

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2025 AND 2024



COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community Foundation of South Puget Sound  
Olympia, Washington

### **Opinion**

We have audited the accompanying consolidated financial statements of Community Foundation of South Puget Sound (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of South Puget Sound as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of Community Foundation of South Puget Sound and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of South Puget Sound's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Community Foundation of South Puget Sound'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of South Puget Sound'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.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
April 23, 2026

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	<u>ASSETS</u>	
	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and cash equivalents	\$ 396,619	\$ 672,210
Investments	14,834,086	12,473,230
Prepays and deposits	<u>8,324</u>	<u>6,724</u>
Total Current Assets	15,239,029	13,152,164
Right of Use Asset - Operating	92,115	-
Endowment Investments	<u>34,179,196</u>	<u>30,944,901</u>
	<u>\$ 49,510,340</u>	<u>\$ 44,097,065</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Accounts payable	\$ 21,899	\$ 630
Grants payable	11,000	9,667
Accrued liabilities	54,208	41,889
Operating lease liabilities	41,404	-
Funds held for others	<u>8,304,209</u>	<u>7,452,793</u>
Total Current Liabilities	8,432,720	7,504,979
Operating Lease Liabilities, long term	<u>51,442</u>	<u>-</u>
Total Liabilities	<u>\$ 8,484,162</u>	<u>\$ 7,504,979</u>
Net Assets		
Without Donor Restrictions		
Undesignated	6,846,982	5,647,185
Designated as donor-advised endowment	23,332,233	21,084,856
Board designated endowment	<u>10,846,963</u>	<u>9,860,045</u>
Total Net Assets	41,026,178	36,592,086
	<u>\$ 49,510,340</u>	<u>\$ 44,097,065</u>

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Without Donor Restrictions		
Public Support and Revenue		
Contributions	\$ 2,848,620	\$ 6,760,550
In-Kind contributions	2,850	-
Investment return, net	5,792,525	3,364,551
Miscellaneous income	171,953	91,546
Net assets released from time restrictions	<u>-</u>	<u>4,100</u>
Total Public Support and Revenue	<u>8,815,948</u>	<u>10,220,747</u>
Expenses		
Program services	4,031,280	4,634,751
Management and general	293,725	255,168
Fundraising	<u>56,851</u>	<u>67,364</u>
Total Expenses	<u>4,381,856</u>	<u>4,957,283</u>
Change in Net Assets Without Donor Restrictions	<u>4,434,092</u>	<u>5,263,464</u>
With Donor Restrictions		
Net assets released from time restrictions	<u>-</u>	<u>(4,100)</u>
Change in Net Assets With Donor Restrictions	<u>-</u>	<u>(4,100)</u>
Total Change in Net Assets	4,434,092	5,259,364
Net Assets - Beginning of Year	<u>36,592,086</u>	<u>31,332,722</u>
Net Assets - End of Year	<u>\$ 41,026,178</u>	<u>\$ 36,592,086</u>

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants and philanthropic distributions	\$ 3,434,352	\$ -	\$ -	\$ 3,434,352	\$ 4,145,680	\$ -	\$ -	\$ 4,145,680
Salaries, wages, and taxes	332,614	163,667	31,678	527,959	273,877	142,893	37,723	454,493
Community engagement	82,689	40,688	7,875	131,252	78,672	41,046	10,836	130,554
Office expenses	58,841	28,954	5,604	93,399	36,951	19,279	5,090	61,320
Employee benefits	37,788	18,594	3,599	59,981	31,277	16,318	4,308	51,903
Occupancy	27,884	13,721	2,656	44,261	26,231	13,686	3,613	43,530
Consulting and professional services	22,307	10,974	2,124	35,405	25,652	13,383	3,533	42,568
Marketing and communications	17,327	8,526	1,650	27,503	8,557	4,465	1,179	14,201
Meetings, conferences, and travel	14,604	7,187	1,391	23,182	5,751	3,001	792	9,544
Other expenses	2,874	1,414	274	4,562	2,103	1,097	290	3,490
Total Expenses	<u>\$ 4,031,280</u>	<u>\$ 293,725</u>	<u>\$ 56,851</u>	<u>\$ 4,381,856</u>	<u>\$ 4,634,751</u>	<u>\$ 255,168</u>	<u>\$ 67,364</u>	<u>\$ 4,957,283</u>

