

**THE SKAGIT COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**



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**THE SKAGIT COMMUNITY FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Skagit Community Foundation
Mount Vernon, Washington

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of The Skagit Community Foundation, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 The Skagit Community Foundation as of December 31, 2024 and 2023, 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 (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Skagit Community Foundation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Skagit Community Foundation's ability to continue as a going concern for one year after the date the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Skagit Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Skagit 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.



CliftonLarsonAllen LLP

Bellevue, Washington
October 24, 2025

**THE SKAGIT COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 609,795	\$ 540,196
Contributions and Other Receivable	615,003	1,100,000
Prepaid Expenses and Other Assets	4,167	1,307
Investments	12,472,896	11,248,357
Leasehold Improvements and Equipment	1,834	3,059
Right-of-Use Asset	2,453	17,143
Total Assets	\$ 13,706,148	\$ 12,910,062
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	\$ 2,861	\$ 4,555
Operating Lease Obligations	2,453	17,143
Pass-Through Grants Payable	-	2,450
Agency Endowment Funds	557,612	465,217
Total Liabilities	562,926	489,365
NET ASSETS		
Net Assets Without Donor Restrictions:		
Undesignated	358,802	352,582
Designated for Nonendowed Funds	8,517,163	7,685,786
Designated by Board for Endowment	3,657,257	3,282,329
Total Without Donor Restrictions	12,533,222	11,320,697
Net Assets With Donor Restrictions	610,000	1,100,000
Total Net Assets	13,143,222	12,420,697
Total Liabilities and Net Assets	\$ 13,706,148	\$ 12,910,062

See accompanying Notes to Financial Statements.

**THE SKAGIT COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and Grants	\$ 1,707,895	\$ 85,000	\$ 1,792,895	\$ 5,014,437	\$ 350,000	\$ 5,364,437
Board Member Contributions	9,750	-	9,750	12,200	-	12,200
Net Investment Return (Loss)	1,185,164	-	1,185,164	1,177,070	-	1,177,070
Administrative Fees, Net	5,272	-	5,272	5,996	-	5,996
Other Income	2,896	-	2,896	72	-	72
Net Assets Release from Restriction	575,000	(575,000)	-	260,000	(260,000)	-
Total Support and Revenue	<u>3,485,977</u>	<u>(490,000)</u>	<u>2,995,977</u>	<u>6,469,775</u>	<u>90,000</u>	<u>6,559,775</u>
EXPENSES						
Program Services:						
Grants	1,947,719	-	1,947,719	2,115,949	-	2,115,949
Other Program Expense	158,669	-	158,669	162,186	-	162,186
Supporting Services:						
Management and General	100,788	-	100,788	85,381	-	85,381
Fundraising	66,276	-	66,276	28,246	-	28,246
Total Expenses	<u>2,273,452</u>	<u>-</u>	<u>2,273,452</u>	<u>2,391,762</u>	<u>-</u>	<u>2,391,762</u>
CHANGE IN NET ASSETS	1,212,525	(490,000)	722,525	4,078,013	90,000	4,168,013
Net Assets - Beginning of Year	<u>11,320,697</u>	<u>1,100,000</u>	<u>12,420,697</u>	<u>7,242,684</u>	<u>1,010,000</u>	<u>8,252,684</u>
NET ASSETS - END OF YEAR	<u>\$ 12,533,222</u>	<u>\$ 610,000</u>	<u>\$ 13,143,222</u>	<u>\$ 11,320,697</u>	<u>\$ 1,100,000</u>	<u>\$ 12,420,697</u>

See accompanying Notes to Financial Statements.

