

YAKIMA VALLEY COMMUNITY FOUNDATION

Financial Statements

For the Year Ended December 31, 2023

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Independent Auditor's Report

**To the Board of Directors
Yakima Valley Community Foundation
Yakima, Washington**

Opinion

We have audited the financial statements of Yakima Valley Community Foundation (the Community Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Community Foundation as of December 31, 2023, and the results of its change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 the Community 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 the Community Foundation's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 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.



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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Community 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 the Community 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 the Community 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.

Clark Nuber PS

Certified Public Accountants
May 28, 2024

YAKIMA VALLEY COMMUNITY FOUNDATION

**Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 2,005,151	\$ 2,175,754
Current portion of grants and contributions receivable	75,000	
Interest receivable		78,463
Loan receivable (Note 5)		<u>1,175,757</u>
Total Current Assets	2,080,151	3,429,974
Investments (Note 4)	78,978,154	70,854,512
Grants and contributions receivable, net of current portion	75,000	
Operating lease right-of-use asset (Note 12)	249,920	339,343
Property and equipment, net of accumulated depreciation (Note 6)	<u>23,408</u>	<u>5,358</u>
Total Assets	<u>\$ 81,406,633</u>	<u>\$ 74,629,187</u>
Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 265	\$ -
Current portion of operating lease liability (Note 12)	<u>91,637</u>	<u>87,531</u>
Total Current Liabilities	91,902	87,531
Operating lease liability, net of current portion (Note 12)	162,476	254,113
Agency funds (Note 7)	4,866,178	4,315,540
Liabilities under split interest agreement (Note 8)	<u>2,072,429</u>	<u>1,991,529</u>
Total Liabilities	7,192,985	6,648,713
Net Assets:		
Without donor restrictions-		
Undesignated	70,588,780	65,139,058
Designated by Board of Directors for endowment (Note 10)	<u>1,642,503</u>	<u>1,497,335</u>
Total without donor restrictions	72,231,283	66,636,393
With donor restrictions (Note 9)	<u>1,982,365</u>	<u>1,344,081</u>
Total Net Assets	<u>74,213,648</u>	<u>67,980,474</u>
Total Liabilities and Net Assets	<u>\$ 81,406,633</u>	<u>\$ 74,629,187</u>

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenue and Support:				
Contributions	\$ 3,328,756	\$ 1,014,325	\$ 4,343,081	\$ 3,894,599
Administrative fees	578,948		578,948	580,882
Other revenue	1,000		1,000	118,110
Releases	376,041	(376,041)		
Return on investments, net (Note 4)	8,639,311		8,639,311	(8,914,630)
Total Revenue and Support	12,924,056	638,284	13,562,340	(4,321,039)
Less fees charged to internal funds	(530,902)		(530,902)	(533,953)
Total Revenue and Support Net of Fees Charged to Internal Funds	12,393,154	638,284	13,031,438	(4,854,992)
Operating Expenses:				
Program	5,904,378		5,904,378	3,870,750
Management and general	618,566		618,566	445,368
Fundraising	275,320		275,320	222,024
Total Operating Expenses	6,798,264		6,798,264	4,538,142
Change in Net Assets	5,594,890	638,284	6,233,174	(9,393,134)
Net assets, beginning of year	66,636,393	1,344,081	67,980,474	77,373,608
Net Assets, End of Year	\$ 72,231,283	\$ 1,982,365	\$ 74,213,648	\$ 67,980,474