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received From:		
Donors	\$ 2,848,620	\$ 6,764,650
Other revenue	171,953	91,546
Cash Paid For:		
Personnel	(515,640)	(438,842)
Grants and scholarships	(3,433,019)	(4,210,346)
Services and supplies	<u>(396,295)</u>	<u>(355,713)</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (1,324,381)</u>	<u>\$ 1,851,295</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	2,407,693	45,445,143
Purchases of investments	<u>(1,358,903)</u>	<u>(47,084,179)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,048,790</u>	<u>(1,639,036)</u>
Changes in Cash and Cash Equivalents	(275,591)	212,259
Cash and Cash Equivalents - Beginning of Year	<u>672,210</u>	<u>459,951</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 396,619</u></u>	<u><u>\$ 672,210</u></u>

## COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Community Foundation of South Puget Sound ("the Foundation" or "Community Foundation") was established in 1989 as a public charity and is incorporated under the laws of the State of Washington. The Foundation grows a lasting culture of generosity and well-being in the South Puget Sound region through connection, leadership, and investment. As the only local organization designed to build permanent charitable resources and inspire philanthropic efforts to broadly improve the health and wellbeing of our region, the Foundation demonstrates a place-based focus on communities in Thurston, Mason, and Lewis Counties. Community Foundation staff and volunteers bring deep local knowledge of area nonprofits and community issues, grantmaking expertise, and an understanding of effective philanthropy when advising donors.

The Foundation aims to support a wide range of nonprofit activities - from the arts to basic needs to the environment - as well as to fund organizations that are tackling tough challenges and strengthening what's working in our communities. The Foundation identifies and funds critical community needs and opportunities through its community engagement efforts. This scope of its mission reflects the Foundation's ability to raise charitable funds and make grants and scholarships for the benefit of the South Puget Sound region.

The Foundation uses the basic measures of assets held and discretionary dollars granted to gauge impact. The Foundation also believes that telling donor and nonprofit stories can help demonstrate the local nonprofit sector's impact, as well as the specific solutions that are being funded in our communities. The data the Foundation collects through its grant reporting process helps measure whether its grantmaking is flexible and inclusive and ensures that the Foundation's grants reach far into the communities it serves.

#### Principles of consolidation

The consolidated financial statements include the accounts of the Foundation and TCFSPS-Properties, LLC (the LLC), a single member LLC established by the Foundation in 2012 to receive certain types of noncash gifts (collectively referred to as "the Foundation"). All significant inter-organizational accounts and transactions have been eliminated in consolidation.

#### Basis of presentation

The Foundation presents its consolidated financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions consist of multiple unrestricted funds. Each fund is classified by management based upon the characteristics of the fund. Management may reclassify certain funds based upon current interpretation of fund attributes and authoritative guidance. Due to the variance power retained by the Foundation, these funds are considered without donor restriction. The funds of the Foundation are composed of the following:

**Administrative Fund**

To assist the Foundation in its development, certain organizations and individuals have donated funds to defray operating costs. In addition, a board-designated administrative fund has also been created. This fund, including earnings on related investments, is used to pay Community Foundation operating costs.

**Unrestricted Fund**

The amounts of this fund represent contributions for which donors have neither imposed any restrictions nor reserved any right to make recommendations regarding distributions. Distributions from this fund are made at the discretion of the Board based on identified community needs and opportunities.

**Field of Interest**

This fund includes amounts designated by donors who want to focus grants toward a specific field of interest or specific geographic area, but who do not want to take an active role in grant-making. This type of fund allows the donor to identify and support a charitable purpose such as education, environment, the arts, health and human services, and community development, or a geographic area.

**Donor Advised Fund**

The Donor Advised Fund allows donors to recommend grant recipients aligned with their values and interests, subject to the Community Foundation's due diligence and approval.

