



Consolidated Financial Statements

For the Year Ended December 31, 2020

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Seattle Foundation and Affiliates (collectively, Seattle Foundation), which comprise the consolidated statement of financial position as of December 31, 2020, 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.

### **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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seattle Foundation as of December 31, 2020, 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.

## **Report on Summarized Comparative Information**

We have previously audited Seattle Foundation's 2019 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated May 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 supplementary information consisting of agency contributions on page 4, the consolidating statement of financial position and the consolidating statement of activities on pages 29 and 30 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 P.S.*

Certified Public Accountants  
May 17, 2021

**SEATTLE FOUNDATION**

**Consolidated Statement of Financial Position**

**December 31, 2020**

**(With Comparative Totals for 2019)**

**(In Thousands)**

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 20,243	\$ 15,626
Accounts receivable and other assets	1,594	966
Pledges receivable, net	31,609	5,283
Bequests receivable	183	183
Beneficial interests held in trust	29,341	29,555
Investments	1,204,278	1,069,328
Real estate held for sale	-	2,178
Program related investments	8,256	9,541
Fixed assets, net of accumulated depreciation	<u>1,910</u>	<u>2,411</u>
<b>Total Assets</b>	<b><u>\$ 1,297,414</u></b>	<b><u>\$ 1,135,071</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Grants payable	\$ 8,214	\$ 10,502
Other liabilities	3,553	3,096
Funds held for others	55,146	52,083
Liability for life estate	-	335
Liability for charitable lead and remainder trusts	32,153	34,711
Liability for charitable gift annuities	<u>2,416</u>	<u>2,578</u>
<b>Total Liabilities</b>	<b>101,482</b>	<b>103,305</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Community/area of interest	161,557	118,673
Donor advised	590,915	532,076
Designated	289,013	260,830
Supporting organizations	49,527	43,198
Administrative	<u>13,360</u>	<u>9,128</u>
Total net assets without donor restrictions	1,104,372	963,905
With donor restrictions-		
Future periods or programs	77,252	55,057
Perpetual trusts	<u>14,308</u>	<u>12,804</u>
Total net assets with donor restrictions	91,560	67,861
<b>Total Net Assets</b>	<b><u>1,195,932</u></b>	<b><u>1,031,766</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,297,414</u></b>	<b><u>\$ 1,135,071</u></b>

See accompanying notes.

SEATTLE FOUNDATION

**Consolidated Statement of Activities  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)  
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Operating Activities</b>				
<b>Revenues and Support:</b>				
Contributions and agency funds-				
Community/area of interest	\$ 72,367	\$ 48,353	\$ 120,720	\$ 32,199
Donor advised	111,064	15	111,079	118,063
Designated	10,810	-	10,810	9,499
Charitable trusts and beneficial interests	-	170	170	-
Supporting organizations	34,429	3,470	37,899	20,570
Agency	387	-	387	1,711
Administrative	6,784	-	6,784	981
	<u>235,841</u>	<u>52,008</u>	<u>287,849</u>	<u>183,023</u>
Less agency	(387)	-	(387)	(1,711)
Total contributions	235,454	52,008	287,462	181,312
Other income	1,480	126	1,606	1,555
Releases from restriction	25,505	(25,505)	-	-
<b>Total Revenues and Support</b>	<b>262,439</b>	<b>26,629</b>	<b>289,068</b>	<b>182,867</b>
<b>Expenses:</b>				
Grants-				
Community/area of interest	55,842	-	55,842	22,370
Donor advised	111,569	-	111,569	81,831
Designated	9,104	-	9,104	8,560
Supporting organizations	23,872	-	23,872	14,211
Agency	3,113	-	3,113	2,366
	<u>203,500</u>	<u>-</u>	<u>203,500</u>	<u>129,338</u>
Less agency	(3,113)	-	(3,113)	(2,366)
Total grants expense	200,387	-	200,387	126,972
Support expenses	30,770	-	30,770	29,050
<b>Total Expenses</b>	<b>231,157</b>	<b>-</b>	<b>231,157</b>	<b>156,022</b>
<b>Change in Net Assets From Operating Activities</b>	<b>31,282</b>	<b>26,629</b>	<b>57,911</b>	<b>26,845</b>
<b>Nonoperating Activities:</b>				
Change in value of charitable gift annuities and trusts	2,437	(2,930)	(493)	8,057
Return on investments, net	106,748	-	106,748	147,376
<b>Total Change in Net Assets</b>	<b>140,467</b>	<b>23,699</b>	<b>164,166</b>	<b>182,278</b>
Net assets, beginning of year	963,905	67,861	1,031,766	849,488
<b>Net Assets, End of Year</b>	<b>\$ 1,104,372</b>	<b>\$ 91,560</b>	<b>\$ 1,195,932</b>	<b>\$ 1,031,766</b>