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

	Program			Total Program	Management and General	Fundraising	2023 Total	2022 Total
	Grantmaking	Fiscal Sponsorships	Department of Health Contract					
Grants made	\$ 2,841,449	\$ -	\$ -	\$ 2,841,449	\$ -	\$ -	\$ 2,841,449	\$ 2,692,036
Salaries and benefits	691,497	76,413		767,910	288,124	172,874	1,228,908	1,094,066
Professional services		237,943	1,732,349	1,970,292	163,230	61,562	2,195,084	279,360
Occupancy	43,868	1,996		45,864	55,726	10,967	112,557	114,750
Marketing	18,871	21,418	15,395	55,684	17,133	5,711	78,528	94,462
Computer and technology	11,178	1,300	6,285	18,763	7,276	4,366	30,405	63,023
Supplies		15,086	90,759	105,845	9,586	3,195	118,626	41,110
Education and training	14,494	20,628	347	35,469	18,551	3,710	57,730	36,705
Insurance	15,218			15,218	6,341	3,804	25,363	26,967
Dues and memberships	5,308	1,000		6,308	6,635	1,327	14,270	23,968
Travel, lodging, and mileage	11,885	4,980	1,684	18,549	16,961	3,392	38,902	19,851
Meals and entertainment	2,781	3,389	1,075	7,245	10,798	771	18,814	17,903
Utilities and telephone	6,883			6,883	8,604	1,721	17,208	17,294
Postage and printing	1,132	896		2,028	1,416	283	3,727	5,096
Depreciation	3,762			3,762	4,702	940	9,404	4,541
Equipment rentals and maintenance	1,510	324		1,834	1,888	378	4,100	4,090
Miscellaneous	1,275			1,275	1,595	319	3,189	2,920
Total Functional Expenses - 2023	\$ 3,671,111	\$ 385,373	\$1,847,894	\$ 5,904,378	\$ 618,566	\$ 275,320	\$ 6,798,264	
Total Functional Expenses - 2022	\$ 3,568,613	\$ 302,137	\$ -	\$ 3,870,750	\$ 445,368	\$ 222,024		\$ 4,538,142

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 6,233,174	\$ (9,393,134)
Adjustments to reconcile changes in net assets to net cash provided by operating activities-		
Depreciation	9,404	4,541
Realized and unrealized (gain) loss on investments	(6,480,295)	10,999,728
Changes in operating assets and liabilities:		
Grants and contributions receivable	(150,000)	3,378,000
Interest receivable	78,463	6,269
Prepaid expenses		33,244
Accounts payable and other liabilities	265	(5,188)
Agency funds	550,638	(188,904)
Liabilities under split interest agreement	80,900	(399,054)
Operating lease liability, net of right-of-use asset	1,892	2,301
Net Cash Provided by Operating Activities	324,441	4,437,803
Cash Flows From Investing Activities:		
Payments received from loan receivable	1,175,757	748,626
Purchase of investments	(31,884,268)	(54,862,981)
Proceeds from sale of investments	30,240,921	50,049,768
Purchase of equipment	(27,454)	(3,053)
Net Cash Used in Investing Activities	(495,044)	(4,067,640)
Net Change in Cash and Cash Equivalents	(170,603)	370,163
Cash and cash equivalents, beginning of year	2,175,754	1,805,591
Cash and Cash Equivalents, End of Year	\$ 2,005,151	\$ 2,175,754

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 1 - Nature of the Organization

Yakima Valley Community Foundation (the Community Foundation) is a nonprofit organization that was incorporated in November of 2003, under the laws of the State of Washington, and commenced operations in 2005. The Community Foundation was initially formed as a result of the acquisition of medical centers located in Yakima and Toppenish, Washington, by a for-profit corporation, Health Management Associates, Inc., (HMA) from a nonprofit hospital, Providence Health System (Providence). Upon the sale, all assets of the Providence Central Washington Health Foundation were transferred to the Community Foundation. Additionally, the net proceeds from the sale of the medical centers were required to be held and administered by a nonprofit corporation. The Community Foundation was formed as a nonprofit community foundation in order to fulfill that purpose and benefit the local community.

The Community Foundation is governed by an 18 member Board of Directors, broadly based in and representative of the community. The Chief Executive Officer of the Community Foundation, together with other paid staff, manage day to day operations. The Community Foundation is chartered to build community philanthropy and improve the cultural, economic, social, health and educational quality of life for residents of the Yakima Valley. The Community Foundation believes that a deep tradition of giving in the Yakima Valley supports the Valley's history of adapting and working together to identify and address its challenges and build thriving communities. The Community Foundation adds value to these gifts by investing these community assets and using the earnings to make grants to health, education, the arts and humanities, community development, social programs and other initiatives that increase the community's ability to thrive. The bylaws of the Community Foundation include a variance provision giving the Board of Directors the power to direct the use of funds received through gifts to and grants awarded by the Community Foundation.