**Designated Fund**

The Designated Fund includes amounts designated by the donors for support of specific charitable organization(s). The Donor Advised Fund allows donors to recommend grant-making to any charitable organization, while the Designated Fund identifies one or more organizations that are supported through the donor's lifetime and beyond through the application of the Community Foundation's spending policy, which determines the amount of the annual grant. If the beneficiary organization(s) ceases to exist, loses its tax-exempt status, or changes its mission, the Community Foundation's variance power allows the monies to be redirected to support organization(s) with a similar mission.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Agency Fund**

This fund includes amounts received under the terms of agreements with certain qualified not-for-profit organizations that specify themselves as the ultimate beneficiary for the funds. Even though these funds are classified as agency funds (funds held for others), the Community Foundation controls and manages Agency Fund assets.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

**Cash**

For the purpose of reporting cash flows, the Foundation considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Foundation has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

The Foundation also maintains accounts containing cash and securities in brokerage accounts that are insured up to the Securities Investor Protection Corporation maximum of \$500,000. The Foundation monitors these investments regularly.

**Fair value measurements**

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are reported at their fair values in the statement of financial position. Market risk may exist and is dependent on the future changes in market prices of the various investments held. Investment returns are allocated between funds in the investment pool, which include endowment funds.

Support and revenue recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. As of December 31, 2025 and 2024, the Foundation had not received any conditional contributions or grants.

Investment return is recognized when earned or incurred. Dividend income is recorded when received.

Grants and philanthropic distributions

Grants are approved by the Board of Directors of the Foundation, or as delegated, in accordance with respective by-laws and guidelines. Grants are recorded in the consolidated financial statements when approved.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on a percentage of employee time spent.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Internal Revenue Service has recognized Community Foundation of South Puget Sound as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

TCFSPS-Properties, LLC, a single member limited liability company, is considered a disregarded entity for tax purposes and therefore has no tax filing requirement. The member of the LLC, Community Foundation of South Puget Sound, is taxed on its share of earnings under applicable federal taxation laws. For the years ended December 31, 2025 and 2024, no taxes were due or payable by the Foundation for its share of the LLC's earnings.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - LIQUIDITY

The Foundation manages its cash to meet general expenditures and grants following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established and whether the fund is endowed or not. Endowed funds are generally invested in the Foundation's investment pool. The amount available for granting is calculated annually according to the Foundation's spending policy. In order to protect the principal value of an endowment, no grant distributions are made that will cause the spendable balance to fall below zero.

The endowment funds consist of donor-advised endowments and funds designated by the Board as endowments. Income from donor-advised endowments is for specific purposes, with the exception of the amounts available for general use. Donor-advised endowment funds are not available for general expenditure. The endowment funds are subject to an annual spending rate as described in Note E.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE B - LIQUIDITY (Continued)

Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. The table below presents financial assets available for general expenditures within one year as of December 31:

	<u>2025</u>	<u>2024</u>
Total financial assets	\$ 49,409,901	\$ 44,090,341
Less:		
Funds held for others	(8,304,209)	(7,452,793)
Donor-advised endowment	(23,332,233)	(21,084,856)
Board-designated endowment	<u>(10,846,963)</u>	<u>(9,860,045)</u>
	<u>\$ 6,926,496</u>	<u>\$ 5,692,647</u>

NOTE C - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis (at least annually) are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2025				
Cash and cash equivalents	\$ 725,926	\$ -	\$ -	\$ 725,926
Stocks and mutual funds	31,252,389	-	-	31,252,389
Fixed income funds	9,977,037	207,245	-	10,184,282
Alternative investments	<u>6,850,685</u>	<u>-</u>	<u>-</u>	<u>6,850,685</u>
	<u>\$ 48,806,037</u>	<u>\$ 207,245</u>	<u>\$ -</u>	<u>\$ 49,013,282</u>
As of December 31, 2024				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Stocks and mutual funds	41,510,004	-	-	41,510,004
Fixed income funds	522,398	109,368	-	631,766
Alternative investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 42,032,402</u>	<u>\$ 109,368</u>	<u>\$ -</u>	<u>\$ 42,141,770</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. The Foundation also uses fair value concepts to test various long-lived assets for impairment.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE D - FUNDS HELD FOR OTHERS