**THE SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024**

	2024			
	Program Expense	Management and General	Fundraising	Total
Grants	\$ 1,947,719	\$ -	\$ -	\$ 1,947,719
Salaries Benefits and Taxes	126,050	61,127	47,093	234,270
Professional Fees	-	21,623	961	22,584
Occupancy	8,165	3,988	3,018	15,171
Information Technology	7,489	3,658	2,768	13,915
Other	11,264	6,519	7,073	24,856
Conferences and Meetings	4,982	1,184	5,097	11,263
Advertising	719	351	266	1,336
Insurance	-	2,338	-	2,338
	<u>\$ 2,106,388</u>	<u>\$ 100,788</u>	<u>\$ 66,276</u>	<u>\$ 2,273,452</u>
Total Functional Expenses	<u>\$ 2,106,388</u>	<u>\$ 100,788</u>	<u>\$ 66,276</u>	<u>\$ 2,273,452</u>

See accompanying Notes to Financial Statements.

**THE SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	2023			
	Program Expense	Management and General	Fundraising	Total
Grants	\$ 2,115,949	\$ -	\$ -	\$ 2,115,949
Salaries Benefits and Taxes	130,797	46,164	15,388	192,349
Professional Fees	-	22,342	211	22,553
Occupancy	10,162	3,557	1,186	14,905
Information Technology	8,041	4,020	1,340	13,401
Other	8,084	6,078	5,567	19,729
Conferences and Meetings	4,436	986	4,436	9,858
Advertising	666	196	118	980
Insurance	-	2,038	-	2,038
	\$ 2,278,135	\$ 85,381	\$ 28,246	\$ 2,391,762
Total Functional Expenses	\$ 2,278,135	\$ 85,381	\$ 28,246	\$ 2,391,762

See accompanying Notes to Financial Statements.

**THE SKAGIT COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 722,525	\$ 4,168,013
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Right-of Use Asset	14,690	14,537
Loss on Disposal of Equipment	1,225	85
Realized and Unrealized Losses (Gains) on Investments, Net	(947,185)	(960,228)
Contributions to be Held for Long-Term Purposes	(152,000)	(152,550)
(Increase) Decrease in Assets:		
Contributions and Other Receivables	484,997	(90,000)
Prepaid Expenses	(2,860)	2,600
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	(1,694)	(1,005)
Operating Lease Obligations	(14,690)	(14,537)
Grants Payable	(2,450)	2,450
Agency Endowment Funds	92,395	88,701
Net Cash Provided by Operating Activities	194,953	3,058,066
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments by Professional Advisors	1,962,710	1,674,393
Increase in Board-Designated Cash Held in Investments	125,017	(314,728)
Purchases of Investments and Dividend Reinvestments by Professional Advisors	(2,240,064)	(4,635,213)
Net Cash Used by Investing Activities	(152,337)	(3,275,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Contributions to be Held for Long-Term Purposes	\$ 152,000	\$ 152,550
Net Cash Provided (Used) by Financing Activities	152,000	152,550
NET CHANGE IN CASH AND CASH EQUIVALENTS	194,616	(64,932)
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	948,026	1,012,958
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 1,142,642	\$ 948,026
RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER THE CASH FLOW STATEMENT TO CASH PER THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 609,795	\$ 540,196
Board-Designated Cash Held in Investments	532,847	407,830
Cash and Restricted Cash	\$ 1,142,642	\$ 948,026

See accompanying Notes to Financial Statements.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Skagit Community Foundation (the Foundation) helps to create a healthy community through engaged philanthropy, community knowledge, and leadership. The Foundation is a nonprofit foundation incorporated under the laws of the state of Washington, and is authorized to accept gifts, bequests, contributions, and grants of property to carry out its Foundational purpose. The Foundation generally doesn't focus on administering programs of its own; instead, it grants funds to a variety of charitable and nonprofit Foundations to support their respective programs.

Basis of Accounting

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Net Asset Classification

The Foundation follows Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statement*, in classifying net assets, including donor restricted endowment funds. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets on which there are no donor-imposed restrictions for use or on which donor-imposed restrictions have expired. The Foundation considers all contributions as without donor restrictions if they are subject to the Foundation's variance power, as described in Note 5.

Net Assets With Donor Restrictions – Time and Purpose – Net assets subject to donor- (or certain grantor) imposed stipulations. 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. There was a total of \$610,000 and \$1,100,000 of net assets with donor restrictions at December 31, 2024 and 2023, respectively.