The Community Foundation is the steward for approximately \$81 million of community assets. These community assets produced approximately \$2.8 million dollars of grants in 2023. Earnings on community assets are invested back into the community in the form of grants. Spending on grants and operational expenses are controlled so that assets remain at work for the community in perpetuity.

The Community Foundation actively solicits funds from donors to support organizations at work in the community. It also seeks relationships with philanthropic partners to attract and deploy significant capital for the betterment of the Yakima Valley. These re-granting partners, such as Philanthropy Northwest and the Seattle Foundation, provide direct funding for community investment.

Fiscal Sponsorships - The Community Foundation has entered into agreements to serve as a fiscal sponsor for six (seven for 2022) programs where costs incurred and revenue generated related to the programs are recognized in the financial statements of the Community Foundation.

Investing in Children - During the year ended December 31, 2015, the Community Foundation entered into an agreement to serve as fiscal sponsor for Investing in Children. For the years ended December 31, 2023 and 2022, the Community Foundation received contributions of \$53,135 and \$98,975 and incurred expenses related to Investing in Children of \$41,062 and \$98,503, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

Yakima El Censo 2020 - During the year ended December 31, 2019, the Community Foundation entered into an agreement to serve as fiscal sponsor for Yakima El Censo 2020 (Yakima Counts) for their efforts to increase the count of historically underrepresented populations of people. No contributions were received or expenses incurred during the years ended December 31, 2023 and 2022. As the 2020 Census has come to a close, the Community Foundation is working with Yakima El Censo 2020 to distribute the \$48,000 in remaining funds.

Asian/Pacific Islander Coalition - Yakima Valley Chapter - During the year ended December 31, 2020, the Community Foundation entered into an agreement to serve as fiscal sponsor for Asian/Pacific Islander Coalition - Yakima Valley Chapter (APIC Yakima) as they work to promote, educate, and support equity and community representation. For the years ended December 31, 2023 and 2022, the Community Foundation received contributions of \$216,475 and \$188,733 and incurred expenses related to APIC Yakima of \$131,473 and \$145,349, respectively.

Friends of Camp Fife - During the year ended December 31, 2021, the Community Foundation entered into an agreement to serve as fiscal sponsor for Friends of Camp Fife to fund and support youth camp access and outdoor activities at Camp Fife. No contributions were received for the year ended December 31, 2023 or 2022.

Center for Latino Leadership - During the year ended December 31, 2021, the Community Foundation entered into an agreement to serve as fiscal sponsor for Center for Latino Leadership for their work to improve health equity and vaccine access for the Latino community. For the years ended December 31, 2022, the Community Foundation received contributions of \$20,000 and incurred expenses related to Center for Latino Leadership of \$20,000. During the year ended December 31, 2023, the fiscal sponsorship ended.

Native Friends - During the year ended December 31, 2021, the Community Foundation entered into an agreement to serve as fiscal sponsor for Native Friends who work to support vulnerable tribal members throughout the COVID-19 pandemic as well as the families of murdered and missing indigenous people (MMIP). For the year ended December 31, 2023 and 2022, the Community Foundation received no contributions and incurred expenses related to Native Friends of \$33,244 and \$0, respectively.

LatinX - During the year ended December 31, 2023, the Community Foundation entered into an agreement to serve as fiscal sponsor for LatinX who provides services dedicated to helping the LatinX community grow and thrive by bridging the gap between organizations, enterprises and state agencies. For the year ended December 31, 2023, the Community Foundation received \$175,005 in contributions and incurred expenses of \$125,000.

Central Washington Non Profit - During the year ended December 31, 2022, the Community Foundation entered into an agreement to serve as fiscal sponsor for Central Washington Non Profit who is a volunteer-run organization that provides training, technical assistance, and networking opportunities to support and strengthen the nonprofit sector in Central Washington. For the year ended December 31, 2023 and 2022 the Community Foundation had revenues of \$43,220 and \$57,650, respectively, and expenses of \$54,594 and \$53,734, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements are prepared using the accrual basis of accounting.

Financial Statement Presentation - The Community Foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles require the Community Foundation to present its net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Community 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.

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 statement of activities and changes in net assets as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the year in which the support is recognized.

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.

