

YAKIMA VALLEY COMMUNITY FOUNDATION

Financial Statements

For the Year Ended December 31, 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 22

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Yakima Valley Community Foundation (the Community Foundation), which comprise the statement of financial position as of December 31, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Community Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, consisting of administrative fees and fees charged to internal funds on page 4 is not a required part of the financial statements and is included for the purpose of additional analysis consistent with industry practice. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021, on our consideration of the Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Community Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Foundation's internal control over financial reporting and compliance.

Clark Nuber PS

Certified Public Accountants
May 26, 2021

YAKIMA VALLEY COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,192,425	\$ 692,910
Interest receivable	25,753	73,418
Prepaid expenses	18,000	
Loan receivable, current portion (Note 5)	<u>1,102,759</u>	<u>1,446,392</u>
Total Current Assets	3,338,937	2,212,720
Investments (Notes 3 and 4)	72,173,484	65,378,609
Loan receivable, net of current portion (Note 5)	1,545,800	1,553,608
Property and equipment, net of accumulated depreciation (Note 6)	<u>5,502</u>	<u>11,915</u>
Total Assets	<u>\$ 77,063,723</u>	<u>\$ 69,156,852</u>
Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 20,884	\$ 26,499
Paycheck Protection Program loan, current portion (Note 7)	39,078	
Grants payable, current portion	<u>514,440</u>	<u>410,090</u>
Total Current Liabilities	574,402	436,589
Grants payable, net of current portion		314,440
Agency funds (Note 4)	4,182,943	3,958,807
Paycheck Protection Program loan, net of current portion (Note 7)	69,663	
Liabilities under split interest agreement (Note 8)	<u>2,316,040</u>	<u>2,190,862</u>
Total Liabilities	7,143,048	6,900,698
Net Assets:		
Without donor restrictions-		
Undesignated	67,128,654	59,934,648
Designated by Board of Directors for endowment (Note 10)	<u>1,665,492</u>	<u>1,517,120</u>
Total without donor restrictions	68,794,146	61,451,768
With donor restrictions (Note 9)	<u>1,126,529</u>	<u>804,386</u>
Total Net Assets	<u>69,920,675</u>	<u>62,256,154</u>
Total Liabilities and Net Assets	<u>\$ 77,063,723</u>	<u>\$ 69,156,852</u>

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Support:				
Contributions	\$ 3,672,158	\$ 487,148	\$ 4,159,306	\$ 1,849,374
Contributions - CARES Act	3,063,557		3,063,557	
Administrative fees	515,276		515,276	514,861
Other revenue	219	128	347	1,161
Releases	165,133	(165,133)		
Return on investments, net (Note 4)	7,731,343		7,731,343	10,105,364
Total Revenue and Support	15,147,686	322,143	15,469,829	12,470,760
Less fees charged to internal funds	(475,835)		(475,835)	(474,435)
Total Revenue and Support Net of Fees Charged to Internal Funds	14,671,851	322,143	14,993,994	11,996,325
Operating Expenses:				
Program	6,734,365		6,734,365	4,089,579
Management and general	394,658		394,658	560,489
Fundraising	200,450		200,450	96,059
Total Operating Expenses	7,329,473		7,329,473	4,746,127
Change in Net Assets	7,342,378	322,143	7,664,521	7,250,198
Net assets, beginning of year	61,451,768	804,386	62,256,154	55,005,956
Net Assets, End of Year	\$ 68,794,146	\$ 1,126,529	\$ 69,920,675	\$ 62,256,154

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

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

	Program			Management and General	Fundraising	2020 Total	2019 Total
	Grantmaking	Fiscal Sponsorships	Total Program				
Grants made	\$ 5,756,952	\$ 20,000	\$ 5,776,952	\$ -	\$ -	\$ 5,776,952	\$ 3,476,375
Salaries and benefits	515,209	99,837	615,046	214,670	128,802	958,518	659,263
Professional services	121,346	39,091	160,437	50,561	30,336	241,334	301,481
Marketing	51,081		51,081	21,284	12,770	85,135	56,975
Occupancy	31,489	1,606	33,095	39,361	7,872	80,328	100,289
Office supplies	21,053	8,453	29,506	8,772	5,263	43,541	9,846
Dues and memberships	10,435		10,435	13,044	2,609	26,088	13,228
Insurance	13,126	288	13,414	5,469	3,282	22,165	18,337
Utilities and telephone	8,439	791	9,230	10,548	2,110	21,888	14,706
Computer and technology	10,555	96	10,651	4,398	2,639	17,688	14,916
Travel, lodging and mileage	5,620	3,618	9,238	7,025	1,405	17,668	13,599
Education and training	5,121	400	5,521	6,401	1,280	13,202	17,110
Depreciation	4,490		4,490	5,613	1,123	11,226	19,184
Meals and entertainment	1,511	40	1,551	4,230	302	6,083	12,076
Other	606	334	940	756	151	1,847	11,971
Equipment rentals and maintenance	1,330	757	2,087	1,663	333	4,083	4,057
Postage and printing	691		691	863	173	1,727	2,714
Total Functional Expenses - 2020	\$ 6,559,054	\$ 175,311	\$ 6,734,365	\$ 394,658	\$ 200,450	\$ 7,329,473	
Total Functional Expenses - 2019	\$ 3,867,150	\$ 222,429	\$ 4,089,579	\$ 560,489	\$ 96,059		\$ 4,746,127

