

**YAKIMA VALLEY COMMUNITY FOUNDATION**

Financial Statements

For the Year Ended December 31, 2021

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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, 2021, 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, 2021, 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, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.



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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  
June 22, 2022

YAKIMA VALLEY COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,805,591	\$ 2,192,425
Grants receivable	20,000	
Interest receivable	84,732	25,753
Prepaid expenses	33,244	18,000
Loan receivable, current portion (Note 5)	<u>748,627</u>	<u>1,102,759</u>
<b>Total Current Assets</b>	<b>2,692,194</b>	<b>3,338,937</b>
Investments (Note 4)	77,041,027	72,173,484
Loan receivable, net of current portion (Note 5)	1,175,756	1,545,800
Property and equipment, net of accumulated depreciation (Note 6)	<u>6,846</u>	<u>5,502</u>
<b>Total Assets</b>	<b><u>\$ 80,915,823</u></b>	<b><u>\$ 77,063,723</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and other liabilities	\$ 5,188	\$ 20,884
Paycheck Protection Program loan, current portion (Note 7)		39,078
Grants payable, current portion		<u>514,440</u>
<b>Total Current Liabilities</b>	<b>5,188</b>	<b>574,402</b>
Agency funds (Note 8)	4,504,444	4,182,943
Paycheck Protection Program loan, net of current portion (Note 7)		69,663
Liabilities under split interest agreement (Note 9)	<u>2,390,583</u>	<u>2,316,040</u>
<b>Total Liabilities</b>	<b>6,900,215</b>	<b>7,143,048</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	70,936,024	67,128,654
Designated by Board of Directors for endowment (Note 11)	<u>1,738,105</u>	<u>1,665,492</u>
Total without donor restrictions	72,674,129	68,794,146
With donor restrictions (Note 10)	<u>1,341,479</u>	<u>1,126,529</u>
<b>Total Net Assets</b>	<b><u>74,015,608</u></b>	<b><u>69,920,675</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 80,915,823</u></b>	<b><u>\$ 77,063,723</u></b>

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Revenue and Support:</b>				
Contributions	\$ 2,535,543	\$ 1,086,301	\$ 3,621,844	\$ 4,159,306
Contributions - CARES Act				3,063,557
Paycheck protection program loan forgiveness	108,741		108,741	
Administrative fees	590,242		590,242	515,276
Other revenue	56,782		56,782	347
Releases	871,351	(871,351)		
Return on investments, net (Note 4)	6,549,369		6,549,369	7,731,343
<b>Total Revenue and Support</b>	<b>10,712,028</b>	<b>214,950</b>	<b>10,926,978</b>	<b>15,469,829</b>
Less fees charged to internal funds	(542,274)		(542,274)	(475,835)
<b>Total Revenue and Support Net of Fees Charged to Internal Funds</b>	<b>10,169,754</b>	<b>214,950</b>	<b>10,384,704</b>	<b>14,993,994</b>
<b>Operating Expenses:</b>				
Program	5,744,599		5,744,599	6,734,365
Management and general	363,007		363,007	394,658
Fundraising	182,165		182,165	200,450
<b>Total Operating Expenses</b>	<b>6,289,771</b>		<b>6,289,771</b>	<b>7,329,473</b>
<b>Change in Net Assets</b>	<b>3,879,983</b>	<b>214,950</b>	<b>4,094,933</b>	<b>7,664,521</b>
Net assets, beginning of year	68,794,146	1,126,529	69,920,675	62,256,154
<b>Net Assets, End of Year</b>	<b>\$ 72,674,129</b>	<b>\$ 1,341,479</b>	<b>\$ 74,015,608</b>	<b>\$ 69,920,675</b>

See accompanying notes.