Conditional promises to give are recognized as revenue when the donor-imposed conditions upon which they depend have been substantially met. As of December 31, 2023, there were \$3,787,775 of conditional promises to give outstanding. The conditions for this grant relate to cost reimbursements that will be earned through August 30, 2024.

Use of Estimates - The preparation of 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 financial statements, as well as the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the valuation of investments. Actual results could differ from those estimates.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 2 - Continued

Cash and Cash Equivalents - Cash and cash equivalents consist of cash in bank accounts and highly liquid investments with maturities of three months or less at date of acquisition. Cash and cash equivalents on deposit with brokers or in investment pools are considered to be investments. The Community Foundation maintains cash and cash equivalents on deposit at various institutions that at times may exceed the insured limits by the Federal Deposit Insurance Corporation. This exposes the Community Foundation to potential risk of loss in the event the institution becomes insolvent.

Loan Receivable - The loan receivable is stated at the amount management expects to collect of the outstanding balance. An allowance for credit losses, if required, is based on management's assessment of the current status of a loan that is anticipated to be partially or fully uncollectible. Management determined that no allowance was needed at December 31, 2022. The balance of the loan was fully collected during the year ended December 31, 2023.

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.

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 the Community Foundation's Board of Directors. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside parties are contracted by the Community Foundation for the purpose of providing investment management and consulting. Investment performance and asset allocation information is available to the public and can be viewed at the Community Foundation's website.

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 statement of financial position.

Capitalization and Depreciation - The Community Foundation capitalizes assets with a cost greater than \$1,000 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. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets as follows:

Property and equipment	5 - 10 years
Software	3 years

Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the asset.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 2 - Continued

Grants - Grants are approved by the Board of Directors of the Community Foundation in accordance with its respective bylaws and guidelines. Unconditional grants and distributions are recorded in the financial statements when approved and communicated to the grantee. Grants approved by the Board of Directors that are dependent upon the performance of specified conditions by the grantee are not recognized in the financial statements until such time as those conditions are satisfied. There were no conditional grants outstanding at December 31, 2023 or 2022.

Agency Funds - U.S. GAAP specifically requires that when a nonprofit organization establishes a fund at a community organization with its own funds and specifies itself or its affiliate as the beneficiary of that designated fund, the community organization must account for the transfer of such assets as if it is holding the funds as an agent of the donor. Accordingly, the funds are included in the Community Foundation's assets with an offsetting liability. The liability shown on the statement of financial position has been established at the fair value of the agency funds as estimated by the Community Foundation based on their proportional share of the investment portfolio. These agency funds are not reflected in the change in net assets on the statement of activities and changes in net assets. These funds are further described in Notes 3 and 7.

Functional Allocation of Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Grant expenses are directly allocated to program. All other expenditures are allocated on the basis of estimates of time and effort of the Community Foundation staff. The programmatic activities of the Community Foundation are categorized into three distinct programs: grantmaking, fiscal sponsorships, and the Department of Health Contract. Each category represents a separate area of focus within the Community Foundation's operations.

Advertising - Advertising costs are expensed as incurred and were \$78,529 and \$94,462 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes - The Community Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC. It is further classified as an organization that is not a private foundation as defined in Section 509(a) of the Code. It files income tax returns with the federal government. The Community Foundation is subject to federal income tax only on "unrelated business taxable income" as defined in Section 512 of the IRC. There was no federal unrelated business income tax expense for the years ended December 31, 2023 and 2022.

Concentrations - During the year ended December 31, 2023 and 2022, the Community Foundation had two and one contributions that represent 24% and 76% of the Community Foundation's total contributions. At December 31, 2023 and 2022, there were two ETF investments that represented 24% and 22% of the investments balance, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 2 - Continued

Leases - The Community Foundation determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Community 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 Community Foundation's leases do not provide an implicit rate of return; thus, the Community 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 Community Foundation has lease agreements with lease and nonlease components which are accounted for as a single lease component. 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 \$10,000.

Comparative Amounts for 2022 - For comparative purposes, the financial statements include certain prior-year summarized 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 the Community Foundation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Subsequent Events - The Community Foundation has evaluated subsequent events through May 28, 2024, the date on which the financial statements were available to be issued.

