

RENTON REGIONAL COMMUNITY FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-17

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Renton Regional Community Foundation
Renton, Washington

Opinion

We have audited the accompanying financial statements of Renton Regional Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renton Regional Community Foundation as of December 31, 2022, and the changes 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. 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 Renton Regional 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Renton Regional Community Foundation's ability to continue as a going concern within 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 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 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 Renton Regional 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 Renton Regional 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.

Report on Summarized Comparative Information

We have previously audited Renton Regional Community Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clarke Whitney, CPA, Inc.

Clarke Whitney, CPA, Inc.
Bremerton, Washington
October 2, 2023

**RENTON REGIONAL COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 826,553	\$ 930,535
Prepaid expenses	2,099	1,983
Investments	<u>10,443,693</u>	<u>16,599,400</u>
Total current assets	<u>\$ 11,272,345</u>	<u>\$ 17,531,918</u>
Operating lease right-of-use assets	-	-
Liabilities		
Current liabilities		
Accounts payable	\$ 518	\$ 80
Accrued liabilities	25,377	10,496
Deferred revenues	32,200	155,340
Funds held for others	<u>1,346,962</u>	<u>1,663,574</u>
Total liabilities	1,405,057	1,829,490
Net assets		
Without donor restriction	3,467,600	8,547,156
With donor restriction	<u>6,399,688</u>	<u>7,155,272</u>
Total net assets	<u>9,867,288</u>	<u>15,702,428</u>
Total liabilities and net assets	<u>\$ 11,272,345</u>	<u>\$ 17,531,918</u>

The accompanying notes are an integral part of these financial statements.

RENTON REGIONAL COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	Total <u>2022</u>	Total <u>2021</u>
Support and Revenue				
Contributions	\$ 2,466,462	\$ 470,768	\$ 2,937,230	\$ 1,377,694
Investment earnings	(761,913)	(1,133,209)	(1,895,122)	1,130,227
Other income	62,918	-	62,918	89,277
Net assets released from restrictions	<u>93,143</u>	<u>(93,143)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,860,610	(755,584)	1,105,026	2,597,198
Expenses				
Grants and programs	6,787,534	-	6,787,534	1,689,725
Management and general	81,425	-	81,425	61,905
Fundraising	<u>71,207</u>	<u>-</u>	<u>71,207</u>	<u>55,840</u>
Total expenses	<u>6,940,166</u>	<u>-</u>	<u>6,940,166</u>	<u>1,807,470</u>
Change in net assets	(5,079,556)	(755,584)	(5,835,140)	789,728
Net assets, beginning of year	<u>8,547,156</u>	<u>7,155,272</u>	<u>15,702,428</u>	<u>14,912,700</u>
Net assets, end of year	<u>\$ 3,467,600</u>	<u>\$ 6,399,688</u>	<u>\$ 9,867,288</u>	<u>\$ 15,702,428</u>

The accompanying notes are an integral part of these financial statements.

**RENTON REGIONAL COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Grants and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2022</u>	<u>Total 2021</u>
Grants	\$ 6,462,248	\$ -	\$ -	\$ 6,462,248	\$ 1,280,325
Non-grant funding	5,733	-	-	5,733	205,325
Wages and related expenses	120,263	34,365	29,855	184,483	178,127
Occupancy	8,569	2,505	2,109	13,183	11,440
Professional fees	155,939	30,158	27,635	213,732	66,055
Office supplies and other	31,094	13,572	10,913	55,579	59,605
Insurance	2,823	825	695	4,343	2,674
Technology	865	-	-	865	3,919
Total functional expenses	<u>\$ 6,787,534</u>	<u>\$ 81,425</u>	<u>\$ 71,207</u>	<u>\$ 6,940,166</u>	<u>\$ 1,807,470</u>

The accompanying notes are an integral part of these financial statements.

**RENTON REGIONAL COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from Operating Activities		
Change in net assets	\$ (5,835,140)	\$ 789,728
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Investment earnings (realized & unrealized)	2,018,973	(1,013,321)
(Increase) decrease in Operating Assets:		
Prepaid expenses	(116)	(1,496)
Increase (decrease) in Operating Liabilities:		
Accounts payable	438	(1,113)
Deferred income	(123,140)	113,100
Accrued expenses	14,881	(3,113)
Funds held for others	<u>(316,612)</u>	<u>133,714</u>
Net cash provided (used) by operating activities	(4,240,716)	17,499
Cash flows from Investing Activities		
Net activities of investments	<u>4,136,734</u>	<u>(82,298)</u>
Net cash provided (used) by investing activities	4,136,734	(82,298)
Cash flows from Financing Activities		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(103,982)	(64,799)
Cash and cash equivalents, beginning of year	<u>930,535</u>	<u>995,334</u>
Cash and cash equivalents, end of year	<u>\$ 826,553</u>	<u>\$ 930,535</u>
Supplemental data:		
Cash paid during the fiscal year for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES

