cash and cash equivalents	\$ 37,577	\$ 20,243
Accounts receivable and other assets	6,791	1,594
Pledges receivable, net	5,745	31,609
Bequests receivable	-	183
Beneficial interests held in trust	29,212	29,341
Investments	1,384,876	1,204,278
Real estate held for sale	6,211	-
Program related investments	5,730	8,256
Fixed assets, net of accumulated depreciation	1,511	1,910
Total Assets	\$ 1,477,653	\$ 1,297,414
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 6,656	\$ 8,214
Other liabilities	5,729	3,553
Agency funds held for others	61,502	55,146
Liability for charitable lead and remainder trusts	41,610	32,153
Liability for charitable gift annuities	2,226	2,416
Total Liabilities	117,723	101,482
Net Assets:		
Without donor restrictions-		
Community/area of interest	164,920	161,557
Donor advised	672,500	590,915
Designated	329,045	289,013
Supporting organizations	87,024	49,527
Administrative	12,917	13,360
Total net assets without donor restrictions	1,266,406	1,104,372
With donor restrictions-		
Future periods or programs	77,547	77,252
Perpetual trusts	15,977	14,308
Total net assets with donor restrictions	93,524	91,560
Total Net Assets	1,359,930	1,195,932
Total Liabilities and Net Assets	\$ 1,477,653	\$ 1,297,414

See accompanying notes.

SEATTLE FOUNDATION

**Consolidated Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating Activities				
Revenues and Support:				
Contributions and agency funds-				
Community/area of interest	\$ 8,694	\$ 4,446	\$ 13,140	\$ 104,822
Fiscal sponsorships	-	57,809	57,809	15,898
Donor advised	123,089	-	123,089	111,079
Designated	4,880	-	4,880	10,810
Charitable trusts and beneficial interests	-	3	3	170
Supporting organizations	64,772	2,980	67,752	37,899
Agency	2,040	-	2,040	387
Administrative	726	600	1,326	6,784
	204,201	65,838	270,039	287,849
Less agency	(2,040)	-	(2,040)	(387)
Total contributions	202,161	65,838	267,999	287,462
Other income	2,616	91	2,707	1,606
Releases from restriction	64,696	(64,696)	-	-
Total Revenues and Support	269,473	1,233	270,706	289,068
Expenses:				
Grants-				
Community/area of interest	55,438	-	55,438	49,873
Fiscal sponsorships	19,240	-	19,240	5,969
Donor advised	111,676	-	111,676	111,569
Designated	9,956	-	9,956	9,104
Supporting organizations	25,279	-	25,279	23,872
Agency	3,574	-	3,574	3,113
	225,163	-	225,163	203,500
Less agency	(3,574)	-	(3,574)	(3,113)
Total grants expense	221,589	-	221,589	200,387
Support expenses	33,196	-	33,196	30,770
Total Expenses	254,785	-	254,785	231,157
Change in Net Assets From Operating Activities	14,688	1,233	15,921	57,911
Nonoperating Activities:				
Change in value of charitable gift annuities and trusts	5,170	731	5,901	(493)
Return on investments, net	142,176	-	142,176	106,748
Total Change in Net Assets	162,034	1,964	163,998	164,166
Net assets, beginning of year	1,104,372	91,560	1,195,932	1,031,766
Net Assets, End of Year	\$ 1,266,406	\$ 93,524	\$ 1,359,930	\$ 1,195,932

See accompanying notes.

SEATTLE FOUNDATION

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)**

	Program	Management and General	Fundraising	2021 Total	2020 Total
Grant expense	\$ 221,589	\$ -	\$ -	\$ 221,589	\$ 200,387
Professional services	12,044	1,072	103	13,219	11,870
Compensation	6,217	4,036	654	10,907	10,601
Other expenses	1,919	2,582	139	4,640	4,210
Employee benefits	1,122	729	118	1,969	1,907
Facilities and utilities	677	439	71	1,187	1,146
Information technology	635	412	67	1,114	835
Office expense	91	59	10	160	201
Total Expenses	\$ 244,294	\$ 9,329	\$ 1,162	\$ 254,785	\$ 231,157
Total 2020 Expenses	\$ 220,168	\$ 9,434	\$ 1,555	\$ -	\$ 231,157

The consolidated statement of functional expenses includes the expenses of all Seattle Foundation funds. Operating expenses for Seattle Foundation's administrative fund totaled \$13,563 and \$14,027, which was 5.3% and 6.1% of total expenses in 2021 and 2020, respectively.

Professional services consist of program and business consulting, legal fees, audit, tax and advertising expenses.