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. Net investment return/(loss) 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 statements of activities as Net Assets Released from Restriction.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Cash Equivalents

Cash and cash equivalents for purposes of cash flows are defined as all highly liquid investments with an initial maturity of three months or less, which are not held for investments. 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.

Cash is held in checking and savings accounts at banks. These amounts may at times, exceed the applicable insured limit by the Federal Deposit Insurance Corporation (FDIC) and the Securities and Investor Protection Corporation (SPIC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk to cash. The Foundation held uninsured balances totaling \$395,402 and \$291,954 for the year ended December 31, 2024 and 2023, respectively.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. The Foundation considers the collectability of each account individually. At December 31, 2024 and 2023, the Foundation did not have an allowance for contribution receivable. Conditional promises are not included as support until conditions are met.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(Loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value Measurements

Accounting principles generally accepted in the United States of America (U.S. GAAP) establishes a framework for measuring fair value and requires certain disclosures. To increase consistency and comparability in fair value measurements, fair value is required to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements (Continued)

U.S. GAAP utilizes a three-level valuation hierarchy based on observable and unobservable inputs. Observable inputs consist of data obtained from independent sources. Unobservable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

While this requirement applies to all financial assets recorded on a recurring basis, it primarily applies to the securities held in the Foundation's investment portfolio and certain liabilities.

Fair Value of Financial Instruments

Financial instruments reported at fair value on a recurring basis include investments and agency funds. Financial instruments not reported at fair value on a recurring basis include accounts payable and other liabilities. The carrying amount of these financial instruments approximate fair value.

Equipment

The Foundation capitalizes all equipment acquisitions in excess of \$5,000. Equipment is recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives.

Agency Endowment Funds

U.S. GAAP establishes standards for transactions in which a nonprofit Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. U.S. GAAP specifically requires that when a nonprofit Foundation establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that agency fund, the community foundation 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 Foundation's assets with an offsetting liability. The liability shown on the statements of financial position has been established at the fair value of funds estimated by the Foundation. Activities related to these funds held for others do not affect the changes in net assets on the statements of activities. These funds are considered agency funds as described in Note 5 and summarized in Note 6.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Concentrations

At December 31, 2024 and 2023, 99% of contributions receivable was from two donors. Contributions from one donor and two donors represented 28% and 74% of total contributions revenue for the year ended December 31, 2024 and 2023, respectively.

Revenue Recognition

Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Goods or Services

Donations of supplies, equipment, and other goods are recorded at fair value on the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated.

Leases

The Foundation leases office space for its operations. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets and operating lease obligation, and finance leases are included in financing right-of-use (ROU) assets and finance lease obligation in the statements of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Foundation uses risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Grants Expense

Grants expense are approved by the board of directors of the Foundation in accordance with their respective bylaws and guidelines. Unconditional grants and distributions are recorded in the financial statements as grants payable when unconditionally approved and communicated to the grantee. Grants approved by the board of directors that are payable upon the performance of specified conditions by the grantee are not reflected in grants payable in the financial statements until such time as those conditions are satisfied. There was \$2,450 of grants payable as of December 31, 2023.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. The method of allocation applied to expenses is as follows:

Time and Effort: Payroll, payroll taxes, and conferences and meetings.

Estimates of Usage: Rent, advertising, information technology, and other.

Federal Income Tax

The Foundation is a nonprofit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision of income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the December 31, 2023 amounts to be consistent with the presentation as of December 31, 2024. The results of the reclassification did not result in any changes to net asset restrictions or changes in net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 24, 2025, the date the financial statements were available to be issued.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets as of December 31:

	<u>2024</u>	<u>2023</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 609,795	\$ 540,196
Contributions and Other Receivable	615,003	1,100,000
Investments	<u>12,472,896</u>	<u>11,248,357</u>
Total	13,697,694	12,888,553
Less: Amounts Not Available to be Used for General Expenditures Within One Year:		
Noncurrent Portion of Contributions Receivable	250,000	600,000
Administrative Reserve	32,570	32,570
Agency Endowment Funds	557,612	465,217
Endowment Net Assets	<u>3,657,257</u>	<u>3,282,329</u>
Total	<u>4,497,439</u>	<u>4,380,116</u>
Financial Assets Available to Meet General Expenditures	<u>\$ 9,200,255</u>	<u>\$ 8,508,437</u>