Organization

The Renton Regional Community Foundation (the Foundation) is a non-profit corporation that is anchored at the center of the Renton community, managing a group of charitable funds to meet not one, but a broad array of social and community needs. The foundation's mission is to strengthen and expand philanthropy as a way to improve the quality of life in the greater Renton area by increasing the flow of charitable dollars to the areas of need, helping other non-profits be successful, building endowments to provide resources for future generations, and enhancing investment returns by pooling funds.

Per U.S. Treasury regulations, the Foundation has “variance power” that in effect gives the Foundation control over all contributions and grant disbursements. Donations, gifts, and bequests are recorded as contributions to the appropriate program funds at fair value. Contributions are reported as either without donor restrictions or as contributions with donor restrictions. For financial reporting purposes, the determination of contributions with donor restrictions is limited to non-agency endowed funds. All other funds are classified as without donor restrictions due to the Foundation’s variance power. The contributions are maintained in the funds until expended as grants, in accordance with the Board of Directors’ authorization. A description of each of the Foundation’s funds is as follows:

Donor Advised - Donors may advise the Foundation's Board on how awards from the funds are disbursed.

Designated - Funds designated by donors for support of a specific program or organization.

Agency - Funds held for other not-profit corporations enabling them to receive benefit from a close relationship with the Foundation and the investments management.

Fiscal Sponsorship - Funds for which the Foundation has extended its tax umbrella over a specific program.

Scholarship - Donors may establish scholarship funds for the purpose of awarding grants to support post-secondary education for individuals.

The Foundation manages investments, contributions, and grants for several entities. The financial statements include the accounts of the Foundation as well as the investments and related activity for all funds managed by the Foundation. All significant inter-organization accounts and transactions have been eliminated. In 2022, investments were managed for the following entities (an astrisc (*) denotes the agency funds that are recognized as liability accounts under "Funds held for others"):

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (Continued)

Aaron Adair Memorial Fund	King County Employee Giving Campaign
Allied Arts Fund*	Mutual Assistance Field of Interest Fund
Andee Jorgensen Community Fund	Kohlwes College Scholarship
Bergquist Family Fund	Fund (Endowment)
Beth Donofrio Memorial Fund (Endowment)	Lindbergh High School Memorial
Betty Jacobson Scholarship Fund (Endowment)	Scholarship Fund*
Bill Boehlke Character Field of Interest Fund	Medzegian Family Philanthropic Fund
Blaire Krekel Shine Bright Foundation	Nature Stewards Environmental Science
Bobby Skinner Memorial Youth Hockey Fund	Scholarship Fund
Budkis Charbonneau Fund for Senior	Norma Denzer Cugini Arts Fund
Emergency Pet Care	Osborn Consulting Scholarship Fund
CARE Together Fund	Padgett Fund
Carl and Betty Rochet Scholarship	Parker Family Memorial Fund
Fund (Endowment)	Randall Rockhill Student Instrument
Celebrate! Love of Community	Music Fund
Changing the Way America Thinks About	Ray Perez Renton Senior Center Fund
Race Scholarship Fund	Reeder Family Fund
Charles L. Custer Fund - Historical Society	Renton Innovation Zone Partnership
Charles L. Custer Fund - Parks and Recreation	(RIZP) Innovation Fund
Circle of Giving-Short term Fund	Renton Kiwanis Clothes Bank Fund
City of Renton Emergency Utility Fund	Renton LGBTQIA+ Community Fund
City of SeaTac Senior Program Fund	Renton Regional Community Foundation
Communities in Schools of Renton Fund*	Renton Regional Fire Authority FDCARES
Community Benefit Fund	Fund
Cugini Family Fund (Endowment)	Renton Regional Fire Authority Fund
Dog and Cat Welfare for Renton Residents	Renton River Days Fund*
Dolores Gibbons Scholarship Fund	Renton Rotary Foundation Fund (Endowment)*
Eda and Teresa Pozzobon Fund	Renton Rotary ROTACARE Fund*
Education and Community Support Fund	Renton Schools Foundation*
Empower WOC Project Fund	Renton Senior Center Fund
Family First Community Center Fund	Renton Technical College Foundation Fund*
Felomena's Grace Fund	Richard Baima Bisiack Fund
First Financial NW Foundation	Robert and Mary Cugini Charitable Fund
First Savings Bank of Renton (Endowment)	Rudolph Bundas Memorial Fund
Frank Raphael Scholarship Fund (Endowment)*	(Puget Sound Group of NW Painters)*