SEATTLE FOUNDATION

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Cash received from-		
Contributions	\$ 291,628	\$ 251,373
Agency contributions	2,040	387
Investments	17,206	6,413
Other sources	-	978
Cash paid for-		
Grants	(215,742)	(192,257)
Agency grants	(3,574)	(3,113)
Compensation and benefits	(12,903)	(12,361)
Other sources	(2,490)	-
Other operating expenses	(18,764)	(18,398)
Net Cash Provided by Operating Activities	57,401	33,022
Cash Flows From Investing Activities:		
Purchase of fixed assets	-	(54)
Purchase of investments	(832,332)	(973,770)
Proceeds from sale of investments	789,701	941,785
Program related investments funded	-	(32)
Repayments from program related investments	2,564	1,181
Proceeds from sale of asset held for sale	-	2,485
Net Cash Used in Investing Activities	(40,067)	(28,405)
Net Change in Cash and Cash Equivalents	17,334	4,617
Cash and cash equivalents, beginning of year	20,243	15,626
Cash and Cash Equivalents, End of Year	\$ 37,577	\$ 20,243
Supplementary Information:		
Noncash transactions-		
Noncash contributions	\$ 12,889	\$ 9,763
Change in value of program related investments	\$ (38)	\$ 8
Noncash grants made	\$ 7,405	\$ 10,418

See accompanying notes.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

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. These contributions support a wide range of organizations that promote educational, cultural, health, social and civic development.

Seattle Foundation's goal as a community foundation is to simplify giving and strengthen the impact of philanthropy for the more than 1,200 (unaudited) individuals, families, businesses, and nonprofits they serve. The Seattle Foundation provides deep community insights, powerful civic leadership, effective philanthropic advising, and judicious stewardship of assets in support of its mission.

In pursuit of its mission, Seattle Foundation launched The Center for Community Partnerships (the Center) in 2012 to further its goal of greater racial and economic equality and opportunity. Understanding that social problems are products of networks of cause and effect at a policy level, advancing systems change is the most effective way to achieve its mission of creating a stronger, more vibrant community for all.

The Center employs multiple strategies, including grantmaking, civic leadership, impact investing, research, technical assistance, and partnerships with residents at the grassroots level. These initiatives together create a holistic approach to community-engaged systems and policy change. Seattle Foundation also uses donor-contributed funds to support a wide range of community interests from arts and culture to health and wellness, and from economic opportunity to basic human needs and climate change.

Seattle Foundation accepts gifts, bequests, contributions, and grants of property. These take a variety of forms including cash, stock, real estate, and other assets, and ensure Seattle Foundation is able to carry out its organizational purpose. Seattle 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.

Supporting Organizations - The consolidated financial statements include the activities of 8 supporting organizations active in 2021 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.

Evergreen Impact Housing Fund and Impact Fund Manager, LLC - The consolidated financial statements include the activities of Seattle Foundation Impact Funds Manager LLC (Manager), a limited liability company formed in the State of Washington in January 2020, wholly owned by Seattle Foundation. Seattle Foundation formed Manager to support the efforts of the Evergreen Impact Housing Fund (EIHF). EIHF is a collaboration of individual and corporate philanthropists whose goal is to create more affordable housing, providing opportunities to live and work in Seattle for decades to come. EIHF provides "last-dollar" gap financing needed to efficiently develop projects. See Note 3.

Fiscal Sponsorships - Seattle Foundation is the fiscal sponsor of 12 organizations. Each of the sponsored organizations are considered programs of Seattle Foundation, and contributions received for the sponsored organizations are recognized as donor-restricted contributions in the consolidated statement of activities.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 1 - Continued

One of Seattle Foundation's fiscal sponsorships is King County Accountable Community of Health, LLC, doing business as HealthierHere. During the year ended December 2017, Seattle Foundation became the sole member of HealthierHere. HealthierHere is part of an initiative to transform healthcare in Washington State so that people experience better health during their lives, receive better care when they need it, and ensure that care is more affordable and accessible.

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, donor restrictions, 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, has 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 and Wellness, Basic Needs, Arts and Culture, Education, Environment, Global Giving, and Economic Opportunity.

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 Seattle Foundation's due diligence and approval. Seattle Foundation holds approximately 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, bi-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.

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 controls and manages Agency Fund assets.

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

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements as of December 31, 2021, include the financial accounts of Seattle Foundation, its supporting organizations, Manager, and HealthierHere, (collectively, the Seattle 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 has presented an unclassified consolidated statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to their nearness of their maturity or resulting use of cash.

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, and 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 6).

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.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 2 - Continued

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.

Investments are made according to the Investment Objectives and Policies adopted by Seattle Foundation's Board 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. Real estate held for sale is reported at the lower of Seattle Foundation's cost or fair value.

