



Consolidated Financial Statements

For the Year Ended December 31, 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Seattle Foundation and Affiliates (collectively, Seattle Foundation), which comprise the consolidated statement of financial position as of December 31, 2023, 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 financial statements present fairly, in all material respects, the financial position of Seattle Foundation as of December 31, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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 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 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 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 financial statements as a whole. The supplementary information consisting of agency contributions and the statistical information on pages 5 and 30, and the consolidating statement of financial position and statement of activities on pages 32 and 33 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, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audits 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, except for that portion marked "unaudited," on which we express no opinion nor any assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber PS

Certified Public Accountants
May 15, 2024

SEATTLE FOUNDATION
Consolidated Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 25,575	\$ 32,175
Accounts receivable	2,028	789
Pledges receivable, net	5,903	16,147
Bequests receivable	-	846
Beneficial interests held in trust	26,420	24,417
Investments	1,276,403	1,150,237
Real estate held for sale	-	3,000
Program-related investments	5,717	5,860
Loans receivable, net	9,527	970
Operating lease right-of-use assets	2,108	2,783
Other assets	3,577	938
Property and equipment, net of accumulated depreciation	755	1,121
Total Assets	<u>\$ 1,358,013</u>	<u>\$ 1,239,283</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable	\$ 6,118	\$ 11,559
Other liabilities	6,460	4,298
Operating lease liabilities	2,676	3,480
Agency funds held for others	52,988	49,229
Loan payable	9,918	1,053
Liability for charitable lead and remainder trusts	39,881	34,078
Liability for charitable gift annuities	1,867	2,014
Total Liabilities	119,908	105,711
Net Assets:		
Without donor restrictions-		
Community/area of interest	165,493	138,907
Donor advised	598,100	535,263
Designated	298,241	267,882
Supporting organizations	86,452	89,129
Administrative	18,954	16,969
Total net assets without donor restrictions	1,167,240	1,048,150
With donor restrictions-		
Future periods or programs	57,281	72,915
Perpetual trusts	13,584	12,507
Total net assets with donor restrictions	70,865	85,422
Total Net Assets	<u>1,238,105</u>	<u>1,133,572</u>
Total Liabilities and Net Assets	<u>\$ 1,358,013</u>	<u>\$ 1,239,283</u>

See accompanying notes.

SEATTLE FOUNDATION
Consolidated Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, Support and Investment Returns:				
Contributions and agency funds-				
Community/area of interest	\$ 18,631	\$ 2,439	\$ 21,070	\$ 50,153
Fiscal sponsorships	-	8,284	8,284	19,894
Donor advised	93,249	-	93,249	53,745
Designated	4,058	-	4,058	5,108
Charitable trusts and beneficial interests	-	-	-	385
Supporting organizations	14,120	3,519	17,639	45,165
Agency	496	-	496	1,433
Administrative	502	5,200	5,702	6,905
	<u>131,056</u>	<u>19,442</u>	<u>150,498</u>	<u>182,788</u>
Less agency	(496)	-	(496)	(1,433)
Total contributions	130,560	19,442	150,002	181,355
Return on investments, net	145,985	-	145,985	(170,562)
Change in value of charitable gift annuities and trusts	192	4,967	5,159	(7,089)
Other income	6,557	(16)	6,541	3,730
Releases from restrictions	36,345	(36,345)	-	-
Total Revenues, Support and Investment Returns	319,639	(11,952)	307,687	7,434
Expenses and Losses:				
Grants-				
Community/area of interest	16,311	-	16,311	43,925
Fiscal sponsorships	8,350	-	8,350	19,024
Donor advised	107,324	-	107,324	99,338
Designated	14,784	-	14,784	14,240
Supporting organizations	19,170	-	19,170	25,025
Agency	3,807	-	3,807	3,933
	<u>169,746</u>	<u>-</u>	<u>169,746</u>	<u>205,485</u>
Less agency	(3,807)	-	(3,807)	(3,933)
Total grants expense	165,939	-	165,939	201,552
Other program related	25,188	-	25,188	22,710
Management and general	8,249	-	8,249	8,305
Fundraising	1,173	-	1,173	1,225
Total Expenses	<u>200,549</u>	<u>-</u>	<u>200,549</u>	<u>233,792</u>
Loss on uncollectible pledges	-	2,605	2,605	-
Total Expenses and Losses	200,549	2,605	203,154	233,792
Total Change in Net Assets	119,090	(14,557)	104,533	(226,358)
Net assets, beginning of year	<u>1,048,150</u>	<u>85,422</u>	<u>1,133,572</u>	<u>1,359,930</u>
Net Assets, End of Year	<u>\$ 1,167,240</u>	<u>\$ 70,865</u>	<u>\$ 1,238,105</u>	<u>\$ 1,133,572</u>

See accompanying notes.