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 7,664,521	\$ 7,250,198
Adjustments to reconcile changes in net assets to net cash provided by (used) in operating activities-		
Depreciation	11,226	19,184
Realized and unrealized gain on investments	(7,556,509)	(10,115,587)
Changes in operating assets and liabilities:		
Grants receivable		250,000
Interest receivable	47,665	(73,418)
Prepaid expenses	(18,000)	
Accounts payable and other liabilities	(5,615)	(24,154)
Grants payable	(210,090)	724,530
Agency funds	224,136	534,313
Liabilities under split interest agreement	125,178	260,369
Net Cash Provided by (Used) in Operating Activities	282,512	(1,174,565)
Cash Flows From Investing Activities:		
Loan receivable funded		(3,000,000)
Payments received from loan receivable	351,441	
Purchase of investments	(11,827,170)	(7,786,483)
Proceeds from sale of investments	12,588,804	12,235,218
Purchase of equipment	(4,813)	(715)
Net Cash Provided by Investing Activities	1,108,262	1,448,020
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan	108,741	
Net Cash Provided by Financing Activities	108,741	
Net Change in Cash and Cash Equivalents	1,499,515	273,455
Cash and cash equivalents, beginning of year	692,910	419,455
Cash and Cash Equivalents, End of Year	\$ 2,192,425	\$ 692,910

See accompanying notes.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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 15 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 \$77 million of community assets. These community assets produced approximately \$5.8 million dollars of grants in 2020. 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 fiscal sponsors for four 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, 2020 and 2019, the Community Foundation received contributions of \$42,487 and \$35,332 and incurred expenses related to Investing in Children of \$24,925 and \$2,618, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

During the year ended December 31, 2018, the Community Foundation entered into an agreement to serve as fiscal sponsor for the Ttáwaḡt Collaborative. For the years ended December 31, 2020 and 2019, the Community Foundation received contributions of \$70,520 and \$95,525 and incurred expenses related to Ttáwaḡt of \$5,154 and \$196,610, respectively. At the end of 2019, Ttáwaḡt obtained its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) as of December 31, 2020, there was a balance of \$105,000 left to be distributed. The Community Foundation is working with Ttáwaḡt to distribute these funds.

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 the years ended December 31, 2020 and 2019, the Community Foundation received contributions of \$35,000 and \$124,630 and incurred expenses related to Yakima Counts of \$95,983 and \$23,201, respectively.

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). For the year ended December 31, 2020, the Community Foundation received contributions of \$105,150 and incurred expenses related to APIC Yakima of \$49,250.

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.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 2 - Continued

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, 2020 or 2019.

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, 2020 or 2019.

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.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 2 - Continued

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, 2020 or 2019.

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 4.

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 \$85,135 and \$56,974 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 2 - Continued

Concentrations - During the year ended December 31, 2020, the Community Foundation received two contributions that represented 57% of the Community Foundation's total contributions. During the year ended December 31, 2019, the Community Foundation received three contributions that represented 58% of the Community Foundation's total contributions. At December 31, 2020, there was one mutual funds that represented 16% of the investments balance. At December 31, 2019, there were two mutual funds that represented 26% of the investments balance.

Comparative Amounts for 2019 - 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, 2019, 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 May 26, 2021, 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 97 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, 2020 (With Comparative Totals for 2019)

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, 2020
(With Comparative Totals for 2019)**

Note 3 - Continued

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

	<u>2020</u>	<u>2019</u>
Yakima grants	\$ 11,150	\$ 227,560
Toppenish grants	<u>29,744</u>	<u>105,200</u>
	<u>\$ 40,894</u>	<u>\$ 332,760</u>

The balance of net proceeds remaining at December 31, 2020 and 2019 was \$9,238,355 and \$8,071,527, respectively.