Program Related (Impact) Investments - Seattle Foundation has made loans, loan guarantees, and equity investments for program purposes.

Impact loans are generally due over a period of one to fifteen years with stated annual interest rates of 1 to 6 percent. The loans are recorded at their net present value, and imputed interest is recognized over the term of the loans calculated using the simple-interest method on the outstanding principal balances. Outstanding loan balances totaled \$3,335 and \$5,880 at December 31, 2021 and 2020, respectively. Loans maturing within one year totaled \$1,200 at December 31, 2021. Loans maturing in two to five years totaled \$2,066, and those maturing in more than five years totaled \$69 at December 31, 2021. Management determined an allowance for uncollectible loans was not considered necessary at December 31, 2021 or 2020.

Loan guarantees have been reviewed by management for risk of loss, management determined that the risk of loss is low and has therefore, not booked a corresponding liability.

SEATTLE FOUNDATION

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)**

Note 2 - Continued

Program-related equity investments generally do not have a readily determinable fair value and are recorded at cost less impairment, plus or minus changes in fair value as a result of observable price changes that occur in orderly transactions for identical or similar investments of the same issuer, in accordance with Accounting Standards Update (ASU) 2016-01 - *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities* and totaled \$2,395 and \$2,376 at December 31, 2021 and 2020, respectively. Seattle Foundation has outstanding capital commitments for the impact equity investments totaling \$1,906 and \$1,890 at December 31, 2021 and 2020, respectively. Management has determined the value of the impact equity investments is not impaired at December 31, 2021 and 2020.

In 2019, Seattle Foundation became a guarantor to the loan guarantee pool of the Community Investment Guarantee Pool LLC (CIGP). CIGP is a charitable organization that focuses on single and multi-family affordable housing, small business, and climate impact by extending guarantees to qualified beneficiaries. As part of this program the Seattle Foundation has committed \$1,000 to the loan guarantee pool. There were no beneficiaries of the guarantee loan program with defaults at December 31, 2021 or 2020, that would result in a required disbursement for the Seattle Foundation.

Fixed Assets Capitalization and Depreciation - Seattle Foundation capitalizes assets with a cost greater than \$5 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. Other capitalized costs include software website development and certain intangibles.

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 or remainder of lease term, whichever is shorter
Furniture and fixtures	3 - 10 years
Intangibles	5 - 10 years

Agency 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. See Note 10.

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:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 2 - Continued

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Net assets with donor restrictions include charitable remainder trusts, charitable lead trusts, pledges and bequests that will be collected in a future year, and the net assets of fiscal sponsorships including HealthierHere. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by Seattle Foundation, such as perpetual trusts.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. 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. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions if they are available to Seattle Foundation with no restriction as to when the funds are available for expenditure.

Contribution Revenue - 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.

Conditional promises to give are recognized as revenue when the donor-imposed conditions upon which they depend have been substantially met. Conditional promises to give total approximately \$2,150 and \$2,425 at December 31, 2021 and 2020, respectively. During the year ended December 31, 2021, conditional promises to give of \$1,000 were received and are included in other liabilities. Revenue will be recognized in future periods as donor-imposed conditions are met.

Administrative Revenue - Administrative revenue consists of administrative, sponsorship, event and various sublease fees. Revenue is recognized in the period the service is provided or the event occurs based on the terms of the related agreements. There are no accounts receivable for administrative revenue at December 31, 2021 or 2020.

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. Conditional grants outstanding at December 31, 2021 and 2020 total \$15,690 and \$6,145, respectively. During the year ended December 31, 2021, conditional grants of \$4,831 were advanced and are included in accounts receivable and other assets. Grant expense will be recognized in future periods as the performance of specified conditions are satisfied.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

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 during the years ended December 31, 2021 and 2020.

Approximately 24% and 15% of contribution revenue was received from two donors and one donor for the years ended December 31, 2021 and 2020, respectively. Approximately 70% and 88% of pledges receivable were from three donors and one donor at December 31, 2021 and 2020, 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 Allocation of Expenses - 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. All other costs are charged directly to the appropriate functional category.

Income Taxes - Seattle Foundation and its supporting organizations qualify as tax-exempt organizations, under Section 501(c)(3) of the Internal Revenue Code (the Code), and are not subject to federal or state income taxes, except on unrelated business income. 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. HealthierHere and Manager are wholly owned by Seattle Foundation and are disregarded entities for tax purposes.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

Comparative Amounts for 2020 - 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, 2020, from which the summarized information was derived.

Subsequent Events - Seattle Foundation has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2021 through May 16, 2022, the date the consolidated financial statements were available to be issued.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 3 - Evergreen Impact Housing Fund

Ownership Structure - As described in Note 1, Manager is a wholly owned subsidiary of Seattle Foundation. Separate funds (collectively, the Funds), structured as limited liability companies, will be created for each investor group to provide funding under the EIHF. Manager may make an equity investment in the Funds based on the terms of each Fund agreement. Manager is paid a management fee based on the terms of each Fund agreement.