SEATTLE FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

	Program	Management and General	Fundraising	2023 Total	2022 Total
Grant expense	\$ 165,939	\$ -	\$ -	\$ 165,939	\$ 201,552
Professional services	13,327	1,102	64	14,493	12,313
Compensation	6,823	4,429	718	11,970	11,922
Other expenses	2,697	1,198	145	4,040	3,714
Employee benefits	1,086	705	114	1,905	2,029
Facilities and utilities	591	384	62	1,037	1,079
Information technology	524	340	55	919	923
Office expense	140	91	15	246	260
Total 2023 Operating Expenses	<u>\$ 191,127</u>	<u>\$ 8,249</u>	<u>\$ 1,173</u>	<u>\$ 200,549</u>	
Total 2022 Expenses	<u>\$ 224,261</u>	<u>\$ 8,306</u>	<u>\$ 1,225</u>		<u>\$ 233,792</u>

The consolidated statement of functional expenses includes the expenses of all Seattle Foundation funds. Operating expenses for Seattle Foundation's administrative fund totaled \$12,205 and \$12,717, which was 5.9% and 5.4% of total expenses in 2023 and 2022, 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, 2023
(With Comparative Totals for 2022)
(In Thousands)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 104,533	\$ (226,358)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	372	390
Realized and unrealized (gain) loss on investments	(138,047)	190,613
Loss on sale of real estate held for sale	654	-
Noncash contributions	(55,571)	(34,886)
Noncash transfers to investments	(990)	(2,104)
Change in value of split-interest agreements	(3,544)	1,617
Noncash change in value of program-related investments	60	(101)
Change in present value adjustment of pledges receivable	(108)	117
Change in beneficial interest in assets held by other charities	(3,074)	4,211
Cash (used in) provided by changes in operating assets and liabilities		
Accounts receivable and other assets	(1,239)	6,002
Pledges receivable	10,352	(10,519)
Bequests receivable	846	(846)
Other assets	(2,639)	(938)
Grants payable	(5,441)	4,903
Other liabilities	2,162	(1,431)
Operating lease liabilities, net of right-of-use assets	(129)	697
Agency funds held for others	3,759	(12,273)
Net Cash Used in Operating Activities	(88,044)	(80,906)
Cash Flows From Investing Activities:		
Purchase of investments	(357,279)	(482,257)
Issuance of loans	(8,557)	(970)
Purchase of fixed assets	(7)	-
Proceeds from sale of investments	435,992	554,496
Program related investments funded	(1,830)	(275)
Repayments from program related investments	1,913	246
Proceeds from sale of asset held for sale	2,347	3,211
Net Cash Provided by Investing Activities	72,579	74,451
Cash Flows From Financing Activities:		
Proceeds from loan payable	8,865	1,053
Net Cash Provided by Financing Activities	8,865	1,053
Net Change in Cash and Cash Equivalents	(6,600)	(5,402)
Cash and cash equivalents, beginning of year	32,175	37,577
Cash and Cash Equivalents, End of Year	\$ 25,575	\$ 32,175

See accompanying notes.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(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 individuals, families, businesses, and nonprofits they serve. 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 can 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 eight supporting organizations active in 2023 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. By definition, all supporting organizations maintain their own nonprofit or 501(c)(3) status. 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.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

Note 1 - Continued

Fiscal Sponsorships - Seattle Foundation is the fiscal sponsor of 11 organizations. Each of the sponsored organizations rely on Seattle Foundation's nonprofit or 501(c)(3) status and 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. In 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 in 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, at 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, Economic Opportunity, and Civic Leadership.

Area of Interest - Funds designated by donors who want to focus grants on 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 specific geographic area.

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. Seattle Foundation manages the Agency Fund assets on behalf of the qualified not-for-profit organization.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

Note 1 - Continued

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

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements as of December 31, 2023, 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 7).