Funds held for other agencies are funds placed with the Foundation for which the donor has retained the ability to designate and modify the ultimate recipient of the funds. The following are the financial effects of these transactions that the Foundation recognizes as a current liability to the other agencies at December 31:

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ 7,452,793	\$ 7,319,414
Additions		
Contributions	8,071	52,338
Interest and dividend income	323,921	299,128
Net investment gain	891,775	484,663
	<u>1,223,767</u>	<u>836,129</u>
Deductions		
Distributions - grants/adjustments	278,843	611,795
Administrative expenses	93,508	90,955
	<u>372,351</u>	<u>702,750</u>
Change in balance	<u>851,416</u>	<u>133,379</u>
End of year	<u>\$ 8,304,209</u>	<u>\$ 7,452,793</u>

NOTE E - ENDOWMENT

The Foundation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-advised endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The State of Washington enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009. The Board of Directors and management of the Foundation have determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary is appropriate.

The Foundation classifies net assets with donor restrictions as (a) the original value of gifts donated to the endowment with donor restrictions, and (b) the original value of subsequent gifts to the endowment with donor restrictions. The Foundation maintains an ongoing relationship with its donors and, with donor permission, allows appropriation of endowment funds in accordance with the Foundation's grant policy.

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE E - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The 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-advised funds that the Foundation must hold in perpetuity or donor-designated 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 equal to the spending rate while assuming a reasonable level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.35%, plus inflation, over the long term. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objective, the 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 Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has adopted a spending policy which establishes the distributable amount from any endowed fund for grant-making purposes based on a percentage of each fund's average fair value over the prior 16 quarters ending September 30th. The Finance Committee recommends a spendable rate to the Board of Directors annually in the fourth quarter. The Board of Directors approved a 4% rate for 2025 and 2024. The objective is to preserve the purchasing power of the endowment through periodic board designations and investment returns. Earnings and appreciation are periodically drawn or appropriated to support the programs of the Foundation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth.

Endowment net assets by fund type were as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Donor-advised endowment funds	\$ 23,332,233	\$ 21,084,856
Board-designated endowment funds	<u>10,846,963</u>	<u>9,860,045</u>
	<u>\$ 34,179,196</u>	<u>\$ 30,944,901</u>

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE E - ENDOWMENT (Continued)

Changes in endowment net assets were as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Endowment funds, beginning of year	\$ 30,944,901	\$ 26,050,600
Contributions	1,418,585	5,951,107
Investment return	5,317,538	3,064,023
Appropriation of endowment assets for expenditure	<u>(3,501,828)</u>	<u>(4,120,829)</u>
Endowment funds, end of year	<u>\$ 34,179,196</u>	<u>\$ 30,944,901</u>

NOTE F - LEASE OBLIGATIONS

The Foundation has an operating lease for office space through March 2028. Operating leases are included in Right of Use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and lease liability represent the Foundation's obligation to make lease payments arising from the lease. The discount rate represents the Foundation's election of the risk-free rate. Non lease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred.

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

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 44,261	\$ 43,530
Supplemental cash flow information:		
Weighted-average remaining lease term	2.25 years	3.25 years
Weighted-average discount rate	3.85%	3.85%

Future minimum rental payments required under the above operating lease for the years ended December 31 are as follows:

2026	\$ 44,183
2027	45,069
2028	<u>11,323</u>
	100,575
Less present value discount	<u>(7,729)</u>
	<u>\$ 92,846</u>

COMMUNITY FOUNDATION OF SOUTH PUGET SOUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE G - RETIREMENT PLAN

The Foundation has established a retirement plan for its employees. The Foundation may, at management's discretion, make matching or additional employer contributions to the plan on behalf of plan participants. The Foundation contributed \$21,232 and \$14,018 to the plan during the years ending December 31, 2025 and 2024, respectively.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2025 through April 23, 2026, which is the date the consolidated financial statements were available to be issued and has recognized in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2025, including the estimates inherent in the processing of consolidated financial statements.