Evergreen Impact Housing Fund I, LLC (Fund I) was created in 2020 and will be funded by corporate investors. Manager will not hold an equity position, nor will it control Fund I through contract. Therefore, the activities and balances of Fund I will not be consolidated in the financial statements of Manager or Seattle Foundation.

In 2021, Manager formed the Debt Feeder Fund, LLC (DFF) and is its sole member. DFF accepts loans from corporate investors that will be used to support specific projects of EIHF through discrete Funds. In 2021, Manager also formed Evergreen Impact Housing Fund II, LLC (Fund II) and DFF is its sole member. Therefore, the activities and balances of the Manager, DFF and Fund II are consolidated in the financial statements of Seattle Foundation, and inter-entity activity is eliminated in consolidation.

DFF Promissory Note - On December 21, 2021, DFF signed a promissory note (the Note) with a corporate investor for up to \$75 million. The Note bears base annual interest of 1.25%, due and payable annually on June 15th based on sufficient fund distributions, and additional interest based on excess fund distributions not to exceed 1.75%. Draws taken against the Note are secured by the assets of the underlying affordable housing projects. The Note matures on December 31, 2045 and may be extended for an additional five years. As of December 31, 2021, DFF had outstanding draws on the Note totaling \$547, including accrued interest, which is recorded in other liabilities on the consolidated statement of financial position.

Future Commitments - As of December 31, 2021, Fund II entered into an agreement to invest \$8,600 in an affordable housing project in the form of a loan; however, funding will not occur until conditions are met and construction is completed, expected in 2023.

The equity members of Fund I have entered into an agreement to invest in an affordable housing project which is expected to be completed and funded in 2025. Manager and Seattle Foundation have no outstanding commitments related to Fund I.

Note 4 - Investments and Fair Value Measurements

Seattle Foundation records investments in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 4 - Continued

The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 investments include marketable securities and exchange traded funds that are carried at fair value based on observable quoted market prices in active markets and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity. Cash and money market funds are reported at cost plus accrued interest, which approximates fair value.

Level 2 investments include cash equivalents in funds with limited liquidity, and domestic bonds, that are valued using matrix pricing or market corroborated pricing inputs such as yield curves and indices.

Level 3 investments include beneficial interests in nontrusteed charitable trusts valued at Seattle Foundation's proportional share of the underlying assets held by the trusts. Direct investments in nonmarketable notes and insurance policies are valued based on estimates of similar assets.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Seattle Foundation considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment only and should not be considered analogous to risk.

Nonmarketable securities are valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

The valuation methodologies used by Seattle Foundation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Seattle Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)

Note 4 - Continued

Fair values of Seattle Foundation's investments measured on a recurring basis are as follows at December 31, 2021:

	In Thousands			Total
	Level 1	Level 2	Level 3	
Investments at Fair Value:				
Cash and money market funds	\$ 137,402	\$ 874	\$ -	\$ 138,276
Domestic equities	366,198	7,007	-	373,205
International equities	113,104	46	-	113,150
Domestic fixed income	190,685	31,675	-	222,360
International fixed income	18	73	-	91
Real return funds	4,902	-	-	4,902
Other assets	-	-	521	521
	<u>812,309</u>	<u>39,675</u>	<u>521</u>	<u>852,505</u>
Beneficial interests held in trust	-	-	29,212	29,212
Total Investments in the Fair Value Hierarchy	<u>\$ 812,309</u>	<u>\$ 39,675</u>	<u>\$ 29,733</u>	881,717
Investments measured at NAV				<u>532,371</u>
Total Investments				<u>\$ 1,414,088</u>

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)

Note 4 - Continued

Fair values of Seattle Foundation's investments measured on a recurring basis are as follows at December 31, 2020:

	In Thousands			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Cash and money market funds	\$ 142,717	\$ 1,496	\$ -	\$ 144,213
Domestic equities	298,990	4,913	-	303,903
International equities	94,034	-	-	94,034
Domestic fixed income	143,310	17,076	-	160,386
International fixed income	1,631	-	-	1,631
Real estate funds	1,121	-	-	1,121
Real return funds	2,836	-	-	2,836
Hedged strategies	1,718	-	-	1,718
Other assets	-	-	516	516
	686,357	23,485	516	710,358
Beneficial interests held in trust	-	-	29,341	29,341
Total Investments in the Fair Value Hierarchy	\$ 686,357	\$ 23,485	\$ 29,857	739,699
Investments measured at NAV				493,920
Total Investments				\$ 1,233,619

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 2021 Assets at Fair Value	Total 2020 Assets at Fair Value
Beginning balance	\$ 516	\$ 29,341	\$ 29,857	\$ 30,069
Investment return, net	24	3,534	3,558	526
Transfer of asset	-	(2,876)	(2,876)	-
Sales and distributions	(19)	(787)	(806)	(738)
Ending Balance	\$ 521	\$ 29,212	\$ 29,733	\$ 29,857

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)
(In Thousands)

Note 4 - 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.