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, 2023
(With Comparative Totals for 2022)
(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 financial institutions.

Investments are made according to the Investment Objectives and Policies adopted by Seattle Foundation's Board of Trustees and Investment Committee. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate benchmarks and indices. An outside party is 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.

Loans Receivable and Allowance for Loan Losses - Loans receivable are recorded at their unpaid principal amounts. Interest income is accrued based on the outstanding principal amount and contractual terms for each individual loan.

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of outstanding loans. Loan losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is based on assessments of certain factors, including historical credit loss experience of similar type loans, Seattle Foundation's credit loss experience, the amount of past due and nonperforming loans, specific known risks, and current and anticipated economic, country, regulatory, and interest rate conditions. An allowance for loan losses totaling \$43 has been established by management at December 31, 2023. No allowance was deemed necessary at December 31, 2022. Loan balances are written off only when they are deemed to be permanently uncollectible.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

Note 2 - Continued

A loan is considered impaired when, based on current information and events, it is probable that Seattle Foundation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment delays and payment shortfalls, taking into consideration all of the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impairment is measured on a loan-by-loan basis. There were no impaired loans in the year ended December 31, 2023.

Property and Equipment Capitalization and Depreciation - Seattle Foundation capitalizes assets with a cost greater than \$5 and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost and donated property and equipment 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

Leases - Seattle Foundation determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Seattle Foundation's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Seattle Foundation's leases do not provide an implicit rate of return; thus, the Seattle Foundation uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Seattle Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less, or when total lease payments are less than \$30.

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. Activities related to the agency funds do not affect the change in net assets of Seattle Foundation. See Note 10.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
(In Thousands)

Note 2 - Continued

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

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

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 restrictions.

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 \$55 and \$356 at December 31, 2023 and 2022, respectively. 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, 2023 or 2022.

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Note 2 - Continued

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, 2023 and 2022 total \$4,747 and \$9,986, respectively. During the years ended December 31, 2023 and 2022, respectively, conditional grants of \$2,124 and \$483 were advanced and are included in other assets. Grant expense will be recognized in future periods as the performance of specified conditions are satisfied.

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, 2023 and 2022.

There were no donors that were considered revenue concentrations in 2023. Approximately 29% of contribution revenue was received from two donors for the year ended December 31, 2022. Approximately 61% and 44% of pledges receivable were from three donors at December 31, 2023 and 2022, 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.

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Note 2 - Continued

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 2022 - 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, 2022, 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, 2023 through May 15, 2024, the date the consolidated financial statements were available to be issued.

Note 3 - Evergreen Impact Housing Fund

Ownership Structure - As described in Note 1, Manager is a wholly owned subsidiary of Seattle Foundation. Separate private investment 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 make an equity investment in, 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) with DFF as its sole member. Therefore, the activities and balances of Manager, DFF and Fund II are consolidated in the financial statements of Seattle Foundation, and inter-entity activity is eliminated in consolidation.

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Note 3 - Continued

DFF Promissory Note - DFF has a promissory note (the Note) with a corporate investor to provide funding up to \$50 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 of 1.75% based on excess fund distributions. Draws taken against the Note are secured by the assets of the underlying affordable housing projects. The Note matures on December 29, 2049 and may be extended for an additional five years. As of December 31, 2023 and 2022, respectively, DFF had outstanding draws on the Note totaling \$9,918 and \$1,053, including accrued interest, which is recorded in loan payable on the consolidated statement of financial position.

Funded Projects - As of December 31, 2023, Fund II has funded one affordable housing project for \$8,600, which is included in loans receivable on the consolidated statement of financial position.

Future Commitments - As of December 31, 2023, Fund II has entered into loan agreements for two additional affordable housing projects with two borrowers totaling \$23,800. Funding of the loans will not occur until conditions are met and construction is completed. Funding is expected to occur in early 2024 and mid-2026, respectively.

The equity members of Fund I have entered into two agreements to invest in two affordable housing projects with two borrowers totaling \$19,250 which are expected to be completed and funded in late 2024 and mid-2025, respectively. 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).

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.

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Note 4 - Continued

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.