See accompanying notes.

SEATTLE FOUNDATION

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)  
(In Thousands)**

	Program	Management and General	Fundraising	2020 Total	2019 Total
Grant expense	\$ 200,387	\$ -	\$ -	\$ 200,387	\$ 126,972
Professional services	9,322	2,088	460	11,870	12,888
Compensation	6,043	3,922	636	10,601	9,515
Other expenses	2,086	1,910	214	4,210	3,057
Employee benefits	1,087	706	114	1,907	1,689
Facilities and utilities	653	424	69	1,146	1,151
Information technology	476	309	50	835	558
Office expense	114	75	12	201	192
<b>Total Expenses</b>	<b>\$ 220,168</b>	<b>\$ 9,434</b>	<b>\$ 1,555</b>	<b>\$ 231,157</b>	<b>\$ 156,022</b>
<b>Total 2019 Expenses</b>	<b>\$ 147,481</b>	<b>\$ 7,534</b>	<b>\$ 1,007</b>	<b>\$ -</b>	<b>\$ 156,022</b>

The consolidated statement of functional expenses includes the expenses of all Seattle Foundation funds. Operating expenses for Seattle Foundation's administrative fund totaled \$14,027 and \$11,751, which was 6.1% and 7.4% of total expenses in 2020 and 2019, 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, 2020**  
**(With Comparative Totals for 2019)**  
**(In Thousands)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from-		
Contributions	\$ 251,373	\$ 167,265
Agency contributions	387	1,711
Investments	6,413	12,748
Other sources	978	1,258
Cash paid for-		
Grants	(192,257)	(124,118)
Agency grants	(3,113)	(2,366)
Compensation and benefits	(22,324)	(11,098)
Other operating expenses	(8,435)	(17,590)
<b>Net Cash Provided by Operating Activities</b>	<b>33,022</b>	<b>27,810</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(54)	(493)
Purchase of investments	(973,770)	(595,273)
Proceeds from sale of investments	941,785	562,595
Program related investments funded	(32)	(32)
Repayments from program related investments	1,181	356
Earnest money received for real estate held for sale	-	700
Proceeds from sale of asset held for sale	2,485	-
<b>Net Cash Used in Investing Activities</b>	<b>(28,405)</b>	<b>(32,147)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>4,617</b>	<b>(4,337)</b>
Cash and cash equivalents, beginning of year	15,626	19,963
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 20,243</b>	<b>\$ 15,626</b>
<b>Supplementary Information:</b>		
Noncash transactions-		
Noncash contributions	\$ 9,763	\$ 13,305
Change in value of program related investments	\$ 8	\$ 192
Noncash grants made	\$ 10,418	\$ -

See accompanying notes.



## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (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. 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 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 2020 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. Two of these supporting organizations were formed in 2020. 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.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 1 - Continued

**Evergreen Impact Housing Fund and Impact Fund Manager, LLC** - The consolidated financial statements include the activities of Impact Funds Manager LLC (IFM LLC), a limited liability company formed in the State of Washington in January 2020, wholly owned by Seattle Foundation. Seattle Foundation formed IFM LLC to support the efforts of the Evergreen Impact Housing Fund (EIHF). The 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. The EIHF will provide the "last-dollar" investment needed to efficiently develop projects already capitalizing on proven, affordable housing financing. IFM LLC will manage and/or invest in entities (Funds) created under the EIHF for each discrete project to which the EIHF will provide funding in the form of low-interest loans. As of December 31, 2020, Fund I has been established, and IFM LLC has entered into an operating agreement to manage the activities and accounts of Fund I. IFM LLC has no equity interest in or control over Fund I; therefore, the activities of Fund I will not be reflected in the consolidated financial statements of Seattle Foundation. Activities of IFM LLC were minimal during the year ended December 31, 2020, during its start-up phase.