	December 31, 2021	December 31, 2020		December 31, 2021		
Asset Class	Fair Value (in Millions)	Fair Value (in Millions)	Remaining Life	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedged Strategies	\$28.7M	\$100.7M	No limit.	None	Quarterly with notification periods ranging from 45 to 95 days.	Lock-up provisions range from none to 24 months.
Private Equity	\$70.3M	\$39.4M	Ranging from 1 to 11 years.	\$14.2M	Closed end funds not eligible for redemption. Quarterly redemptions with not less than 100 days' prior written notice.	Partial redemptions no less than \$100,000 and must not reduce an account to less than the applicable minimum investment. Redemptions subject to 15% investor-level gate that may not be applied more than 7 successive quarters and is to be discretionarily applied by the investment manager.
Real Estate (Closed End Funds)	\$14.8M	\$10.6M	Ranging from 1 to 11 years.	\$17.9M	Closed end funds not eligible for redemption.	Not redeemable.
Real Return Funds	\$19.1M	\$13.8M	Ranging from 6 to 12 years.	\$2.8M	Closed end funds not eligible for redemption.	Not redeemable.
Domestic Equity	\$25.7M	\$21.4M	No limit.	None	No restrictions.	None
International Equity	\$131.1M	\$126.5M	No limit.	None	No restrictions.	None
Select Strategies	\$179.0M	\$162.8M	No limit.	\$3.6M	Quarterly with 60 to 90 days' notice.	Lock-up provisions range from none to 12 months.
Domestic Fixed Income	\$45.0M	\$0	No limit.	None	Range from daily to quarterly with up to 90 days' notice.	Lock-up provisions range from none to 12 months.
International Fixed Income	\$18.7M	\$18.7M	No limit.	None	Twice a month with 5 days' notice.	None
Total	\$532.4M	\$493.9M		\$38.5M		

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 4 - Continued

Hedged Strategies - Managers in this category utilize long/short equity and credit 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 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) - Closed end funds that invest in the equity and/or debt of real estate properties, 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. Strategies may also include closed end funds that make direct investments in natural resource investments.

Domestic Equity - Includes funds that invests in public equity markets.

International Equity - Includes funds that invests in public equity markets.

Select Strategies - Includes strategies that have the ability to invest anywhere in the world, primarily within the public equity market. These strategies may also short positions when necessary.

Domestic Fixed Income - Includes debt instruments issued by state and local U.S. governments.

International Fixed Income - Includes debt instruments from governments outside the U.S., including developed and developing countries.

Note 5 - Pledges Receivable

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

	In Thousands	
	2021	2020
Due within one year	\$ 3,960	\$ 31,091
Due within two to five years	1,794	520
Pledges receivable, gross	5,754	31,611
Less discount to present value (0.52%)	(9)	(2)
Pledges Receivable, Net	\$ 5,745	\$ 31,609

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 6 - 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. Distributions are expected to be made from investment earnings and a portion of the original contributions; however, if for some reason insufficient principal remains, 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 residual payable to Seattle Foundation is recorded as a contribution.

Investment income and changes in the estimated liability are recognized in the consolidated statement of activities. As of December 31, 2021, Seattle Foundation had 26 active CGAs. Underlying investments were valued at \$3,248 and \$3,373 at December 31, 2021 and 2020, respectively. The corresponding liability for payments to other beneficiaries was determined to be \$2,226 and \$2,416 at December 31, 2021 and 2020, respectively. It is Seattle Foundation's policy to maintain 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. Subsequent 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 \$60,624 and \$48,903, at December 31, 2021 and 2020, respectively. The corresponding liability totaled \$41,610 and \$32,153 at December 31, 2021 and 2020, respectively.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 6 - Continued

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, valued 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, 2021, beneficial interests in CRTs and CLTs totaled \$9,906 and \$1,601, respectively. At December 31, 2020, beneficial interests in CRTs and CLTs totaled \$11,893 and \$1,645, respectively.

Perpetual Trusts - Seattle Foundation is a named income beneficiary of 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 are recorded in the accompanying consolidated statement of activities as a component of change in value of charitable gift annuities and trusts. At December 31, 2021 and 2020, beneficial interests in perpetual trusts totaled \$17,705 and \$15,803, respectively. Included in these amounts is a perpetual trust held for others which totaled \$1,728 and \$1,494 at December 31, 2021 and 2020, 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.