Fair values of Seattle Foundation's investments measured on a recurring basis are as follows at December 31, 2023:

	In Thousands			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Cash and money market funds	\$ 159,482	\$ -	\$ -	\$ 159,482
Domestic equities	328,522	-	-	328,522
International equities	75,720	-	-	75,720
Domestic fixed income	137,290	32,445	124	169,859
International fixed income	645	977	-	1,622
Real estate funds	-	182	-	182
Real return funds	5,009	-	-	5,009
Other assets	-	-	500	500
	706,668	33,604	624	740,896
Beneficial interests held in trust	-	-	26,420	26,420
Total Investments in the Fair Value Hierarchy	\$ 706,668	\$ 33,604	\$ 27,044	767,316
Investments measured at NAV				535,507
Total Investments and Beneficial Interests				\$ 1,302,823

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Note 4 - Continued

Fair values of Seattle Foundation's investments measured on a recurring basis are as follows at December 31, 2022:

	In Thousands			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Cash and money market funds	\$ 145,123	\$ -	\$ -	\$ 145,123
Domestic equities	308,129	5,043	-	313,172
International equities	68,471	-	-	68,471
Domestic fixed income	120,497	30,301	-	150,798
International fixed income	19	92	-	111
Real return funds	4,461	-	-	4,461
Other assets	-	-	532	532
	646,700	35,436	532	682,668
Beneficial interests held in trust	-	-	24,417	24,417
Total Investments in the Fair Value Hierarchy	\$ 646,700	\$ 35,436	\$ 24,949	707,085
Investments measured at NAV				467,569
Total Investments and Beneficial Interests				\$ 1,174,654

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	2023 Assets at Fair Value	2022 Assets at Fair Value
Beginning balance	\$ 532	\$ 24,417	\$ 24,949	\$ 29,733
Investment return, net	(12)	3,074	3,062	(4,178)
Purchases and receipts	124	-	124	385
Sales and distributions	(20)	(1,071)	(1,091)	(991)
Ending Balance	\$ 624	\$ 26,420	\$ 27,044	\$ 24,949

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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, 2023	December 31, 2022		December 31, 2023		
Asset Class	Fair Value (in Millions)	Fair Value (in Millions)	Remaining Life	Unfunded Commitments (in Millions)	Redemption Terms	Redemption Restrictions
Hedged Strategies	\$18.6	\$8.2	No limit.	None	Quarterly with notification periods ranging from 45 to 95 days.	Lock-up provisions range from none to 24 months.
Private Equity	\$77.5	\$70.4	Ranging from 1 to 11 years.	\$37.3	Range from closed end funds not eligible for redemption to quarterly redemptions with not less than 100 days' prior written notice.	Range from not redeemable to 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)	\$17.2	\$18	Ranging from 1 to 11 years.	\$12.1	Closed end funds not eligible for redemption.	Not redeemable.
Real Return Funds	\$15.8	\$20.1	Ranging from 6 to 12 years.	\$2.0	Closed end funds not eligible for redemption.	Not redeemable.
Domestic Equity	\$41.3	\$19.3	No limit.	None	No restrictions.	None
International Equity	\$161.2	\$141.9	No limit.	None	No restrictions.	None
Select Strategies	\$172.1	\$140.2	No limit.	None	Quarterly with 60 to 90 days' notice.	Lock-up provisions range from none to 12 months.

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Note 4 - Continued

	December 31, 2023	December 31, 2022		December 31, 2023		
Asset Class	Fair Value (in Millions)	Fair Value (in Millions)	Remaining Life	Unfunded Commitments (in Millions)	Redemption Terms	Redemption Restrictions
Domestic Fixed Income	\$28.8	\$33.6	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	\$3	\$15.9	No limit.	None	Twice a month with 5 days' notice.	None
Total	\$535.5	\$467.6		\$51.4		

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 range from not allowed to quarterly redemptions.

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 invest in public equity markets.

International Equity - Includes funds that invest 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.

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Note 5 - Program-Related (Impact) Investments

Seattle Foundation has made loans, loan guarantees, and equity investments for community social impact purposes.

Impact loans are generally due over a period of one to fifteen years with stated annual interest rates of 0.6 to 5 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 the following at December 31:

	In Thousands	
	2023	2022
Loans maturing within one year	\$ -	\$ 1,747
Loans maturing within two to five years	1,771	1,354
Loans maturing over five years	1,478	291
Total Impact Loans	\$ 3,249	\$ 3,392

Management determined an allowance for uncollectible loans was not considered necessary at December 31, 2023 or 2022.