Note 3 - Contributions, Donations, Gifts and Bequests

The bylaws of the Community Foundation include a variance provision giving the Board of Directors the power to direct the use of funds received through gifts to and grants awarded by the Community Foundation. Consequently, substantially all contributions are classified as without donor restrictions if they are available to the Community Foundation with no restriction as to when the funds are available for expenditure.

Donations, gifts, and bequests are recorded as contributions to the appropriate program funds at fair value. These contributions are maintained in the funds until expended as grants, in accordance with the Board of Directors' authorization.

The Community Foundation's program funds consist of 120 funds established by donors and other internally established funds for a variety of purposes. The spending expectations of each donor are different and can include spending at a certain rate within a specified time period or at a rate that the funds can be maintained in perpetuity. Some funds have no spending policy, but rely on donor recommendations as to spending.

A description of each of the Community Foundation's fund categories follows:

Scholarship - Grants used exclusively for tuition at postsecondary educational institutions that normally maintain a regular faculty and curriculum, as described in IRC Section 170(b)(1)(A)(ii), and for fees, books, supplies and equipment required for courses at such institutions, or for room and board expenses.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

Note 3 - Continued

Included in scholarship funds is the Mary Monroe Davis educational fund held by the Community Foundation. An annual grant is made to the scholarship program that is administered by the Yakima Rotary Trust, which provides academic scholarships to residents of Yakima County, Washington to enable them to attend a private or public college or university. The Yakima Rotary Trust scholarship program is subject to a periodic agreed upon procedures review by an independent Certified Public Accountant and is available to the public at the Community Foundation's website.

Also included in scholarship funds is the Act Six/Ready to Rise college scholarship and leadership development program that brings together diverse cadres of emerging scholars. Act Six shepherds young talent from the Yakima Valley throughout their college career, dramatically increasing student success and graduation rates.

Field of Interest - Funds designated by donors for use in specific fields of interest or specific geographic areas within the Yakima Valley.

Donor Advised - Grants for which donors have reserved the right to make nonbinding recommendations to the Board regarding grant distributions and conditions related to the grants.

Designated - Funds designated by the donors for support of specific charitable organizations.

Agency - Funds that are managed by the Community Foundation for the benefit of another organization or beneficiary. In accordance with U.S. GAAP, these funds are classified as agency funds and are part of long term liabilities on the statement of financial position.

Health Equity Fund - During the year ended December 31, 2018, the Community Foundation received proceeds as the beneficiary of a legal settlement to form the Health Equity Fund. The legal settlement requires the Community Foundation to grant the funds to organizations that serve indigent individuals in obtaining access to health care and health coverage in the Yakima and Toppenish regions.

Founders Fund - As part of the purchase of the medical centers in Yakima and Toppenish from Providence Health Systems, a for-profit health system made a contribution of \$10 million over ten years ending in 2013 to the Community Foundation. In addition, the net proceeds from the sale of the hospital (net proceeds) were transferred to the Community Foundation to form the Founders Fund.

As required by RCW 70.45.070(8), the portion of the fund considered net proceeds must be granted for charitable health purposes consistent with providing health care to the disadvantaged, the uninsured, the underinsured and providing benefits to promote improved health in Yakima County.

Distributions from this fund for the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Yakima grants	\$ 33,550	\$ 18,492
Toppenish grants	104,500	71,791
	<u><u>\$ 138,050</u></u>	<u><u>\$ 90,283</u></u>

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 3 - Continued

The balance of net proceeds remaining at December 31, 2023 and 2022 was \$9,436,557 and \$8,301,465, respectively.

This fund also includes administrative fees charged to the individual funds at the Community Foundation. There were transfers of \$530,902 and \$533,953 for administrative fees to this fund for the years ended December 31, 2023 and 2022, respectively.