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (Continued)

General Scholarship Fund	Roger and Marlene Winter Fund
Harper Employee Giving Fund	Sam Chastain Scholarship Fund
Harper Engineering Children's Need Fund	Searing Family Fund (Endowment)
Harry and Janet Blencoe Scholarship Fund	Sister City Fund-City of Renton
Helen Dyrdal Memorial Scholarship Fund	Skyway Fund
Ikea Performing Arts Center Community Support Fund	Sonics Legends Fund
Irene Olson Memorial Scholarship Fund	Steve and Marcie Maxwell Family Fund
Jeremy Gidlund Memorial Scholarship	St. Matthews Lutheran Church Fund (Endowment)*
John and Petra Hansen Fund	Sue Carlson Memorial Scholarship Fund
Joy Poff Fund for Education and Families	The Next Curve
Kent-Merdian Hub	Valley Medical Center Fund*
Key to Change Empowering Youth for Change Fund*	Vision House Fund (Endowment)*
	Wallace Family Fund

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from the estimated amounts.

Financial Statement Presentation

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

Without Donor Restriction: Net assets that are not subject to donor-imposed stipulations.

With Donor Restriction: Net assets subject to donor-imposed stipulations that may or will be met either by action of the Foundation and or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial Statement Presentation (Continued)

Expenses are reported as decreases in net assets without donor restrictions. Donor restricted funds are the endowed funds that are not agency funds.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in the net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e. the donor-imposed stipulation purpose has been fulfilled) are reported as reclassification between the applicable classes of net assets.

Functional Expenses

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash includes cash in bank and money market funds except money market funds held for investment. The Foundation has amounts deposited with a financial institution in excess of federally insured limits. To limit risk, the Foundation's Investment and Finance Committee regularly reviews cash flow forecasts to minimize excess cash balances.

Liquidity and Availability

At December 31, 2022, the Foundation has \$828,652 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash in the amount of \$826,553 and prepaid expense of \$2,099. Prepaid expense will be consumed with the passage of time, expensed within one year.

RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

**NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Funds Held for Others

The Foundation accepts funds and contributions from or on behalf of other organizations who establish themselves as the beneficiary of the funds with the understanding that the Foundation will transfer those assets, and any return on investment related to those assets to the organization as specified by the donor. The contribution is included in the Foundation's assets and as an offsetting liability. The liability is presented at the fair value of the funds held. Activities related to the funds held for others do not affect the change in net assets on the Statement of Activities.

Investments

Investments consist primarily of money market fund, stocks, bonds, fixed income securities, and commodities that are held in the investment portfolio. The investments are reported at fair value using Level 1 inputs, such as quoted prices on national exchanges, in the Statement of Financial Position. Unrealized gains and losses are included in the changes in net assets.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2022. The Foundation has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Foundation has analyzed the tax positions taken in its filing with the Internal Revenue Service and state jurisdictions where it operates. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows.

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes (Continued)

Accordingly, the Foundation has not recorded any reserve, or related accruals of interest of penalties for uncertain income tax at December 31, 2022.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits of any tax period in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to December 31, 2020.

Concentration

For the year ended December 31, 2022, contributions from one donor accounted for 39% of total contributions.

Subsequent Events

Management of the Foundation has evaluated subsequent events through October 2, 2023, the date on which these financial statements were available to be issued, which is the same date as the independent auditor's report.

Fair Value Measurements

Fair Value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the Foundation to develop its own assumptions.

The Foundation reports its investments at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Funds	\$ 10,443,693	\$ -	\$ -	\$ 10,443,693

RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had no material impact on the Organization's statement of financial position and did not have a material impact on the statement of activities as there were no eligible lease agreements.

NOTE 2: INVESTMENT AND INVESTMENT INCOME

Investments at December 31, 2022, is comprised of the following:

	<u>Fair Market Value</u>
Cash and cash equivalents	\$ 865,602
Fixed income funds	3,063,510
Other	276,226
Equity funds	<u>6,238,355</u>
Total investments	<u>\$ 10,443,693</u>

Investment income for the year ended December 31, 2022, in the Statement of Activities consists of the following:

Dividends and interest	\$ 183,556
Realized and unrealized gains	(2,018,973)
Fees	<u>(59,705)</u>
Total investment income	<u>\$ (1,895,122)</u>

NOTE 3: ENDOWMENT

The Foundation's endowment consists of seven individual funds established for a variety of purposes. The endowment funds include only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: ENDOWMENT (Continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UMPIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as net assets with donor restrictions as (a) the original value of the gifts donated to the endowment with donor restrictions, plus (b) the original value of the subsequent gifts to the endowment with donor restrictions and accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UMPIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted funds:

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

Endowment net assets consisted of the following for the year ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds	<u>\$ -</u>	<u>\$ 6,399,688</u>	<u>\$ 6,399,688</u>

At December 31, 2022, funds with original gift values of \$107,986, fair values of \$97,197, and deficiencies of \$10,789 were reported in net assets with donor restrictions.