**YAKIMA VALLEY COMMUNITY FOUNDATION**

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

	Program			Management and General	Fundraising	2021 Total	2020 Total
	Grantmaking	Fiscal Sponsorships	Total Program				
Grants made	\$ 4,601,062	\$ -	\$ 4,601,062	\$ -	\$ -	\$ 4,601,062	\$ 5,776,952
Salaries and benefits	523,614	83,235	606,849	218,173	130,904	955,926	958,518
Professional services	71,955	138,218	210,173	29,981	17,989	258,143	241,334
Office supplies	6,911	113,735	120,646	2,880	1,728	125,254	43,541
Occupancy	31,634	4,000	35,634	39,543	7,909	83,086	80,328
Computer and technology	20,105	46,788	66,893	8,377	5,026	80,296	17,688
Marketing	24,616	15,383	39,999	10,257	6,154	56,410	85,135
Education and training	11,563	9,506	21,069	14,454	2,891	38,414	13,202
Dues and memberships	10,174		10,174	12,717	2,543	25,434	26,088
Insurance	14,281		14,281	5,951	3,570	23,802	22,165
Utilities and telephone	5,810		5,810	7,263	1,453	14,526	21,888
Meals and entertainment	1,896		1,896	5,309	379	7,584	6,083
Postage and printing	1,312	1,798	3,110	1,640	328	5,078	1,727
Travel, lodging and mileage	1,350	836	2,186	1,687	337	4,210	17,668
Depreciation	1,581		1,581	1,976	395	3,952	11,226
Other	1,232	1,000	2,232	1,543	308	4,083	1,847
Equipment rentals and maintenance	1,004		1,004	1,256	251	2,511	4,083
<b>Total Functional Expenses - 2021</b>	<b>\$ 5,330,100</b>	<b>\$ 414,499</b>	<b>\$ 5,744,599</b>	<b>\$ 363,007</b>	<b>\$ 182,165</b>	<b>\$ 6,289,771</b>	
<b>Total Functional Expenses - 2020</b>	<b>\$ 6,559,054</b>	<b>\$ 175,311</b>	<b>\$ 6,734,365</b>	<b>\$ 394,658</b>	<b>\$ 200,450</b>		<b>\$ 7,329,473</b>

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

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

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 4,094,933	\$ 7,664,521
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities-		
Depreciation	3,952	11,226
Realized and unrealized gain on investments	(5,965,095)	(7,556,509)
Forgiveness of Paycheck Protection Program loan	(108,741)	
Changes in operating assets and liabilities:		
Grants receivable	(20,000)	
Interest receivable	(58,979)	47,665
Prepaid expenses	(15,244)	(18,000)
Accounts payable and other liabilities	(15,696)	(5,615)
Grants payable	(514,440)	(210,090)
Agency funds	321,501	224,136
Liabilities under split interest agreement	74,543	125,178
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(2,203,266)</b>	<b>282,512</b>
<b>Cash Flows From Investing Activities:</b>		
Payments received from loan receivable	724,176	351,441
Purchase of investments	(144,286,504)	(11,827,170)
Proceeds from sale of investments	145,384,056	12,588,804
Purchase of equipment	(5,296)	(4,813)
<b>Net Cash Provided by Investing Activities</b>	<b>1,816,432</b>	<b>1,108,262</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Paycheck Protection Program loan		108,741
<b>Net Cash Provided by Financing Activities</b>		<b>108,741</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(386,834)</b>	<b>1,499,515</b>
Cash and cash equivalents, beginning of year	2,192,425	692,910
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,805,591</b>	<b>\$ 2,192,425</b>

See accompanying notes.



## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### 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 a 22 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 \$4.7 million dollars of grants in 2021. 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, the Seattle Foundation and the Bill & Melinda Gates Foundation, provide direct funding for community investment.

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

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, 2021 and 2020, the Community Foundation received contributions of \$390,631 and \$42,487 and incurred expenses related to Investing in Children of \$98,176 and \$24,925, respectively.

During the year ended December 31, 2018, the Community Foundation entered into an agreement to serve as fiscal sponsor for the Ttáwaxt Collaborative for their work to support tribal women and infants to reduce infant mortality and ensure birth justice. For the years ended December 31, 2021 and 2020, the Community Foundation received contributions of \$0 and \$70,520 and incurred expenses related to Ttáwaxt of \$104,692 and \$5,154, respectively. At the end of 2019, Ttáwaxt obtained its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC). The remaining funds were granted to Ttáwaxt during the year ended December 31, 2021.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 1 - Continued

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. For the years ended December 31, 2021 and 2020, the Community Foundation received contributions of \$0 and \$35,000 and incurred expenses related to Yakima Counts of \$17,039 and \$95,983, respectively. 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.

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, 2021 and 2020, the Community Foundation received contributions of \$206,033 and \$105,150 and incurred expenses related to APIC Yakima of \$107,070 and \$49,250, respectively.

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. For the year ended December 31, 2021, the Community Foundation received contributions of \$2,450.

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 year ended December 31, 2021, the Community Foundation received contributions of \$20,000 and incurred expenses related to Center for Latino Leadership of \$79,400, respectively.

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, 2021, the Community Foundation received contributions of \$75,000 and incurred expenses related to Native Friends of \$33,244.

#### 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.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 2 - Continued

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 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. There were no conditional promises to give at December 31, 2021 or 2020.

**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.

**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, 2021 or 2020.

**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.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 2 - Continued

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.