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.

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 U.S. GAAP and totaled \$2,468 at both December 31, 2023 and 2022. Seattle Foundation has outstanding capital commitments for the impact equity investments totaling \$375 and \$1,631 at December 31, 2023 and 2022, respectively. Management has determined the value of the impact equity investments is not impaired at December 31, 2023 and 2022.

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Note 6 - Pledges Receivable

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

	In Thousands	
	2023	2022
Due within one year	\$ 5,751	\$ 12,366
Due within two to five years	140	3,907
Due thereafter	30	-
	<hr/>	<hr/>
Pledges receivable, gross	5,921	16,273
Less discount to present value (5.38% and 5.48%)	(18)	(126)
	<hr/>	<hr/>
Pledges Receivable, Net	\$ 5,903	\$ 16,147
	<hr/> <hr/>	<hr/> <hr/>

Note 7 - 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 issuers 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 return and changes in the estimated liability are recognized in the consolidated statement of activities. As of December 31, 2023, Seattle Foundation had 12 active CGAs. Underlying investments were valued at \$2,458 and \$2,467 at December 31, 2023 and 2022, respectively. The corresponding liability for payments to other beneficiaries was determined to be \$1,867 and \$2,014 at December 31, 2023 and 2022, 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.

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Note 7 - Continued

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 \$53,379 and \$47,400, at December 31, 2023 and 2022, respectively. The corresponding liability totaled \$39,881 and \$34,078 at December 31, 2023 and 2022, 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, 2023, beneficial interests in CRTs and CLTs totaled \$9,659 and \$1,606, respectively. At December 31, 2022, beneficial interests in CRTs and CLTs totaled \$8,994 and \$1,556, 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, 2023 and 2022, beneficial interests in perpetual trusts totaled \$15,155 and \$13,867, respectively. Included in these amounts is a perpetual trust held for others which totaled \$1,571 and \$1,360 at December 31, 2023 and 2022, 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.

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Note 8 - Property and Equipment

Property and equipment consist of the following at December 31:

	In Thousands	
	2023	2022
Technology, equipment and software	\$ 2,036	\$ 2,036
Leasehold improvements	2,191	2,191
Furniture and fixtures	1,277	1,288
Property and equipment, gross	5,504	5,515
Less accumulated depreciation	(4,749)	(4,394)
Property and Equipment, Net	\$ 755	\$ 1,121

Depreciation expense totaled \$372 and \$390 for the years ended December 31, 2023 and 2022, respectively.

Note 9 - Grants Payable

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

	In Thousands	
	2023	2022
Due within one year	\$ 5,685	\$ 6,695
Due within two to five years	430	4,837
Thereafter	3	27
Total Grants Payable	\$ 6,118	\$ 11,559

Note 10 - Agency Funds Held for Others

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

	In Thousands	
	2023	2022
Beginning balance	\$ 49,229	\$ 61,502
Investment return, net	7,355	(9,229)
Contributions	496	1,433
Grant expenses	(4,092)	(4,477)
Ending Balance	\$ 52,988	\$ 49,229

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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	
	2023	2022
Subject to expenditure for specific purpose-		
Fiscal sponsorships including HealthierHere	\$ 20,180	\$ 31,991
Supporting organizations	993	436
Administrative	5,200	500
Community/area of interest	2,546	1,599
Subject to the passage of time-		
Charitable remainder and lead trusts	24,763	23,918
Pledges receivable	3,599	13,625
Bequests receivable	-	846
Perpetual trusts	13,584	12,507
Total Net Assets With Donor Restrictions	\$ 70,865	\$ 85,422

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.

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.

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Note 13 - Continued

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	
	2023	2022
Donor-established endowment funds	\$ 184,738	\$ 170,586
Board designated quasi-endowment funds	242,168	221,658
Endowment Net Assets	\$ 426,906	\$ 392,244

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

	In Thousands	
	2023	2022
Endowment net assets, beginning of year	\$ 392,244	\$ 480,623
Endowment, investment return, net	60,763	(71,182)
Contributions	3,193	8,789
Board approved transfers/terminations	(6,027)	(2,187)
Grants made and other expenses	(23,267)	(23,799)
Endowment Net Assets, End of Year	\$ 426,906	\$ 392,244

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 6 donor-established endowment funds, which together had an original gift value of \$5,333, a current fair value of \$5,144, and a deficiency of \$189, at December 31, 2023. Deficiencies of this nature existed in 18 donor-established endowment funds, which together had an original gift value of \$21,980, a current fair value of \$20,374, and a deficiency of \$1,606, at December 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred 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.