**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.

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 health care 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.

Subsequent to year end, two additional fiscal sponsorships were established.

**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.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 1 - Continued

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.

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

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.

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

**Principles of Consolidation** - The consolidated financial statements as of December 31, 2020, include the financial accounts of Seattle Foundation, its supporting organizations, IFMLLC, 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 5).

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 2 - Continued

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.

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 ten 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 \$5,880 and \$7,105 at December 31, 2020 and 2019, respectively. Loans maturing within one year totaled \$3,566 at December 31, 2020. Loans maturing in two to five years totaled \$2,125, and those maturing in more than five years totaled \$189 at December 31, 2020. Management determined an allowance for uncollectible loans was not considered necessary at December 31, 2020 or 2019.

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, 2020 (In Thousands)

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#### 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 \$2,376 and \$2,527 at December 31, 2020 and 2019, respectively. Seattle Foundation has outstanding capital commitments for the impact equity investments totaling \$1,890 and \$375 at December 31, 2020 and 2019, respectively. Management has determined the value of the impact equity investments is not impaired at December 31, 2020 and 2019.

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, 2020 or 2019, 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

**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.

**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, 2020 (In Thousands)

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#### 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 King County Accountable Community of Health, LLC and sponsored programs. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the 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 \$2,425 and \$3,946 at December 31, 2020 and 2019, respectively. Donor-imposed conditions are expected to be met, and revenue recognized, during the year ended December 31, 2021.

**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, 2020 or 2019.

**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, 2020 and 2019 total \$6,145 and \$0, respectively.

**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.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 2 - Continued

**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, 2020 and 2019.

Approximately 15% and 28% of contribution revenue was received from one and two donors, respectively, for the years ended December 31, 2020 and 2019. Approximately 88% and 73% of pledges receivable were from one and four donors at December 31, 2020 and 2019, 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. King County Accountable Community of Health, LLC and IFMLLC (Note 1) are wholly owned by Seattle Foundation and are disregarded entities for tax purposes.

**Adoption of New Accounting Pronouncements** - During the year ended December 31, 2020, Seattle Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with respect to contributions made. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional.

The primary effect of adoption of this ASU for Seattle Foundation is that certain grants made that were previously treated as unconditional are now treated as conditional. As a result, expense for these grants is recognized when the conditions are met during the grant term, whereas previously expense had been recognized when the grants were awarded. The effect of the change resulting from implementation of the ASU was that grants totaling \$6,145 that would have previously been recognized as expense and grants payable during 2020 are now considered conditional and will be expensed in 2021 when the conditions upon which they depend are expected to be satisfied. Seattle Foundation has elected to adopt the changes from this ASU prospectively starting for the year ended December 31, 2020, and accordingly, no changes have been made to balances reported in the 2019 financial statements.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 2 - Continued

**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 2019** - 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, 2019, 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, 2020 through May 17, 2021, the date the consolidated financial statements were available to be issued.

#### Note 3 - 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).

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, including U.S. Treasury securities, 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.

Level 3 liabilities consist of funds held for others valued at each fund's proportionate share of Seattle Foundation's investment portfolio, which is valued as described above.

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.



SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(In Thousands)

**Note 3 - Continued**

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.