**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, 2021 or 2020.

**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 8.

**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.

**Advertising** - Advertising costs are expensed as incurred and were \$56,410 and \$85,135 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 2 - Continued

**Concentrations** - During the year ended December 31, 2021, the Community Foundation received three contributions that represented 52% of the Community Foundation's total contributions. At December 31, 2021, there was one ETF investment that represented 14% of the investments balance. During the year ended December 31, 2020, the Community Foundation received two contributions that represented 57% of the Community Foundation's total contributions. At December 31, 2020, there was one mutual fund that represented 16% of the investments balance.

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

**Reclassifications** - Certain reclassifications have been made to prior year amounts to conform to the presentation in the current year financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

**Subsequent Events** - The Community Foundation has evaluated subsequent events through June 22, 2022, 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 111 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, 2021 (With Comparative Totals for 2020)

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#### 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 an annual 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.

The Community Foundation works to address the COVID-19 virus and its impacts to the Yakima Valley through the Yakima Valley Resilience and Response Fund. This field of interest fund was created to support and help sustain charitable organizations and agencies as they work to address the pandemic and its impacts on our most vulnerable neighbors. Recovery is sometimes more challenging than managing through it. This fund will assist in restoring our valley and in strengthening systems and organizations for greater resiliency by using the lessons learned throughout the crisis.

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.

**YAKIMA VALLEY COMMUNITY FOUNDATION**

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

**Note 3 - Continued**

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

	<u>2021</u>	<u>2020</u>
Yakima grants	\$ 101,500	\$ 11,150
Toppenish grants	<u>81,900</u>	<u>29,744</u>
	<u><b>\$ 183,400</b></u>	<u><b>\$ 40,894</b></u>

The balance of net proceeds remaining at December 31, 2021 and 2020 was \$9,960,165 and \$9,238,355, respectively.

This fund also includes administrative fees charged to the individual funds at the Community Foundation. There were transfers of \$542,274 and \$475,835 for administrative fees to this fund for the years ended December 31, 2021 and 2020, respectively.

During 2020, the Community Foundation received \$3,063,557 in federal funding from Yakima County. The contribution was from the Coronavirus Relief Fund as established by the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). The funds were passed through Yakima County to the Community Foundation for the purpose of granting to organizations impacted by COVID-19, including but not limited to medical and public health needs, providing economic support to those suffering from employment or business interruptions due to the COVID-19 related business closures.

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

	<u>Non- Endowed</u>	<u>Endowed (Note 11)</u>	<u>2021 Total</u>	<u>2020 Total</u>
Scholarship	\$ 261,583	\$ 31,634,849	\$ 31,896,432	\$ 30,737,028
Field of interest	3,121,832	1,206,966	4,328,798	4,086,493
Donor advised	9,343,010	991,819	10,334,829	10,443,487
Designated	114,069	322,338	436,407	506,527
Agency	6,895,027		6,895,027	6,498,983
Health equity fund	96,976		96,976	274,082
Operating fund	39,535		39,535	17,607
Founders fund	<u>24,825,892</u>		<u>24,825,892</u>	<u>22,146,322</u>
Total investments by fund	44,697,924	34,155,972	78,853,896	74,710,529
Cash surrender value of Insurance policy			<u>111,514</u>	<u>111,514</u>
<b>Total Investments and Loan Receivable</b>	<u><b>\$ 44,697,924</b></u>	<u><b>\$ 34,155,972</b></u>	<u><b>\$ 78,965,410</b></u>	<u><b>\$ 74,822,043</b></u>

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 3 - Continued

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

	<u>2021</u>	<u>2020</u>
Scholarship	\$ 1,041,200	\$ 931,983
Field of interest	1,166,723	1,061,550
Donor advised	1,283,254	1,139,575
Designated	112,524	84,763
Founders fund	<u>997,361</u>	<u>2,559,081</u>
	<u><u>\$ 4,601,062</u></u>	<u><u>\$ 5,776,952</u></u>