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Note 13 - Continued

Return Objectives and Risk Parameters - Seattle Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-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 5.6 percent annually plus an assumed 3.0 percent inflation rate. While actual returns may vary, the targeted nominal rate of return is approximately 8.6 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 5.0 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 IRS 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:

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

Total matching expense was \$555 and \$562 for the years ended December 31, 2023 and 2022, respectively. All contributions under the plan vest with employees when contributions are made.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
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(In Thousands)

Note 15 - Commitments

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 million to the loan guarantee pool. There were no beneficiaries of the guarantee loan program with defaults at December 31, 2023 or 2022, that would result in a required disbursement for the Seattle Foundation.

Revolving Line of Credit - Seattle Foundation has a revolving line of credit agreement which provides for borrowings of up to \$10 million and bears interest equal to the 30-Day SOFR Average of the prior month plus 100 basis points; however, if at any time the accrual of interest at the 30-Day SOFR Average has been made unascertainable, impractical or unlawful, the outstanding principal shall accrue interest at the Prime Rate. The line of credit does not include a term date and will remain in effect as long as required collateral is available. 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, 2023 and 2022.

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. Seattle Foundation has also entered into a lease office agreement for one of its supporting organizations. The lease expires in May 2024. 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. In November 2023, Seattle Foundation entered into a new lease for this supporting organization, the lease commences in 2024 and terminates in 2031. Seattle Foundation will include the lease in ROU assets and lease liabilities when the lease commences. Rent expense for these leases was \$882 and \$909 for the years ended December 31, 2023 and 2022, respectively.

The components of lease expense are as follows for the years ended December 31:

	In Thousands	
	2023	2022
Operating lease cost	\$ 783	\$ 904
Short term lease cost	99	5
Total Lease Expenses	\$ 882	\$ 909

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
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(In Thousands)

Note 15 - Continued

Supplemental cash flow information related to leases is as follows for the years ended December 31:

	In Thousands	
	2023	2022
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 285
Weighted-average remaining lease term - operating lease	3.2 years	4.0 years
Weighted-average discount rate - operating lease	3.5%	3.3%
Cash paid for amounts included in measurement of lease liabilities	\$ 912	\$ 1,027

Future minimum lease payments under all noncancelable leases for existing office space and equipment are:

For the Year Ending December 31,

2024	\$ 895
2025	849
2026	867
2027	220
	2,831
Total undiscounted cash flows	2,831
Less present value discount	(155)
	\$ 2,676

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, 2023, Seattle Foundation had no sublease agreements.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)
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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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 25,575	\$ 32,175
Accounts receivable	4,619	789
Pledges receivable, net	5,903	16,147
Bequests receivable	-	846
Investments	<u>1,276,403</u>	<u>1,150,237</u>
 Total financial assets	 1,312,500	 1,200,194
 Less financial assets unavailable for general expenditures due to designations-		
Donor-established endowment funds	(184,738)	(170,586)
Board designated quasi-endowment funds	(242,168)	(221,658)
Less investments classified as Level 3	(624)	(532)
Less investments measured at NAV	(535,507)	(467,569)
Less investments for charitable gift annuities	(2,458)	(2,467)
Less prepaid expenses and program advance included in accounts receivable and other assets	(2,590)	(935)
Less pledges receivable due in more than one year	<u>(152)</u>	<u>(3,781)</u>
 Financial assets unavailable for general expenditures	 <u>(968,237)</u>	 <u>(867,528)</u>
 Available Financial Assets, Net	 <u>\$ 344,263</u>	 <u>\$ 332,666</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, 2023 and 2022, management estimates it could have liquidated approximately \$377 million (unaudited) and \$324 million (unaudited), respectively.

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 \$92,869 and \$83,307 at December 31, 2023 and 2022, respectively.

SEATTLE FOUNDATION
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023
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Note 16 - Continued

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 intends to honor. 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 2023 and 2022, the Administrative Fund (excluding the CGA surplus reserve) had expenses of \$12,205 and \$12,717, respectively, which was offset by funding of \$12,786 and \$14,332, respectively, for a surplus in operating activities of \$581 in 2023 and \$1,615 in 2022.