Investments and loan receivable by fund were as follows at December 31:

	Non Endowed	Endowed (Note 10)	2023 Total	2022 Total
Scholarship	\$ 406,266	\$ 28,926,002	\$ 29,332,268	\$ 27,449,635
Field of interest	2,535,309	1,142,153	3,677,462	3,593,597
Donor advised	14,377,064	934,616	15,311,680	15,152,898
Designated	19,884	307,918	327,802	392,006
Agency and split interest liability	7,203,874		7,203,874	6,307,069
Founders fund	23,013,554		23,013,554	19,023,550
Total investments by fund	47,555,951	31,310,689	78,866,640	71,918,755
Cash surrender value of Insurance policy			111,514	111,514
Total Investments and Loan Receivable	\$47,555,951	\$31,310,689	\$78,978,154	\$72,030,269

Grants were from the following funds for the years ended December 31:

	2023	2022
Scholarship	\$ 1,028,844	\$ 1,015,718
Field of interest	191,031	638,602
Donor advised	1,371,055	893,327
Designated	42,469	8,766
Founders fund	208,050	135,623
	\$ 2,841,449	\$ 2,692,036

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 4 - Continued

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Mutual and equity funds are valued using the market approach based on quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Community Foundation at year end.

Nonmarketable securities are valued at 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 the Community Foundation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Community 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.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

Note 4 - Continued

Fair values of the Community Foundation's assets and liabilities measured on a recurring basis, were as follows:

	Fair Value Measurements as of December 31, 2023				2022 Total
	Level 1	Level 2	Level 3	Total	
Investments at Fair Value					
Cash and money market funds	\$ 1,897,298	\$ -	\$ -	\$ 1,897,298	\$ 1,178,340
Mutual funds	16,026,912			16,026,912	18,506,774
Equity securities	12,101,485			12,101,485	11,369,830
ETFs and CEFs	29,980,509			29,980,509	26,697,591
U.S. Treasury securities	5,671,922			5,671,922	4,403,442
Corporate bonds		4,696,696		4,696,696	4,700,915
Government securities		3,010,500		3,010,500	1,618,489
Municipal bonds		1,687,758		1,687,758	1,680,370
Total Marketable Securities at Fair Value	\$65,678,126	\$ 9,394,954	\$ -	75,073,080	70,155,751
Nonmarketable securities at net asset value-					
Private equity				652,228	30,000
Real estate fund				3,141,332	557,247
Total nonmarketable securities at net asset value				3,793,560	587,247
Cash surrender value of life insurance at cost				111,514	111,514
Total Investments				\$78,978,154	\$70,854,512

Return on investments for the years ended December 31 was as follows:

	2023	2022
Portfolio investment return	\$ 9,370,267	\$ (9,745,930)
Less amounts allocated to agency funds	(730,956)	831,300
Return on Investments, Net	\$ 8,639,311	\$ (8,914,630)

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 4 - Continued

The Community Foundation has the following nonmarketable securities (alternative investments) at December 31, 2023:

<u>Asset Class</u>	<u>December 31, 2023 Net Asset Value</u>	<u>December 31, 2022 Net Asset Value</u>	<u>December 31, 2023 Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Remaining Life</u>
Private equity	\$ 652,228	\$ 30,000	\$ 4,205,129	Upon dissolution of the partnership and 12 years after the initial closing	N/A	10 - 12 years
Real estate fund	<u>3,141,332</u>	<u>557,247</u>	<u>267,719</u>	Quarterly and after 10 years, liquidation	60 days	10 years and perpetual
	<u><u>\$ 3,793,560</u></u>	<u><u>\$ 587,247</u></u>	<u><u>\$ 4,472,848</u></u>			

A summary of investments in nonmarketable securities is as follows:

Real Estate Fund - At December 31, 2023 and 2022, the Community Foundation was invested in two and one real estate fund, respectively. The investment objectives are to provide a steady stream of income from leasing properties to the United States government and low-income housing strategies.

Private Equity Fund - At December 31, 2023 and 2022, the Community Foundation was invested in three and one private equity fund, respectively. The investment objectives are to provide through long-term capital appreciation, by acquiring, making, holding, funding and disposing of equity and equity-related investments in various fund types from venture capital to technology.

Note 5 - Loan Receivable

On September 16, 2019, the Community Foundation provided a loan to the YMCA of Yakima to provide short-term bridge financing for the construction of aquatic facilities. The loan accrued interest at rates escalating from 4.5% to 6% and required quarterly interest and principal payments beginning January 1, 2020 through maturity on October 1, 2023 at which time, it was fully paid off.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ 157,574	\$ 130,120
Leasehold improvements	116,728	116,728
Software	<u>60,427</u>	<u>60,427</u>
	334,729	307,275
Less accumulated depreciation	<u>(311,321)</u>	<u>(301,917)</u>
Property and Equipment, Net	<u>\$ 23,408</u>	<u>\$ 5,358</u>

Depreciation expense was \$9,404 and \$4,541 for the years ended December 31, 2023 and 2022, respectively.