The Foundation's net assets consist of endowment contributions without donor restrictions, with the Foundation exercising "variance power" over the funds. While this variance power dictates the treatment of these contributions as without donor restrictions, the Foundation plans to comply with donor intent in all material respects (see Note 5), thus making them unavailable for general expenditure within the next year. Additionally, a portion of contributions receivable is donor restricted for the passage of time and is not available for general expenditure within the next year.

To fund the Foundation's operations, a designated percentage of fund assets are transferred to the administrative operations fund quarterly. The administrative fee is variable based on fund type and balance. Administrative fees transferred to the administrative operations fund totaled \$215,947 and \$189,583 for the years ended December 31, 2024 and 2023, respectively.

The amount available for granting is determined on an annual basis. The fund agreement established at the inception of the endowments determine the spending rate. However, when no spending rate is given in the fund agreement, the amount is calculated according to the Foundation's spending policy, which is currently 3% of the funds' average quarterly market value over the preceding 12 quarters. Exceptions to the spending policy include the advisors of donors advised funds ability to spend more or less than 3%, as well as several endowments that are not making any grants until certain conditions outlined in the fund agreements are fulfilled. As part of the Foundation's liquidity management, cash in excess of daily requirements are invested in short-term investments and money market funds. A portion of the unrestricted cash and cash equivalents balance is designated as an administrative reserve. This fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs. The goal of the administrative reserve is to maintain three to six months of cash to fund unexpected liquidity needs. The balance of the administrative reserve was \$32,570 at December 31, 2024 and 2023. Additionally, a transfer from investments to checking may be requested by the executive director to the board of directors as cash is needed.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 3 CONTRIBUTIONS AND OTHER RECEIVABLES

The contributions receivable are due according to the following schedule at December 31:

	<u>2024</u>	<u>2023</u>
Receivable in Less than One Year	\$ 365,003	\$ 500,000
Receivable in One to Five Years	250,000	\$ 600,000
Total Contributions Receivable	<u>\$ 615,003</u>	<u>\$ 1,100,000</u>

Management has elected not to record a discount on the long-term pledges receivable as they determined the amount to be immaterial to the financial statements.

NOTE 4 INVESTMENTS AND FAIR VALUE

Investments are comprised of the following at December 31:

	<u>2024</u>	<u>Percent</u>	<u>2023</u>	<u>Percent</u>
Cash and Cash Equivalents	\$ 532,847	4 %	\$ 407,830	4 %
Stocks and ETF's	7,403,741	59	6,795,621	60
Fixed Income Securities	3,414,834	27	3,195,301	28
US Treasury	1,009,047	8	695,179	6
Real Estate Investment Trusts	112,427	0	154,426	1
Total Investments	<u>\$ 12,472,896</u>		<u>\$ 11,248,357</u>	

The following tables set forth the Foundation's investments at fair value by level within the fair value hierarchy at December 31:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 532,847	\$ -	\$ -	\$ 532,847
Stocks and ETF's	7,403,741	-	-	7,403,741
Fixed Income Securities	3,334,058	80,776	-	3,414,834
US Treasury	1,009,047	-	-	1,009,047
Real Estate Investment Trusts	112,427	-	-	112,427
Total Investments	<u>\$ 12,392,120</u>	<u>\$ 80,776</u>	<u>\$ -</u>	<u>\$ 12,472,896</u>
	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 407,830	\$ -	\$ -	\$ 407,830
Stocks and ETF's	6,795,621	-	-	6,795,621
Fixed Income Securities	3,117,239	78,062	-	3,195,301
US Treasury	695,179	-	-	695,179
Real Estate Investment Trusts	154,426	-	-	154,426
Total Investments	<u>\$ 11,170,295</u>	<u>\$ 78,062</u>	<u>\$ -</u>	<u>\$ 11,248,357</u>