This fund also includes administrative fees charged to the individual funds at the Community Foundation. There were transfers of \$475,835 and \$474,435 for administrative fees to this fund for the years ended December 31, 2020 and 2019, 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>2020 Total</u>	<u>2019 Total</u>
Scholarship	\$ 298,570	\$ 30,438,458	\$ 30,737,028	\$ 28,814,029
Field of interest	2,927,415	1,159,078	4,086,493	3,808,165
Donor advised	9,495,765	947,722	10,443,487	8,542,075
Designated	202,539	303,988	506,527	513,493
Agency	6,498,983		6,498,983	6,149,669
Health equity fund	274,082		274,082	377,180
Operating fund	17,607		17,607	
Founders fund	<u>22,146,322</u>		<u>22,146,322</u>	<u>20,060,770</u>
Total investments by fund	41,861,283	32,849,246	74,710,529	68,265,381
Cash surrender value of Insurance policy			<u>111,514</u>	<u>113,228</u>
Total Investments and Loan Receivable	<u>\$ 41,861,283</u>	<u>\$ 32,849,246</u>	<u>\$ 74,822,043</u>	<u>\$ 68,378,609</u>

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 3 - Continued

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

	<u>2020</u>	<u>2019</u>
Scholarship	\$ 931,983	\$ 935,116
Field of interest	1,061,550	1,299,124
Donor advised	1,139,575	638,287
Designated	84,763	246,338
Founders fund	<u>2,559,081</u>	<u>357,510</u>
	<u><u>\$ 5,776,952</u></u>	<u><u>\$ 3,476,375</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, 2020
(With Comparative Totals for 2019)**

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, 2020				2019 Total
	Level 1	Level 2	Level 3	Total	
Investments at Fair Value:					
Mutual and equity funds-					
Low duration	\$ 1,581,933	\$ -	\$ -	\$ 1,581,933	\$ 503,331
Large cap equity	21,208,474			21,208,474	19,269,805
Mid cap equity	6,045,303			6,045,303	5,314,304
Small cap equity	2,456,269			2,456,269	2,365,832
International equity	16,945,785			16,945,785	14,398,392
Low volatility	1,465,874			1,465,874	1,368,895
Bonds	9,472,317			9,472,317	6,282,087
					49,502,646
Total Marketable Securities at Fair Value	\$ 59,175,955	\$ -	\$ -	59,175,955	49,502,646
Nonmarketable securities at net asset value-					
Growth hedge				9,664,054	10,206,875
Low volatility hedge				2,597,949	4,957,816
International hedge				624,012	598,044
Total nonmarketable securities at net asset value				12,886,015	15,762,735
Cash surrender value of life insurance at cost				111,514	113,228
Total Investments				\$ 72,173,484	\$ 65,378,609
Liabilities at Fair Value:					
Agency funds	\$ -	\$ -	\$ 4,182,943	\$ 4,182,943	\$ 3,958,807
Total Liabilities at Fair Value	\$ -	\$ -	\$ 4,182,943	\$ 4,182,943	\$ 3,958,807

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

	2020	2019
Portfolio investment return	\$ 8,366,890	\$ 11,086,897
Less amounts allocated to agency funds	(635,547)	(981,533)
Return on Investments, Net	\$ 7,731,343	\$ 10,105,364

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

Note 4 - Continued

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

	Beginning Balance January 1, 2020	Net (Withdrawals) Deposits	Investment Return	Ending Balance December 31, 2020
Agency funds	\$ 3,958,807	\$ (411,411)	\$ 635,547	\$ 4,182,943

The Community Foundation has the following nonmarketable securities (alternative investments) at December 31, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Growth hedge funds	\$ 9,664,054	\$ -	Quarterly to one year and quarterly up to 20% of capital balance	60 to 90 days
Low volatility hedge fund	2,597,949		Quarterly	45 days
International hedge fund	<u>624,012</u>		Quarterly	90 days
	<u>\$ 12,886,015</u>	<u>\$ -</u>		

A summary of investments in nonmarketable securities is as follows:

Growth Hedge Funds - At December 31, 2020 and 2019, the Community Foundation was invested in three growth hedge funds. 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, 2020 and 2019, the Community Foundation was invested in one and two, respectively, 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. The second fund focuses on the financial services industry and invests predominantly in banks and thrifts, mortgage companies, and in companies that provide services to financial institutions or derive a significant portion of their revenues from financial activities. This fund was fully liquidated during 2020.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

Note 4 - Continued

International Hedge Fund - At December 31, 2020 and 2019, the Community Foundation was invested in one international hedge fund that focuses on investing in developing economies and less established world markets.