Note 7 - Fixed Assets

Fixed assets consist of the following at December 31:

	In Thousands	
	2021	2020
Technology, equipment and software	\$ 2,036	\$ 2,036
Leasehold improvements	2,191	2,191
Furniture and fixtures	1,185	1,185
Intangible assets	196	196
Fixed assets, gross	5,608	5,608
Less accumulated depreciation	(4,097)	(3,698)
Fixed Assets, Net	\$ 1,511	\$ 1,910

Depreciation expense totaled \$398 and \$555 for the years ended December 31, 2021 and 2020, respectively.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 8 - Grants Payable

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

	In Thousands	
	2021	2020
Due within one year	\$ 5,199	\$ 6,406
Due within two to five years	1,383	1,676
Thereafter	74	132
Total Grants Payable	\$ 6,656	\$ 8,214

The discount for present value was immaterial at December 31, 2021 and 2020.

Note 9 - Paycheck Protection Program

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 30, 2020, Seattle Foundation obtained a loan under the PPP with a principal balance of \$1,069 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning September 30, 2021 through maturity on April 30, 2022. Seattle Foundation follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, Seattle Foundation recognizes revenue when the barriers to entitlement to loan forgiveness are met. Management of Seattle Foundation determined that barriers to entitlement consist of incurrence of qualifying expenses and those barriers to entitlement were met prior to December 31, 2020; therefore, revenue totaling \$1,069 was recognized in the consolidated statement of activities for the year ended December 31, 2020. Seattle Foundation received full forgiveness in the amount of \$1,069 for the PPP loan from the lender and the Small Business Administration on September 15, 2021.

Note 10 - Agency Funds Held for Others

Agency funds held for others activity is as follows for the years ended December 31:

	In Thousands	
	2021	2020
Beginning balance	\$ (55,146)	\$ (52,083)
Investment return, net	(8,584)	(6,465)
Contributions	(2,040)	(388)
Grant expenses	4,268	3,790
Ending Balance	\$ (61,502)	\$ (55,146)

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 11 - Net Assets Without Donor Restrictions

As described in Notes 1 and 2, Seattle Foundation has legal variance power over its approximately 1,200 funds; therefore, the funds are classified as net assets without donor restrictions. The Board of Trustees of Seattle Foundation has also designated a fund to operate as an endowment, which is classified as a quasi-endowment within the net assets without donor restrictions classification (Note 13). The quasi-endowment was designated by the Board of Trustees with the intent of maintaining the corpus in perpetuity by utilizing established spending policies.

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future periods or for specific programs. They consist of the following at December 31:

	In Thousands	
	2021	2020
Subject to expenditure for specific purpose-		
Fiscal sponsorships including HealthierHere	\$ 40,876	\$ 13,736
Supporting organizations	896	1,362
Community/area of interest	425	-
Subject to the passage of time-		
Charitable remainder and lead trusts	30,567	30,362
Pledges receivable	4,783	31,609
Bequests receivable	-	183
Perpetual trusts	15,977	14,308
Total Net Assets With Donor Restrictions	\$ 93,524	\$ 91,560

Note 13 - Endowments

Seattle Foundation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-established endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments) as described in Note 11. Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. 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. Therefore, endowments are classified as net assets without donor restrictions.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 13 - Continued

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-established endowment funds absent explicit donor stipulations to the contrary.

Because of its variance power, Seattle Foundation classifies as net assets without donor restrictions (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment.

Endowment net asset composition by type of fund is as follows at December 31:

	In Thousands				
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus	2021 Total	2020 Total
Donor established endowment funds	\$ (158)	\$ 104,676	\$ 97,911	\$ 202,429	\$ 177,981
Board designated quasi- endowment funds	-	164,573	113,622	278,195	252,475
Endowment Net Assets	\$ (158)	\$ 269,249	\$ 211,533	\$ 480,624	\$ 430,456

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

	In Thousands				
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus	2021 Total	2020 Total
Endowment net assets, beginning of year	\$ (189)	\$ 222,486	\$ 208,159	\$ 430,456	\$ 391,284
Endowment investment return, net	31	66,529	-	66,560	49,532
Contributions	-	-	5,284	5,284	5,917
Board designations	-	-	(1,910)	(1,910)	7,612
Grants made and other expenses	-	(19,766)	-	(19,766)	(23,889)
Endowment Net Assets, End of Year	\$ (158)	\$ 269,249	\$ 211,533	\$ 480,624	\$ 430,456