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS AND FAIR VALUE (CONTINUED)

Investments are assets held for Foundation funds as follows at December 31:

	2024	2023
Agency Endowment Funds	\$ 557,612	\$ 465,217
Nonendowed Fund Assets	8,258,028	7,500,811
Endowment Net Assets	3,657,256	3,282,329
Total	\$ 12,472,896	\$ 11,248,357

NOTE 5 CONTRIBUTIONS, DONATIONS, GIFTS, AND BEQUESTS BY FUND

The Foundation’s corporate bylaws and contribution documents grant the Foundation “variance power” that in effect gives the Foundation control over all grant disbursements. Consequently, all contributions are classified as without donor restrictions if they are available to the Foundation with no restriction as to when the funds are available for expenditure. However, the Foundation’s intent is to comply with the wishes of donors in all material respects.

Donations, gifts, and bequests are recorded as contributions to the appropriate program fund at fair value. These contributions are maintained in the fund until expended as grants, in accordance with the board of directors’ authorization.

A description of each of the Foundation’s funds follows:

Community – Funds for which donors have neither imposed any restrictions nor reserved any rights to make recommendations regarding distributions. Distributions from these funds are made at the discretion of the board of directors based on identified community needs.

Field of Interest – Funds established by a donor to support a specific charitable cause or area of interest. The board of directors has the discretion to identify and support organizations or projects within that field.

Donor Advised – Funds for which donors have reserved the right to make nonbinding suggestions to the board of directors regarding grant distributions and conditions related to the grants.

Designated – Funds designated by the donors for support of specific charitable organizations and funds to provide financial assistance to students at an educational institution for the purpose of study.

Administrative Reserve – Funds which are without donor restrictions and are used by the board of directors to meet unexpected liquidity needs.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 5 CONTRIBUTIONS, DONATIONS, GIFTS, AND BEQUESTS BY FUND (CONTINUED)

The composition of the funds is as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Endowed Funds		
Designated	\$ 1,760,287	\$ 1,633,142
Field of Interest	1,896,969	1,649,187
Total Endowed Funds Net Assets	<u>3,657,256</u>	<u>3,282,329</u>
Nonendowed Funds		
Donor Advised	1,009,963	1,026,943
Scholarship	3,702,152	3,529,057
Community	4,377,478	4,197,328
Administrative Reserve	32,570	32,570
Administrative Operation	363,803	352,470
Total Nonendowed Funds Net Assets	<u>9,485,966</u>	<u>9,138,368</u>
 Total Funds Net Assets	 <u><u>\$ 13,143,222</u></u>	 <u><u>\$ 12,420,697</u></u>

NOTE 6 AGENCY ENDOWMENT FUNDS

Funds received under the terms of agreements with certain qualified nonprofit organizations that specify themselves as the ultimate beneficiary for the funds. Even though these funds are classified as agency funds, the Foundation maintains legal variance power over these assets. At December 31, 2024 and 2023, the Foundation held seven and six agency endowment funds with a combined value of \$557,612 and \$465,217, respectively. The following table summarizes activity in the agency endowment funds for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Agency Endowment Funds - Beginning of Year	\$ 465,217	\$ 376,516
Net Investment Return (Loss)	46,885	53,210
Transfers into Foundation	55,393	38,873
Appropriation for Expenditure - Admin Fee	(9,883)	(3,382)
Agency Endowment Funds - End of Year	<u><u>\$ 557,612</u></u>	<u><u>\$ 465,217</u></u>

NOTE 7 QUASI-ENDOWMENT NET ASSETS

The Foundation's endowment net assets consists of 22 individual funds at December 31, 2024, which are established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified as reported based on the existence or absence of donor-imposed restrictions. However, because of the Foundation's variance power as described in Note 5, all endowment net assets are classified as net assets without donor restrictions.

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 7 QUASI-ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law

The Prudent Management of Institutional Funds Act (PMIFA) was enacted by Washington State as of July 2009. The board of directors applies PMIFA to all the Foundation's endowment funds.