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,

2021	\$ 743,366
2022	777,386
2023	<u>768,414</u>
	<u>2,289,166</u>
Past due payments	<u>359,393</u>
	<u>\$ 2,648,559</u>

Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Property and equipment	\$ 121,772	\$ 116,961
Leasehold improvements	116,727	116,727
Software	<u>60,427</u>	<u>60,427</u>
	298,926	294,115
Less accumulated depreciation	<u>(293,424)</u>	<u>(282,200)</u>
Property and Equipment, Net	<u>\$ 5,502</u>	<u>\$ 11,915</u>

Depreciation expense was \$11,226 and \$19,184 for the years ended December 31, 2020 and 2019, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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%. Forgiveness may be applied for up to 10 months after the covered period (6 months), otherwise payments are due beginning October 1, 2021 through the maturity date of May 5, 2022. All or a portion of the PPP Loan may be forgiven if certain terms and conditions of the program are met.

For the Year Ending December 31,

2021	\$	39,078
2022		<u>69,663</u>
Total Future Minimum Principal Payments	\$	<u>108,741</u>

To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case the Community Foundation will be required to repay the amount that is not forgiven. For the year ended December 31, 2020, management has concluded that the Community Foundation has incurred the qualifying expenditures and will apply for forgiveness.

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 \$231,668 and \$245,264 at December 31, 2020 and 2019, 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, 2020, and 2019, the fair value of the trust of \$2,547,708 and \$2,436,126, respectively, is shown as investments on the statement of financial position. The corresponding liability for payments to beneficiaries was determined to be \$2,316,040 and \$2,190,862 at December 31, 2020 and 2019, respectively.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 as follows:

	<u>2020</u>	<u>2019</u>
Split-interest agreement (Note 9)	\$ 231,668	\$ 245,264
Purpose restriction	<u>894,861</u>	<u>559,122</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,126,529</u>	<u>\$ 804,386</u>

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

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.

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

	<u>Without Donor Restrictions</u>			<u>2020 Total</u>	<u>2019 Total</u>
	<u>Funds With Deficiencies</u>	<u>Accumulated Unspent Earnings</u>	<u>Corpus</u>		
Donor-established endowment funds	\$ (2,398)	\$ 347,137	\$ 1,191,228	\$ 1,535,967	\$ 1,417,381
Donor-established spendable endowment fund		6,381,817	23,265,970	29,647,787	27,820,418
Board-designated quasi-endowment funds		865,800	799,692	1,665,492	1,517,120
Endowment Net Assets	<u>\$ (2,398)</u>	<u>\$ 7,594,754</u>	<u>\$ 25,256,890</u>	<u>\$ 32,849,246</u>	<u>\$ 30,754,919</u>

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

Note 10 - Continued

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

	Without Donor Restrictions			2020 Total	2019 Total
	Funds With Deficiencies	Accumulated Unspent Earnings	Corpus		
Endowment net assets, beginning of year	\$ -	\$ 5,506,976	\$ 25,247,943	\$ 30,754,919	\$ 27,096,941
Endowment investment return, net	(2,398)	3,031,089		3,028,691	4,622,989
Contributions			8,947	8,947	14,690
Grants made		(943,311)		(943,311)	(979,701)
Endowment Net Assets, End of Year	\$ (2,398)	\$ 7,594,754	\$ 25,256,890	\$ 32,849,246	\$ 30,754,919

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, 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 \$3,937 and a deficiency of \$2,398. There were no deficiencies of this nature as of December 31, 2019. 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, 2020 (With Comparative Totals for 2019)

Note 10 - 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, 2020 and 2019, 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, 2020 and 2019, the Community Foundation contributed \$30,828 and \$24,158, respectively, to the Plan.

Note 12 - Commitments and Contingencies

Leases - The Community Foundation had a noncancelable operating lease for office space which expired on December 31, 2020. The lease was extended for a one-year term. Future minimum lease payments due under the lease total \$44,760 and are due during the year ending December 31, 2021.

The Community Foundation paid a total of \$72,765 and \$69,709 in rent for the years ended December 31, 2020 and 2019, respectively.

YAKIMA VALLEY COMMUNITY FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,192,425	\$ 692,910
Interest receivable	25,753	73,418
Loan receivable	2,648,559	3,000,000
Investments	<u>72,173,484</u>	<u>65,378,609</u>
 Total financial assets	 77,040,221	 69,144,937
 Less loans receivable due in more than one year	 (1,545,800)	 (1,553,608)
Less alternative investments unavailable within one year	(1,183,158)	(2,713,020)
Less agency fund investments	(4,182,943)	(3,958,807)
Less endowment fund investments	(32,849,246)	(30,754,919)
Add back amount expected to be appropriated in following year	<u>1,438,632</u>	<u>1,408,604</u>
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 <u>\$ 38,717,706</u>	 <u>\$ 31,573,187</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 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.