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

	In Thousands			
	Level 1	Level 2	Level 3	Total
<b>Investments at Fair Value:</b>				
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
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 686,357</b>	<b>\$ 23,485</b>	<b>\$ 29,857</b>	739,699
Investments measured at NAV				493,920
<b>Total Investments</b>				<b>\$ 1,233,619</b>
<b>Liabilities at Fair Value:</b>				
Funds held for others	\$ -	\$ -	\$ 55,146	\$ 55,146
<b>Total Liabilities at Fair Value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,146</b>	<b>\$ 55,146</b>

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(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, 2019:

	In Thousands			Total
	Level 1	Level 2	Level 3	
<b>Investments at Fair Value:</b>				
Cash and money market funds	\$ 98,355	\$ 1,090	\$ -	\$ 99,445
Domestic equities	304,903	1	-	304,904
International equities	104,315	-	-	104,315
Domestic fixed income	148,630	14,024	-	162,654
International fixed income	1,288	-	-	1,288
Real estate funds	1,758	-	-	1,758
Real return funds	2,348	-	-	2,348
Real estate notes receivable	1,771	-	-	1,771
Other assets	-	-	514	514
	<u>663,368</u>	<u>15,115</u>	<u>514</u>	<u>678,997</u>
Beneficial interests held in trust	-	-	29,555	29,555
	<u>-</u>	<u>-</u>	<u>29,555</u>	<u>29,555</u>
<b>Total Investments in the Fair Value Hierarchy</b>	<b><u>\$ 663,368</u></b>	<b><u>\$ 15,115</u></b>	<b><u>\$ 30,069</u></b>	708,552
Investments measured at NAV				<u>390,331</u>
<b>Total Investments</b>				<b><u>\$ 1,098,883</u></b>
<b>Liabilities at Fair Value:</b>				
Funds held for others	\$ -	\$ -	\$ 52,083	\$ 52,083
	<u>-</u>	<u>-</u>	<u>52,083</u>	<u>52,083</u>
<b>Total Liabilities at Fair Value</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 52,083</u></b>	<b><u>\$ 52,083</u></b>

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(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 2020 Assets at Fair Value	Total 2019 Assets at Fair Value
Beginning balance	\$ 514	\$ 29,555	\$ 30,069	\$ 28,742
Investment return, net	26	500	526	4,202
Write-off of asset	-	-	-	(500)
Sales and distributions	(24)	(714)	(738)	(2,375)
<b>Ending Balance</b>	<b>\$ 516</b>	<b>\$ 29,341</b>	<b>\$ 29,857</b>	<b>\$ 30,069</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	
	2020 Funds Held for Others	2019 Funds Held for Others
Beginning balance	\$ (52,083)	\$ (44,899)
Investment return, net	(6,465)	(8,467)
Purchases and receipts	(388)	(1,711)
Sales and distributions	3,790	2,994
<b>Ending Balance</b>	<b>\$ (55,146)</b>	<b>\$ (52,083)</b>

**SEATTLE FOUNDATION**

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(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.

<b>Asset Class</b>	<b>Fair Value (in Millions)</b>	<b>Remaining Life</b>	<b>Unfunded Commitments</b>	<b>Redemption Terms</b>	<b>Redemption Restrictions</b>
Hedged Strategies	\$100.7M	No limit.	None	Redemption terms are quarterly with notification periods ranging from 45 to 180 days.	Lock-up provisions range from none to 60 months.
Private Equity	\$39.4M	Ranging from 1 to 10 years.	\$14.3M	Closed end funds not eligible for redemption.	Not redeemable.
Real Estate (Closed End Funds)	\$10.6M	Ranging from 1 to 10 years.	\$22.9M	Closed end funds not eligible for redemption.	Not redeemable.
Real Return Funds	\$13.8M	Ranging from 5 to 11 years.	\$6.0M	Closed end funds not eligible for redemption.	Not redeemable.
Domestic Equity	\$21.4M	No limit.	None	No restrictions.	None
International Equity	\$126.5M	No limit.	None	No restrictions.	None
Select Strategies	\$162.8M	No limit.	None	Quarterly with 60 to 90 days' notice.	Lock-up provisions range from none to 12 months.
International Fixed Income	\$18.7M	No limit.	None	Twice a month with 5 days notice.	None
<b>Total</b>	<b>\$493.9M</b>		<b>\$43.2M</b>		

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 a fund that invests in public equity markets.