Note 7 - Agency Funds

Agency funds include the following balances and activity for the year ended December 31:

	<u>Beginning Balance January 1, 2023</u>	<u>Net (Withdrawals) Deposits</u>	<u>Investment Return</u>	<u>Ending Balance December 31, 2023</u>
Agency funds	\$ 4,315,540	\$ (180,318)	\$ 730,956	\$ 4,866,178

Note 8 - Liabilities Under Split Interest Agreement

The Community Foundation is a 15% beneficiary of a charitable lead annuity trust administered by the Community Foundation. The trust provides for periodic distributions to designated beneficiaries with an initial distribution of \$160,016 on December 31, 2016, followed by quarterly distributions of \$29,860 and final distribution of \$18,489 due on August 29, 2035. The Community Foundation's interest in the trust of \$189,309 and \$203,695 at December 31, 2023 and 2022, respectively, is recorded at the net present value (discounted at 1.9%) of future annuity distributions using the applicable federal discount rate at the date of the gift and is included as a component of net assets with donor restrictions. As of December 31, 2023, and 2022, the fair value of the trust of \$2,261,738 and \$2,195,225, respectively, is shown as investments on the statement of financial position. The corresponding liability for payments to beneficiaries was determined to be \$2,072,429 and \$1,991,529 at December 31, 2023 and 2022, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 as follows:

	<u>2023</u>	<u>2022</u>
Split-interest agreement (Note 8)	\$ 189,309	\$ 203,695
Purpose restriction	<u>1,793,056</u>	<u>1,140,386</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,982,365</u>	<u>\$ 1,344,081</u>

Note 10 - Endowments

As discussed in Note 3, due to the variance power the Community Foundation has over donated funds, all endowments are classified for accounting purposes as “funds without donor restrictions” and managed in accordance with the donors’ intent at the discretion of the Board of Directors.

The Community Foundation’s endowment consists of numerous funds established for a variety of purposes.

Donor-Established Endowment Funds - Funds established by donors with the intent of maintaining the original donations (corpus) in perpetuity by utilizing established spending policies.

Donor-Established Spendable Endowment Fund - Mary Monroe Davis educational fund established with the intent of maintaining the corpus in perpetuity by utilizing established spending policies, but with the ability to spend corpus in order to meet the intended purpose of the fund.

Board Designated Quasi-Endowment Funds - Funds without donor restrictions designated by the Board with the intent of maintaining the corpus in perpetuity by utilizing established spending policies.

The Community Foundation follows the principles outlined in the Washington State Prudent Management of Institutional Funds Act (PMIFA) for all of its donor-established and board designated funds even though they are legally funds without donor restrictions.

In accordance with PMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-established endowment funds:

- The duration and preservation of the fund;
- The purposes of the Community Foundation and the endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Community Foundation; and
- The investment policies of the Community Foundation.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

Note 10 - Continued

As of December 31, endowment net assets consisted of the following:

	Without Donor Restrictions			2023 Total	2022 Total
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus		
Donor-established endowment funds	\$ (2,269)	\$ 292,152	\$ 1,210,105	\$ 1,499,988	\$ 1,384,693
Donor-established spendable endowment fund		4,902,228	23,265,970	28,168,198	26,477,100
Board-designated quasi-endowment funds		842,810	799,693	1,642,503	1,497,335
Endowment Net Assets	\$ (2,269)	\$ 6,037,190	\$25,275,768	\$31,310,689	\$29,359,128

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

	Without Donor Restrictions			2023 Total	2022 Total
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus		
Endowment net assets, beginning of year	\$ (4,328)	\$ 4,094,062	\$ 25,269,394	\$ 29,359,128	\$ 34,155,972
Endowment investment return, net	2,059	2,958,641		2,960,700	(3,749,978)
Contributions			6,374	6,374	6,122
Grants made		(1,015,513)		(1,015,513)	(1,052,988)
Endowment Net Assets, End of Year	\$ (2,269)	\$ 6,037,190	\$25,275,768	\$31,310,689	\$29,359,128