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: ENDOWMENT (Continued)

Changes in endowment net assets are as follows for the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,155,272	\$ 7,155,272
Investment return:			
Investment income	-	113,601	113,601
Net appreciation (realized and unrealized)	<u>-</u>	<u>(1,246,810)</u>	<u>(1,246,810)</u>
Total investment return	<u>-</u>	<u>(1,133,209)</u>	<u>(1,133,209)</u>
Contributions	-	470,768	470,768
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(93,143)</u>	<u>(93,143)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,399,688</u>	<u>\$ 6,399,688</u>

Return Objective and Risk Parameters

The Foundation has adopted investment policies 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 Foundation must hold in perpetuity or for donor-specified period(s). Under the Foundation's investment, the primary investment goal is to:

- Preserve the real (inflation-adjusted) purchasing power of the assets and income of the Foundation's portfolio;
- Preserve and protect the Foundation's assets by earning a total return that will allow the Foundation to focus and respond to current and future needs; and
- To optimize investment opportunities for all the money received, whether funds are to be expended within a day or endowed in perpetuity.

**RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

The assets are to be invested in a manner consistent with an objective of "balance" in order to accomplish these priorities ranked in order of importance:

- Capital appreciation due to relatively long (three to five year) time horizon;
- Growth of principle; maintenance of purchasing power;
- Generation of current income; and
- Diversification/stability of principle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The goal of the Foundation's Endowment Spending Policy shall be to establish a payout rate from endowment accounts that provides a stable, predictable, level of spending for the endowed purposes, while providing for a rate of growth in the endowment fund that meets or exceeds the rate of inflation. The Foundation will calculate spendable income on an annual basis from all endowed funds to help meet the charitable purposes described in each fund agreement. This policy shall be administrated in accordance with the guidelines described below.

Authority: Any changes to this Endowment Spending Policy shall be determined by the Foundation's Investment & Finance Committee and recommended to the Foundation Board of Directors for approval. Staff will implement the policy as directed by the Investment and Finance Committee.

The Foundation will annually calculate the amount available to spend from all endowed funds using an annual spending rate recommended by the Investment and Finance Committee and approved by the Board of Directors no later than March 1st of each year. The Investment & Finance Committee shall consider the following factors in determining a recommended spending rate for each endowment pool:

- Total investment returns;
- General inflation; and
- Administrative fees.

It is the intended policy of the Foundation to offset the effects of inflation so as to maintain the purchasing power of the endowed funds. The amount available to spend may only be drawn from fund assets that are in excess of the fund principle, which includes the sum of all gifts or contributions to the fund made over time:

RENTON REGIONAL COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3: ENDOWMENT (Continued)

Calculation: The spendable amount will be calculated annually for each endowed fund based on the following:

- The average fair market value of the fund, calculated using the average of the fund balance at the end of the past three fiscal years, will be multiplied by the spending rate to determine the spendable amount.
- Funds established less than three fiscal years prior to the determination date will be calculated using the average of the fund balance at the end of the fiscal year that the fund has been established.
- The amount available to spend will be calculated annually after fiscal year end and communicated to the fund representative upon approval by the Board of Directors.

Exceptions: Any exceptions to the Endowment Spending Policy shall require the review and recommendation of the Investment & Finance Committee and approval by the Foundation's Board of Directors.

NOTE 4: OPERATING LEASES

During 2019, the Organization entered into a commercial lease of office space in Renton, Washington for a period of 12 months, with an option to extend for an additional 12 months, for a monthly rent amount of \$700. This lease has termed on June 30, 2022. The rental expense incurred under this lease for the year ended December 31, 2022 was \$3,088.

During 2022, the Organization entered into a commercial lease of office space in Renton, Washington for a period of 12 months, with an option to extend for an additional 12 months, for a monthly rent amount of \$1250. This lease will term on June 30, 2023. The rental expense incurred under this lease for the year ended December 31, 2022 was \$7,500.

The Organization also entered into an operating lease of a copy machine from Pacific Office Automation in January of 2019 for a period of 60 months and a minimum monthly payment of \$213. The total cost incurred under this lease for the year ended December 31, 2022 was \$3,427.