#### 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).

**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, 2021  
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**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, 2021				2020 Total
	Level 1	Level 2	Level 3	Total	
<b>Investments at Fair Value:</b>					
Cash and money market funds	\$ 6,209,471	\$ -	\$ -	\$ 6,209,471	\$ 1,581,931
Mutual funds	17,275,151			17,275,151	57,594,024
Equity securities	10,096,621			10,096,621	
ETFs and CEFs	26,235,052			26,235,052	
Corporate fixed income	3,669,210			3,669,210	
Government securities	2,592,400			2,592,400	
Municipal bonds		1,561,317		1,561,317	
					59,175,955
<b>Total Marketable Securities at Fair Value</b>	<b>\$ 66,077,905</b>	<b>\$ 1,561,317</b>	<b>\$ -</b>	67,639,222	59,175,955
Nonmarketable securities at net asset value-					
Growth hedge				5,999,203	9,664,054
Low volatility hedge				2,750,436	2,597,949
Real estate fund				540,652	
International hedge					624,012
Total nonmarketable securities at net asset value				9,290,291	12,886,015
Cash surrender value of life insurance at cost				111,514	111,514
<b>Total Investments</b>				<b>\$ 77,041,027</b>	<b>\$ 72,173,484</b>
<b>Liabilities at Fair Value:</b>					
Agency funds	\$ -	\$ -	\$ 4,504,444	\$ 4,504,444	\$ 4,182,943
<b>Total Liabilities at Fair Value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,504,444</b>	<b>\$ 4,504,444</b>	<b>\$ 4,182,943</b>

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

	2021	2020
Portfolio investment return	\$ 7,090,971	\$ 8,366,890
Less amounts allocated to agency funds	(541,602)	(635,547)
<b>Return on Investments, Net</b>	<b>\$ 6,549,369</b>	<b>\$ 7,731,343</b>

**YAKIMA VALLEY COMMUNITY FOUNDATION**

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

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**Note 4 - Continued**

The Community Foundation has the following nonmarketable securities (alternative investments) at December 31, 2021:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Growth hedge funds	\$ 5,999,203	\$ -	Quarterly to one year and quarterly up to 20% of capital balance	60 to 90 days
Low volatility hedge fund	2,750,436		Quarterly	45 days
Real estate fund	<u>540,652</u>	<u>635,066</u>	Quarterly after 10 years	60 days
	<u><u>\$ 9,290,291</u></u>	<u><u>\$ 635,066</u></u>		

A summary of investments in nonmarketable securities is as follows:

Growth Hedge Funds - At December 31, 2021 and 2020, the Community Foundation was invested in two and three growth hedge funds, respectively. The first fund typically employs macro and event investment strategies, tactical arbitrage strategies, and investment strategies relating to commercial and residential mortgages, mortgage related securities and interest rates. The second fund invests in distressed/stressed debt, distressed or turnaround equities, post-bankruptcy equities, spin-offs, broken merger and acquisition deals, and other event-driven credit opportunities. The third fund is a multi-manager, multi-strategy "fund-of-funds" formed to invest predominantly in limited partnerships and similar pooled investment vehicles referred to as "Portfolio Funds."

Low Volatility Hedge Fund - At December 31, 2021 and 2020, the Community Foundation was invested in one low volatility hedge funds. The first fund's investments consist of a broad mix of securities focused on the short end of the yield curve, including asset-backed securities, mortgage-backed securities, corporate bonds, emerging market debt, and other non-U.S. securities.

Real Estate Fund - At December 31, 2021, the Community Foundation was invested in one real estate fund. The investment objectives are to provide quarterly distributions from cash from operations to investors, realize long-term capital appreciation in the value of the partnership's investments.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### 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 accrues interest at rates escalating from 4.5% to 6% and requires quarterly interest and principal payments beginning January 1, 2020 through maturity on October 1, 2023. During 2020, due to the impact of COVID-19 on the YMCA's operations, the YMCA missed paying two quarterly payments. Management and the Board of the Community Foundation are working with the YMCA's management and board to create an amended debt agreement. The loan is secured by receivables of the organization and real property.

The loan receivable is expected to be received as follows:

For the Year Ending December 31,

2022	\$ 748,627
2023	<u>1,175,756</u>
	<u><u>\$ 1,924,383</u></u>

#### Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Property and equipment	\$ 127,067	\$ 121,772
Leasehold improvements	116,728	116,727
Software	<u>60,427</u>	<u>60,427</u>
	304,222	298,926
Less accumulated depreciation	<u>(297,376)</u>	<u>(293,424)</u>
<b>Property and Equipment, Net</b>	<u><u>\$ 6,846</u></u>	<u><u>\$ 5,502</u></u>

Depreciation expense was \$3,952 and \$11,226 for the years ended December 31, 2021 and 2020, respectively.

#### Note 7 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 1, 2020, the Community Foundation obtained a loan under the PPP with a principal balance of \$108,741 and an annual interest rate of 1%. The principal and interest was forgiven on June 9, 2021 and recognized as revenue during the year ended December 31, 2021.