SUPPLEMENTARY INFORMATION

SEATTLE FOUNDATION

Consolidating Statement of Financial Position December 31, 2023 (In Thousands)

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
Assets:				
Cash and cash equivalents	\$ 24,242	\$ 1,333	\$ -	\$ 25,575
Accounts receivable	1,948	80	-	2,028
Pledges receivable, net	5,283	620	-	5,903
Beneficial interests held in trust	26,420	-	-	26,420
Investments	1,188,693	87,710	-	1,276,403
Program-related investments	5,717	-	-	5,717
Loans receivable, net	9,527	-	-	9,527
Operating lease right-of-use assets	2,047	61	-	2,108
Other assets	3,577	-	-	3,577
Fixed assets, net of accumulated depreciation	618	137	-	755
Total Assets	\$ 1,268,072	\$ 89,941	\$ -	\$ 1,358,013
Liabilities and Net Assets				
Liabilities:				
Grants payable	\$ 5,907	\$ 211	\$ -	\$ 6,118
Other liabilities	4,858	1,602	-	6,460
Operating lease liabilities	2,613	63	-	2,676
Agency funds held for others	52,988	-	-	52,988
Loan payable	9,918	-	-	9,918
Liability for charitable lead and remainder trusts	39,881	-	-	39,881
Liability for charitable gift annuities	1,867	-	-	1,867
Total Liabilities	118,032	1,876	-	119,908
Net Assets:				
Without donor restrictions-				
Community/area of interest	165,493	-	-	165,493
Donor advised	598,100	-	-	598,100
Designated	298,241	-	-	298,241
Supporting organizations	-	86,452	-	86,452
Administrative	18,954	-	-	18,954
Total net assets without donor restrictions	1,080,788	86,452	-	1,167,240
With donor restrictions-				
Future periods or programs	55,668	1,613	-	57,281
Perpetual trusts	13,584	-	-	13,584
Total net assets with donor restrictions	69,252	1,613	-	70,865
Total Net Assets	1,150,040	88,065	-	1,238,105
Total Liabilities and Net Assets	\$ 1,268,072	\$ 89,941	\$ -	\$ 1,358,013

See independent auditor's report.

SEATTLE FOUNDATION

Consolidating Statement of Activities For the Year Ended December 31, 2023 (In Thousands)

	Seattle Foundation	Supporting Organizations	Eliminations	Consolidated Total
Net Assets Without Donor Restrictions				
Revenues, Support and Investment Returns:				
Contributions and agency funds	\$ 142,679	\$ 14,120	\$ (25,743)	\$ 131,056
Less agency	(496)	-	-	(496)
Total contributions	142,183	14,120	(25,743)	130,560
Return on investments, net	137,681	8,304	-	145,985
Change in value of charitable gift annuities and trusts	192	-	-	192
Other income	12,658	53	(6,154)	6,557
Inter-entity transfers	(1,276)	1,276	-	-
Releases	32,462	3,883	-	36,345
Total Revenues, Support and Investment Returns	323,900	27,636	(31,897)	319,639
Expenses:				
Grants	167,856	23,826	(25,743)	165,939
Other program related	26,918	4,141	(5,871)	25,188
Management and general	6,424	2,073	(248)	8,249
Fundraising	936	272	(35)	1,173
Total Expenses	202,134	30,312	(31,897)	200,549
Change in Net Assets Without Donor Restrictions	121,766	(2,676)	-	119,090
Net Assets With Donor Restrictions				
Revenues, Support and Investment Returns:				
Contributions and other income	15,907	3,519	-	19,426
Change in value of charitable gift annuities and trusts	4,967	-	-	4,967
Net assets released from restriction	(32,462)	(3,883)	-	(36,345)
Total Revenues, Support and Investment Returns	(11,588)	(364)	-	(11,952)
Losses:				
Loss on uncollectible pledges	2,605	-	-	2,605
Change in Net Assets With Donor Restrictions	(14,193)	(364)	-	(14,557)
Total Change in Net Assets	107,573	(3,040)	-	104,533
Net assets, beginning of year	1,042,467	91,105	-	1,133,572
Net Assets, End of Year	\$ 1,150,040	\$ 88,065	\$ -	\$ 1,238,105

See independent auditor's report.