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-established endowment funds may fall below the total amount of the gifts made to the endowment by the donor. As of December 31, 2023 and 2022, deficiencies of this nature existed in one and three donor-established endowment funds, respectively, which had an original gift value of \$6,335 and \$179,816, a fair value of \$4,067 and \$175,488 and a deficiency of \$2,268 and \$4,328, respectively. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors. The Community Foundation has interpreted PMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 10 - Continued

Return Objectives and Risk Parameters - The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Community Foundation has been instructed to hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, 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. The Community Foundation expects its endowment funds, over time, to provide an average real rate of return of approximately 8 percent. Actual returns in any given year may vary from these amounts.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Community 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). The Community 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 the Spending Policy - The Community Foundation reviews its spending policy annually. For the years ended December 31, 2023 and 2022, the Community Foundation appropriated 4 percent of the earnings on investment assets based generally upon the average fair value over the prior 12 to 16 quarters, depending on the fund, through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on investment assets. Accordingly, over the long-term, the Community Foundation expects the spending policy to allow net assets to grow at a rate equal to inflation. This is consistent with the Community Foundation's objective to maintain the purchasing power of investment assets held in perpetuity.

Note 11 - Retirement Plan

The Community Foundation contributes to a 401(k) retirement plan (the Plan). All employees may participate in the Plan. The Community Foundation contributes up to 5% of the eligible employee's salary to the Plan. Employees are 100% vested. During the years ended December 31, 2023 and 2022, the Community Foundation contributed \$43,411 and \$36,914, respectively, to the Plan.

Note 12 - Commitments and Contingencies

Leases - Starting May 1, 2022, The Community Foundation entered into a noncancelable operating lease for office space which expires on August 30, 2026. Additionally, the leases include payments for common area maintenance, utilities, taxes and insurance that are included in additional rent and in determining the lease liability.

The Community Foundation paid a total of \$96,919 and \$97,715 in rent for the years ended December 31, 2023 and 2022, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

Note 12 - Continued

Supplemental cash flow information and additional information related to leases is as follows as of December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 95,027
Weighted-average remaining lease term - operating lease	2.67
Weighted-average discount rate - operating lease	2.55%

The future minimum lease payments under all leases are as follows as of December 31:

For the Year Ending December 31,	
2024	\$ 96,849
2025	98,786
2026	<u>67,010</u>
Total undiscounted cash flows	262,645
Less present value discount	<u>(8,532)</u>
Total Lease Liabilities	<u>\$ 254,113</u>

Contingencies - The Community Foundation is involved, from time to time, in various claims, regulatory audits and other legal issues arising in the normal course of business. Management believes that any uninsured costs that may be incurred in the settlement of such claims would not be material to the Community Foundation's financial position.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

Note 13 - Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,005,151	\$ 2,175,754
Grants and other contributions receivable	150,000	
Interest receivable		78,463
Loan receivable		1,175,757
Investments	<u>78,978,154</u>	<u>70,854,512</u>
 Total financial assets	 81,133,305	 74,284,486
 Less nonmarketable securities	 (3,793,559)	 (587,247)
Less agency fund investments	(4,866,178)	(4,315,540)
Less donor restricted net assets	(1,982,365)	(1,344,081)
Less endowment fund investments	(31,310,689)	(29,359,128)
Add back amount expected to be appropriated in following year	<u>1,573,301</u>	<u>1,564,122</u>
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 <u>\$ 40,753,815</u>	 <u>\$ 40,242,612</u>

The Community Foundation generally uses liquid assets for grant making based on donor recommendations. Endowment funds consist of donor-established endowments and board-designated endowments. As described in Note 10, the Community Foundation's endowments are subject to an annual spending rate of 4%. Although the Community Foundation does not intend to spend from the board-designated endowments in excess of the annual spending rate approval, 75% of the total investment portfolio is kept in short-term investments and money market funds and could be made available if necessary.

By policy and practice, the Community Foundation limits the overall investment allocation in illiquid assets (assets that require a settlement period greater than five business days) to not more than 30% of the total portfolio's market value.