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 13 - Continued

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-established endowment funds may fall below the level that the donor or PMIFA requires Seattle Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 7 donor-established endowment funds, which together had an original gift value of \$614, a current fair value of \$456 and a deficiency of \$158 at December 31, 2021. Deficiencies of this nature exist in 7 donor-established endowment funds, which together had an original gift value of \$1,053, a current fair value of \$864 and a deficiency of \$189 at December 31, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-established endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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-established 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 plus an assumed 2.25 percent inflation rate. While actual returns may vary, the targeted nominal rate of return is approximately 6.75 percent.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Seattle 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 14 - 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, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 14 - Continued

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

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

Total matching expense was \$511 and \$443 for the years ended December 31, 2021 and 2020, respectively. All contributions under the plan vest with employees when contributions are made.

Note 15 - 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, 2021 and 2020.

Leases - Operations of Seattle Foundation are conducted in leased office space in Seattle, Washington. The current lease commenced in November 2016 and expires in February 2027. Seattle Foundation may extend the initial term of the lease for 2 successive periods of 5 years. The Seattle Foundation has also entered into leased office agreements for one of its fiscal sponsorships and one of its supporting organizations. These leases expire in November 2022 and May 2023. The office leases include escalating base rent plus a proportionate share of the actual operating costs of the building as specified in the lease agreement. Rent expense for these leases was \$975 and \$981 for the years ended December 31, 2021 and 2020, respectively.

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
2022	\$ 1,028	\$ 18	\$ 1,046
2023	878	7	885
2024	834	5	839
2025	852	2	854
2026	870	-	870
Thereafter	147	-	147
Total Future Lease Payments	\$ 4,609	\$ 32	\$ 4,641

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020) (In Thousands)

Note 15 - Continued

The lease also allows for Seattle Foundation to sublease space in the Westlake Tower for community partners, aligned with Seattle Foundation's mission. As of December 31, 2021, Seattle Foundation had a sublease agreement with Seattle International Foundation. This sublease has a term that extends through March 2022 with total remaining annual sublease payments of \$15.

Note 16 - Liquidity and Availability

Seattle Foundation's financial assets available within one year of the consolidated statement of financial position date to meet general expenditures include the following as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 37,577	\$ 20,243
Accounts receivable and other assets	6,791	1,594
Pledges receivable, net	5,745	31,609
Investments	<u>1,384,876</u>	<u>1,204,278</u>
Total financial assets	1,434,989	1,257,724
Less financial assets unavailable for general expenditures due to designations-		
Donor-established endowment funds	(202,429)	(177,981)
Board designated quasi-endowment funds	(278,195)	(252,475)
Less investments classified as Level 3	(521)	(516)
Less investments measured at NAV	(532,371)	(493,920)
Less investments for charitable gift annuities	(3,248)	(3,373)
Less prepaid expenses, loan receivable and program advance included in accounts receivable and other assets	(6,344)	(1,288)
Less pledges receivable due in more than one year	<u>(1,785)</u>	<u>(518)</u>
Financial assets unavailable for general expenditures	<u>(1,024,893)</u>	<u>(930,071)</u>
Available Financial Assets, Net	<u>\$ 410,096</u>	<u>\$ 327,653</u>

Seattle Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities and other obligations become due. In addition to the available financial assets listed above, Seattle Foundation has a line of credit totaling \$10 million which can be drawn upon in the event of immediate liquidity needs. There are also other components of Seattle Foundation's investments that may be available and liquid within one year. These components include certain portions of marketable alternative investments reflected above as investments measured at NAV. Had it been necessary to generate liquid funds from investments to meet short-term needs on December 31, 2021 and 2020, management estimates it could have liquidated approximately \$930 million (unaudited) and \$824 million (unaudited), respectively.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

(In Thousands)

Note 16 - Continued

The assets of the funds held for others and the charitable lead and remainder trusts for which Seattle Foundation is trustee are co-mingled in the investment portfolio. Investments held at NAV, which contains portions of these assets, are deducted from available financial assets in the table above. Therefore, the assets obligated to the funds held for others and the charitable lead and remainder trusts are not reflected in the table above. These obligations totaled \$103,112 and \$87,299 at December 31, 2021 and 2020, respectively.

The table above reflects Seattle Foundation's consolidated financial assets. While most Seattle Foundation funds are subject to its variance power, the majority of these funds have specific mandates identified by the donors, which Seattle Foundation honors. In stewarding these assets Seattle Foundation invests the assets with the objective of meeting donors' intent as well as their grantmaking time horizons.

Seattle Foundation's Administrative Fund, which covers its operating costs, represents approximately 1% of the Seattle Foundation's consolidated net assets, and are accounted for separately from dollars awarded through grants made from funds such as Donor Advised Funds or endowments managed for others. These operating costs, including programmatic and community support activities, are funded largely through operating revenue derived from fees assessed on assets under management.