International Equity - Includes a fund 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.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 3 - Continued

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

#### Note 4 - Pledges Receivable

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

	In Thousands	
	2020	2019
Due within one year	\$ 31,091	\$ 4,658
Due within two to five years	520	640
Pledges receivable, gross	31,611	5,298
Less discount to present value (0.34%)	(2)	(15)
<b>Pledges Receivable, Net</b>	<b>\$ 31,609</b>	<b>\$ 5,283</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. 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 residuum payable to Seattle Foundation is recorded as a contribution.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (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, 2020, Seattle Foundation had 28 active CGAs. Underlying investments were valued at \$3,373 and \$3,184 at December 31, 2020 and 2019, respectively. The corresponding liability for payments to other beneficiaries was determined to be \$2,416 and \$2,578 at December 31, 2020 and 2019, 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 \$48,903 and \$53,862, at December 31, 2020 and 2019, respectively. The corresponding liability totaled \$32,153 and \$34,711 at December 31, 2020 and 2019, 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, 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, 2020, beneficial interests in CRTs and CLTs totaled \$11,893 and \$1,645, respectively. At December 31, 2019, beneficial interests in CRTs and CLTs totaled \$11,238 and \$4,241, 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 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, 2020 and 2019, beneficial interests in perpetual trusts totaled \$15,803 and \$14,076, respectively. Included in these amounts is a perpetual trust held for others which totaled \$1,494 and \$1,272 at December 31, 2020 and 2019, 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, 2020 (In Thousands)

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#### Note 6 - Fixed Assets

Fixed assets consist of the following at December 31:

	In Thousands	
	2020	2019
Technology, equipment and software	\$ 2,036	\$ 1,988
Leasehold improvements	2,191	2,189
Furniture and fixtures	1,185	1,182
Intangible assets	196	196
Fixed assets, gross	5,608	5,555
Less accumulated depreciation	(3,698)	(3,144)
<b>Fixed Assets, Net</b>	<b>\$ 1,910</b>	<b>\$ 2,411</b>

Depreciation expense totaled \$555 and \$508 for the years ended December 31, 2020 and 2019, respectively.

#### Note 7 - Grants Payable

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

	In Thousands	
	2020	2019
Due within one year	\$ 6,406	\$ 7,829
Due within two to five years	1,676	2,541
Thereafter	132	132
<b>Total Grants Payable</b>	<b>\$ 8,214</b>	<b>\$ 10,502</b>

The discount for present value was immaterial at December 31, 2020 and 2019.

#### Note 8 - 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

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 8 - Continued

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. 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 has determined that the barriers to entitlement consist of the incurrence of qualifying expenses. Management has also determined that 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, and no liability for the PPP loan is presented on the consolidated statement of financial position as of December 31, 2020. To complete the loan forgiveness process, management must submit a loan forgiveness application for review and approval by both the lender and the Small Business Administration (SBA). A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case Seattle Foundation will be required to repay the amount that is not forgiven. If the loan is not forgiven, principal payments of approximately equal amounts would be due in 2021 and 2022.

#### Note 9 - 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 11). 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 10 - 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	
	2020	2019
Subject to expenditure for specific purpose-		
Fiscal sponsorships and HealthierHere LLC	\$ 13,736	\$ 12,863
Supporting organizations	1,362	1,469
Subject to the passage of time and expenditure for specific purpose	-	630
Subject to the passage of time-		
Charitable remainder and lead trusts	30,362	34,629
Pledges receivable	31,609	5,283
Bequests receivable	183	183
Perpetual trusts	14,308	12,804
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 91,560</b>	<b>\$ 67,861</b>



## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

#### Note 11 - 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 9. 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.