PMIFA eliminates the historic dollar value threshold, an amount below which the Foundation could not spend from the fund and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under PMIFA, the Foundation may spend as much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. The donor's intent that the fund be perpetual in nature must still be considered and the fund managed accordingly. The Foundation's organizing document set forth the power to modify any restrictions or conditions on distributions from the fund if, in the Foundation's judgment, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area being served. As a result of this variance power, the Foundation classifies as without donor restrictions net asset (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

As of December 31, 2024 and 2023, endowment net assets were classified entirely as a board designated quasi-endowment. Changes to endowment net assets were as follows for the years ended December 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 3,282,329	\$ -	\$ 3,282,329
Net Investment Return	368,981	-	368,981
Contributions	152,000	-	152,000
Appropriation for Expenditure - Admin Fee	(62,396)	-	(62,396)
Appropriation for Expenditure - Program	(83,658)	-	(83,658)
Endowment Net Assets - End of Year	<u>\$ 3,657,256</u>	<u>\$ -</u>	<u>\$ 3,657,256</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,801,478	\$ -	\$ 2,801,478
Net Investment Loss	456,255	-	456,255
Contributions	152,550	-	152,550
Appropriation for Expenditure - Admin Fee	(55,659)	-	(55,659)
Appropriation for Expenditure - Program	(72,295)	-	(72,295)
Endowment Net Assets - End of Year	<u>\$ 3,282,329</u>	<u>\$ -</u>	<u>\$ 3,282,329</u>

**THE SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 7 QUASI-ENDOWMENT NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters

The Foundation's endowments are invested with Charles Schwab. The Foundation's investment priorities are: (1) limit risk by investing in a managed disciplined diversified portfolio (2) to protect the principal of the fund; (3) to maximize income from the fund commensurate with safety of principal; (4) to encourage capital growth. In order that the principal value of each component fund and the income generated by the fund be managed to at least offset any inflationary pressures on them as well as provide a reasonable amount annually for grant making, the investment objectives for the Foundation's investible assets is to earn, through appreciation and income, an annual return net of fees, inclusive of 12(b)(1) fees, a return of 5% to 7% over a five-year period. 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 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 that places greater emphasis on particular asset classes depending on market conditions to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Foundation has a general policy of appropriating for distribution each year a minimum of 3% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate equal to inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity.

NOTE 8 ADMINISTRATION FEES, NET

Administration fees, net, is comprised of the following at December 31:

	2024	2023
Administrative Fees on Endowment Funds	\$ 62,396	\$ 55,659
Administrative Fees on Pass-Throughs	5,272	5,996
Administrative Fees on Other Funds	148,279	127,928
Fees Charged to Funds	(210,675)	(183,587)
Total	<u>\$ 5,272</u>	<u>\$ 5,996</u>

**THE SKAGIT COMMUNITY FOUNDATION
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NOTE 9 LEASE

The Foundation leases office space for a term under a long-term, noncancelable lease arrangement. The lease expires in March 2025. Total leases costs under the lease agreement was \$15,170 and is included in occupancy in the statement of functional expenses.

Amounts reported on the statement of financial position as of December 31 are as follows:

	2024	2023
Operating Lease Right-of-Use Assets	\$ 2,453	\$ 17,143
Operating Lease Obligation	2,453	17,143

The following table provide quantitative information concerning the Foundation's lease for the year ended December 31:

	2024	2023
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 15,170	\$ 14,750
Weighted-Average Remaining Lease Term	0.2 Years	1.2 Years
Weighted-Average Discount Rate	1.04%	1.04%

The Foundation classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liability as of December 31, 2024 is as follows:

Year Ending December 31,	Amount
2025	\$ 3,810
2026	-
Total Undiscounted Lease Payments	3,810
Less: Imputed Interest	3
Total Present Value	3,807
Short-Term Operating Lease Obligation	3,807
Long-Term Operating Lease Obligation	\$ -

Subsequent to year-end, the office lease was extended for an additional two years through February 2027. The impact of this extension has not been factored into the calculations and analysis above.



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