Seattle Foundation closely monitors an operating revenue and expense budget in order to preserve resources to ensure that it can meet its donors' needs in grantmaking and programmatic activities, thereby furthering the mission of the organization. For the years 2021, and 2020 the Administrative Fund (excluding the CGA surplus reserve) had expenses of \$13,563 and \$14,027, respectively, which was offset by funding of \$13,615 and \$17,343 respectively, for a surplus in operating activities of \$52 in 2021 and \$3,316 in 2020.

SUPPLEMENTARY INFORMATION

SEATTLE FOUNDATION

**Consolidating Statement of Financial Position
December 31, 2021
(In Thousands)**

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
Assets:				
Cash and cash equivalents	\$ 36,741	\$ 836	\$ -	\$ 37,577
Accounts receivable and other assets	6,710	81	-	6,791
Pledges receivable, net	5,733	12	-	5,745
Beneficial interests held in trust	29,212	-	-	29,212
Investments	1,299,361	85,515	-	1,384,876
Real estate held for sale	-	6,211	-	6,211
Program related investments	5,730	-	-	5,730
Fixed assets, net of accumulated depreciation	1,215	296	-	1,511
Total Assets	<u>\$ 1,384,702</u>	<u>\$ 92,951</u>	<u>\$ -</u>	<u>\$ 1,477,653</u>
Liabilities and Net Assets				
Liabilities:				
Grants payable	\$ 1,906	\$ 4,750	\$ -	\$ 6,656
Other liabilities	5,460	269	-	5,729
Funds held for others	61,502	-	-	61,502
Liability for charitable lead and remainder trusts	41,610	-	-	41,610
Liability for charitable gift annuities	2,226	-	-	2,226
Total Liabilities	112,704	5,019	-	117,723
Net Assets:				
Without donor restrictions-				
Community/area of interest/fiscal sponsorship	164,920	-	-	164,920
Donor advised	672,500	-	-	672,500
Designated	329,045	-	-	329,045
Supporting organizations	-	87,024	-	87,024
Administrative	12,917	-	-	12,917
Total net assets without donor restrictions	1,179,382	87,024	-	1,266,406
With donor restrictions-				
Future periods or programs	76,639	908	-	77,547
Perpetual trusts	15,977	-	-	15,977
Total net assets with donor restrictions	92,616	908	-	93,524
Total Net Assets	<u>1,271,998</u>	<u>87,932</u>	<u>-</u>	<u>1,359,930</u>
Total Liabilities and Net Assets	<u>\$ 1,384,702</u>	<u>\$ 92,951</u>	<u>\$ -</u>	<u>\$ 1,477,653</u>

See independent auditor's report.

SEATTLE FOUNDATION

Consolidating Statement of Activities
For the Year Ended December 31, 2021
(In Thousands)

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
Operating Activities				
Without Donor Restrictions				
Revenues and Support:				
Contributions and agency funds	\$ 182,498	\$ 64,830	\$ (43,127)	\$ 204,201
Less agency	(2,040)	-	-	(2,040)
Total contributions	180,458	64,830	(43,127)	202,161
Other income	2,592	5,220	(5,196)	2,616
Inter-entity transfers	5,319	(5,319)	-	-
Releases	60,902	3,794	-	64,696
Total Revenues and Support	249,271	68,525	(48,323)	269,473
Expenses:				
Grants	239,427	25,289	(43,127)	221,589
Support expenses	27,419	10,973	(5,196)	33,196
Total Expenses	266,846	36,262	(48,323)	254,785
Change in Net Assets Without Donor Restrictions From Operations	(17,575)	32,263	-	14,688
Nonoperating Activities:				
Change in value of charitable gift annuities and trusts	5,170	-	-	5,170
Return on investments, net	136,941	5,235	-	142,176
Change in Net Assets Without Donor Restrictions	124,536	37,498	-	162,034
Net Assets With Donor Restrictions				
Revenues and Support:				
Contributions	62,949	2,980	-	65,929
Net assets released from restriction	(60,902)	(3,794)	-	(64,696)
Change in Net Assets With Donor Restrictions From Operations	2,047	(814)	-	1,233
Nonoperating Activities:				
Change in value of charitable gift annuities and trusts	731	-	-	731
Change in Net Assets With Donor Restrictions	2,778	(814)	-	1,964
Total Change in Net Assets	127,314	36,684	-	163,998
Net assets, beginning of year	1,144,684	51,248	-	1,195,932
Net Assets, End of Year	\$ 1,271,998	\$ 87,932	\$ -	\$ 1,359,930

See independent auditor's report.