**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	2020 Total	2019
Donor established endowment funds	\$ (189)	\$ 83,534	\$ 94,636	\$ 177,981	\$ 160,665
Board designated quasi- endowment funds	-	138,952	113,523	252,475	230,619
<b>Endowment Net Assets</b>	<b>\$ (189)</b>	<b>\$ 222,486</b>	<b>\$ 208,159</b>	<b>\$ 430,456</b>	<b>\$ 391,284</b>

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

#### Note 11 - Continued

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

	In Thousands				
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus	2020	2019
Endowment net assets, beginning of year	\$ (164)	\$ 196,819	\$ 194,630	\$ 391,285	\$ 328,492
Endowment investment return, net	(25)	49,556	-	49,531	61,638
Contributions	-	-	5,917	5,917	18,603
Board designations	-	-	7,612	7,612	567
Grants made and other expenses	-	(23,889)	-	(23,889)	(18,016)
<b>Endowment Net Assets, End of Year</b>	<b>\$ (189)</b>	<b>\$ 222,486</b>	<b>\$ 208,159</b>	<b>\$ 430,456</b>	<b>\$ 391,284</b>

**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 \$1,053, a current fair value of \$864 and a deficiency of \$189 at December 31, 2020. Deficiencies of this nature existed in 7 donor-established endowment funds, which together had an original gift value of \$863, a fair value of \$699, and a deficiency of \$164 at December 31, 2019. 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 3.0 percent inflation rate. While actual returns may vary, the targeted nominal rate of return is approximately 7.5 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.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 11 - Continued

**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 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 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 \$443 and \$374 for the years ended December 31, 2020 and 2019, respectively. All contributions under the plan vest with employees when contributions are made.

#### 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, 2020 and 2019.

**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 \$981 and \$1,003 for the years ended December 31, 2020 and 2019, respectively.

SEATTLE FOUNDATION

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(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:

	In Thousands		
	Office Space	Equipment Leases	Total
For the Year Ending December 31,			
2021	\$ 1,019	\$ 14	\$ 1,033
2022	1,027	14	1,041
2023	878	7	885
2024	834	5	839
2025	852	2	854
Thereafter	1,017	-	1,017
<b>Total Future Lease Payments</b>	<b>\$ 5,627</b>	<b>\$ 42</b>	<b>\$ 5,669</b>

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, 2020, Seattle Foundation had a sublease agreements with Seattle International Foundation. This sublease has a term that extend through 2021 with total remaining annual sublease payments of \$56.

## SEATTLE FOUNDATION

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 14 - 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 20,243	\$ 15,626
Accounts receivable and other assets	1,594	966
Pledges receivable, net	31,609	5,283
Investments	<u>1,204,278</u>	<u>1,069,328</u>
Total financial assets	1,257,724	1,091,203
Less financial assets unavailable for general expenditures due to designations-		
Donor-established endowment funds	(177,981)	(160,665)
Board designated quasi-endowment funds	(252,475)	(230,619)
Less investments classified as Level 3	(516)	(514)
Less investments measured at NAV	(493,920)	(390,331)
Less investments for charitable gift annuities	(3,373)	(3,184)
Less prepaid expenses and loan receivable included in other assets	(1,288)	(492)
Less pledges receivable due in more than one year	<u>(518)</u>	<u>(625)</u>
Financial assets unavailable for general expenditures	<u>(930,071)</u>	<u>(786,430)</u>
<b>Available Financial Assets, Net</b>	<b><u>\$ 327,653</u></b>	<b><u>\$ 304,773</u></b>

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, 2020, management estimates it could have liquidated approximately \$824 million (unaudited).

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 \$87,299 and \$86,794 at December 31, 2020 and 2019, 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

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2020 (In Thousands)

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#### Note 14 - Continued

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 2020, and 2019 the Administrative Fund (excluding the CGA surplus reserve) had expenses of \$14,027 and \$11,490, respectively, which was offset by funding of \$17,343 and \$11,491 respectively, for a surplus from operating activities of \$3,316 and \$1, respectively.