**YAKIMA VALLEY COMMUNITY FOUNDATION**

**Notes to Financial Statements  
For the Year Ended December 31, 2021  
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**Note 8 - Agency Funds**

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

	Beginning Balance January 1, 2021	Net (Withdrawals) Deposits	Investment Return	Ending Balance December 31, 2021
Agency funds	\$ 4,182,943	\$ (220,101)	\$ 541,602	\$ 4,504,444

**Note 9 - 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 \$217,813 and \$231,668 at December 31, 2021 and 2020, 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, 2021, and 2020, the fair value of the trust of \$2,608,396 and \$2,547,708, respectively, is shown as investments on the statement of financial position. The corresponding liability for payments to beneficiaries was determined to be \$2,390,583 and \$2,316,040 at December 31, 2021 and 2020, respectively.

**Note 10 - Net Assets With Donor Restrictions**

Net assets with donor restrictions at December 31 as follows:

	<u>2021</u>	<u>2020</u>
Split-interest agreement (Note 9)	\$ 217,813	\$ 231,668
Purpose restriction	<u>1,123,666</u>	<u>894,861</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 1,341,479</u></b>	<b><u>\$ 1,126,529</u></b>

**Note 11 - 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.

**YAKIMA VALLEY COMMUNITY FOUNDATION**

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

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**Note 11 - Continued**

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.

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

	Without Donor Restrictions			2021 Total	2020 Total
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus		
Donor-established endowment funds	\$ (2,138)	\$ 405,908	\$ 1,197,610	\$ 1,601,380	\$ 1,535,967
Donor-established spendable endowment fund		7,550,517	23,265,970	30,816,487	29,647,787
Board-designated quasi-endowment funds		938,413	799,692	1,738,105	1,665,492
<b>Endowment Net Assets</b>	<b>\$ (2,138)</b>	<b>\$ 8,894,838</b>	<b>\$ 25,263,272</b>	<b>\$ 34,155,972</b>	<b>\$ 32,849,246</b>

**YAKIMA VALLEY COMMUNITY FOUNDATION**

**Notes to Financial Statements  
For the Year Ended December 31, 2021  
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**Note 11 - Continued**

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

	Without Donor Restrictions				
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus	2021 Total	2020 Total
Endowment net assets, beginning of year	\$ (2,398)	\$ 7,594,754	\$ 25,256,890	\$ 32,849,246	\$ 30,754,919
Endowment investment return, net	260	2,319,199		2,319,459	3,028,691
Contributions			6,382	6,382	8,947
Grants made		(1,019,115)		(1,019,115)	(943,311)
<b>Endowment Net Assets, End of Year</b>	<b><u>\$ (2,138)</u></b>	<b><u>\$ 8,894,838</u></b>	<b><u>\$ 25,263,272</u></b>	<b><u>\$ 34,155,972</u></b>	<b><u>\$ 32,849,246</u></b>

**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, 2021 and 2020, deficiencies of this nature existed in one donor-established endowment fund, which had an original gift value of \$6,335, a fair value of \$4,197 and \$3,937, and a deficiency of \$2,138 and \$2,398, 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.

**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.

## YAKIMA VALLEY COMMUNITY FOUNDATION

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

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#### Note 11 - Continued

**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, 2021 and 2020, 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 12 - 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, 2021 and 2020, the Community Foundation contributed \$34,875 and \$30,828, respectively, to the Plan.

#### Note 13 - Commitments and Contingencies

**Leases** - The Community Foundation had a noncancelable operating lease for office space which expired on December 31, 2021. The lease was extended to a month-to-month basis.

The Community Foundation paid a total of \$76,724 and \$72,765 in rent for the years ended December 31, 2021 and 2020, respectively.

Subsequent to year end, the Community Foundation entered into a lease for office space starting May 1, 2022 through 2026.

Future payments on the lease are as follows:

For the Year Ending December 31,

2022	\$	52,200
2023		79,344
2024		80,930
2025		82,550
2026		55,949

**Total Future Minimum Lease Payments**

**\$ 350,973**

**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  
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(With Comparative Totals for 2020)**

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**Note 14 - 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,805,591	\$ 2,192,425
Interest receivable	84,732	25,753
Loan receivable	1,924,383	2,648,559
Investments	<u>77,041,027</u>	<u>72,173,484</u>
 Total financial assets	 80,855,733	 77,040,221
 Less loans and interest receivable due in more than one year	 (1,235,684)	 (1,545,800)
Less alternative investments unavailable within one year	(540,652)	(1,183,158)
Less agency fund investments	(4,504,444)	(4,182,943)
Less endowment fund investments	(34,155,972)	(32,849,246)
Add back amount expected to be appropriated in following year	<u>1,517,087</u>	<u>1,438,632</u>
 <b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	 <b><u>\$ 41,936,068</u></b>	 <b><u>\$ 38,717,706</u></b>

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 11, 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.