**SUPPLEMENTARY INFORMATION**

## SEATTLE FOUNDATION

### Consolidating Statement of Financial Position December 31, 2020 (In Thousands)

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 22,550	\$ (2,307)	\$ -	\$ 20,243
Accounts receivable and other assets	1,569	25	-	1,594
Pledges receivable, net	31,249	360	-	31,609
Bequests receivable	183	-	-	183
Beneficial interests held in trust	29,341	-	-	29,341
Investments	1,146,914	57,364	-	1,204,278
Program related investments	8,256	-	-	8,256
Fixed assets, net of accumulated depreciation	1,534	376	-	1,910
<b>Total Assets</b>	<b><u>\$ 1,241,596</u></b>	<b><u>\$ 55,818</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,297,414</u></b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Grants payable	\$ 4,183	\$ 4,031	\$ -	\$ 8,214
Other liabilities	3,014	539	-	3,553
Funds held for others	55,146	-	-	55,146
Liability for charitable lead and remainder trusts	32,153	-	-	32,153
Liability for charitable gift annuities	2,416	-	-	2,416
<b>Total Liabilities</b>	<b>96,912</b>	<b>4,570</b>	<b>-</b>	<b>101,482</b>
<b>Net Assets:</b>				
Without donor restrictions-				
Community/area of interest	161,557	-	-	161,557
Donor advised	590,915	-	-	590,915
Designated	289,013	-	-	289,013
Supporting organizations	-	49,527	-	49,527
Administrative	13,360	-	-	13,360
Total net assets without donor restrictions	1,054,845	49,527	-	1,104,372
With donor restrictions-				
Future periods or programs	75,531	1,721	-	77,252
Perpetual trusts	14,308	-	-	14,308
Total net assets with donor restrictions	89,839	1,721	-	91,560
<b>Total Net Assets</b>	<b><u>1,144,684</u></b>	<b><u>51,248</u></b>	<b><u>-</u></b>	<b><u>1,195,932</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,241,596</u></b>	<b><u>\$ 55,818</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,297,414</u></b>

See independent auditor's report.



SEATTLE FOUNDATION

Consolidating Statement of Activities  
For the Year Ended December 31, 2020  
(In Thousands)

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
<b>Operating Activities</b>				
<b>Without Donor Restrictions</b>				
<b>Revenues and Support:</b>				
Contributions and agency funds	\$ 242,329	\$ 34,597	\$ (41,085)	\$ 235,841
Less agency	(387)	-	-	(387)
Total contributions	241,942	34,597	(41,085)	235,454
Other income	6,697	41	(5,258)	1,480
Inter-entity transfers	3,580	(3,580)	-	-
Releases	22,238	3,267	-	25,505
<b>Total Revenues and Support</b>	<b>274,457</b>	<b>34,325</b>	<b>(46,343)</b>	<b>262,439</b>
<b>Expenses:</b>				
Grants	215,761	25,711	(41,085)	200,387
Support expenses	30,638	5,390	(5,258)	30,770
<b>Total Expenses</b>	<b>246,399</b>	<b>31,101</b>	<b>(46,343)</b>	<b>231,157</b>
<b>Change in Net Assets Without Donor Restrictions From Operations</b>	<b>28,058</b>	<b>3,224</b>	<b>-</b>	<b>31,282</b>
<b>Nonoperating Activities:</b>				
Change in value of charitable gift annuities and trusts	2,437	-	-	2,437
Return on investments, net	103,644	3,104	-	106,748
<b>Change in Net Assets Without Donor Restrictions</b>	<b>134,139</b>	<b>6,328</b>	<b>-</b>	<b>140,467</b>
<b>Net Assets With Donor Restrictions</b>				
<b>Revenues and Support:</b>				
Contributions	48,664	3,470	-	52,134
Net assets released from restriction	(22,238)	(3,267)	-	(25,505)
<b>Change in Net Assets With Donor Restrictions From Operations</b>	<b>26,426</b>	<b>203</b>	<b>-</b>	<b>26,629</b>
<b>Nonoperating Activities:</b>				
Change in value of charitable gift annuities and trusts	(2,930)	-	-	(2,930)
<b>Change in Net Assets With Donor Restrictions</b>	<b>23,496</b>	<b>203</b>	<b>-</b>	<b>23,699</b>
<b>Total Change in Net Assets</b>	<b>157,635</b>	<b>6,531</b>	<b>-</b>	<b>164,166</b>
Net assets, beginning of year	987,049	44,717	-	1,031,766
<b>Net Assets, End of Year</b>	<b>\$ 1,144,684</b>	<b>\$ 51,248</b>	<b>\$ -</b>	<b>\$ 1,195,932</b>

See independent auditor's report.