



Whatcom Community Foundation

Consolidated Financial Statements
Years Ended June 30, 2021 and 2020

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Whatcom Community Foundation

Consolidated Financial Statements
Years Ended June 30, 2021 and 2020

Whatcom Community Foundation

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Independent Auditor's Report

To the Board of Directors and Audit Committee
Whatcom Community Foundation
Bellingham, Washington

Opinion

We have audited the accompanying consolidated financial statements of Whatcom Community Foundation and subsidiary (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 consolidated 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 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 the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



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Auditor's 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 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 consolidated 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 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Other Matter - Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

September 22, 2021

Consolidated Financial Statements

Whatcom Community Foundation
Consolidated Statement of Financial Position
(With Comparative Totals for June 30, 2020)

<i>June 30, 2021</i>	2021	2020
Assets		
Cash	\$ 6,357,734	\$ 4,279,299
Restricted cash	170,000	70,000
Investments	28,548,986	22,606,673
Restricted investments	1,748,880	1,561,051
Accounts receivable	230,959	472,430
Other assets	-	1,994
Grants receivable	330,000	750,000
Notes receivable	100,000	100,000
Charitable trust receivable, net	8,108,183	9,945,732
Land held for sale	440,000	-
Land and equipment, net of depreciation	10,552,255	10,567,764
Total Assets	\$ 56,586,997	\$ 50,354,943
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 291,472	\$ 407,151
Grant awards payable	1,387,859	1,545,118
Guarantee liability	104,312	105,994
Payroll Protection Program (PPP) loan	126,040	-
Funds held for others	4,536,938	3,643,817
Total Liabilities	6,446,621	5,702,080
Net Assets		
Without donor restrictions		
Operating	198,821	1,056,036
Board-designated	2,334,481	2,037,542
Total net assets without donor restrictions	2,533,302	3,093,578
With donor restrictions	47,607,074	41,559,285
Total Net Assets	50,140,376	44,652,863
Total Liabilities and Net Assets	\$ 56,586,997	\$ 50,354,943

See accompanying notes to the consolidated financial statements.

Whatcom Community Foundation
Consolidated Statement of Activities
(With Comparative Totals for June 30, 2020)

<i>Year Ended June 30,</i>	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Contributions	\$ 33,225	\$ 4,109,093	\$ 4,142,318	\$ 2,387,123
In-kind contributions	9,656	476,896	486,552	10,516,222
Interest and dividends	42,695	391,407	434,102	482,656
Realized and unrealized gain on investments	443,983	4,977,701	5,421,684	603,484
Grant income	100,683	1,825,490	1,926,173	714,091
Program income	20,468	690,123	710,591	684,498
Management fee	47,007	-	47,007	40,728
Total Revenue	697,717	12,470,710	13,168,427	15,428,802
Net Assets Released from Restrictions				
Satisfaction of restrictions	6,422,921	(6,422,921)	-	-
Total Revenue and Net Assets Releases	7,120,638	6,047,789	13,168,427	15,428,802
Expenses				
Program expenses	6,782,465	-	6,782,465	6,737,764
Management and general expenses	587,407	-	587,407	483,905
Fundraising	311,042	-	311,042	92,367
Total Expenses	7,680,914	-	7,680,914	7,314,036
Change in Net Assets	(560,276)	6,047,789	5,487,513	8,114,766
Net Assets, beginning of year	3,093,578	41,559,285	44,652,863	36,538,097
Net Assets, end of year	\$ 2,533,302	\$ 47,607,074	\$ 50,140,376	\$ 44,652,863

See accompanying notes to the consolidated financial statements.

Whatcom Community Foundation
Consolidated Statement of Functional Expenses
(With Comparative Totals for June 30, 2020)

<i>Year Ended June 30,</i>	2021			2020	
	Program	Management and General	Fundraising	Total	Total
Awards granted	\$ 5,466,764	\$ -	\$ -	\$ 5,466,764	\$ 5,499,817
Salaries, benefits, and taxes	507,365	371,690	44,476	923,531	897,590
Program services	560,727	-	15,794	576,521	614,115
Consultants	164,238	78,189	214,013	456,440	58,643
Development and communications	12,559	-	29,305	41,864	48,526
Equipment maintenance	21,438	15,705	1,879	39,022	40,777
Depreciation	10,177	7,456	892	18,525	18,574
Other	39,197	114,367	4,683	158,247	135,994
	\$ 6,782,465	\$ 587,407	\$ 311,042	\$ 7,680,914	\$ 7,314,036

See accompanying notes to the consolidated financial statements.

Whatcom Community Foundation

Consolidated Statement of Cash Flows (With Comparative Totals for June 30, 2020)

<i>Year Ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 5,487,513	\$ 8,114,766
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	18,525	18,574
Realized and unrealized gains on investments	(5,421,684)	(603,484)
Contributions restricted for long-term purposes	(1,068,845)	(123,342)
Contribution of land	(440,000)	(10,500,000)
Changes in operating assets and liabilities		
Accounts receivable	241,471	(459,922)
Grants receivable	420,000	750,000
Charitable trust receivable	1,837,549	1,804,698
Other assets	1,994	-
Notes receivable allowance and write-offs	-	(3,500)
Accounts payable and accrued expenses	(115,679)	330,887
Guarantee liability	(1,682)	1,682
Grant awards payable	(157,259)	902,570
Net Cash Flows from Operating Activities	801,903	232,929
Cash Flows from Investing Activities		
Issuance on notes receivable	-	(100,000)
Collections of note receivable	-	3,500
Proceeds and purchases of investments, net	437,377	747,699
Purchases of equipment	(3,016)	(6,419)
Net Cash Flows from Investing Activities	434,361	644,780
Cash Flows from (for) Financing Activities		
Collection of long-term contributions	1,068,845	123,342
Proceeds from PPP loan	126,040	-
Net payments made from funds held for others	(252,714)	(266,184)
Net Cash Flows from (for) Financing Activities	942,171	(142,842)
Net Increase in Cash and Restricted Cash	2,178,435	734,867
Cash and Restricted Cash, beginning of year	4,349,299	3,614,432
Cash and Restricted Cash, end of year	\$ 6,527,734	\$ 4,349,299
Supplemental Disclosure of Noncash Donations		
Gifts of investments	\$ 1,153,824	\$ 1,029,812
Cash and Restricted Cash, as presented on the Statements of Financial Position		
Cash	\$ 6,357,734	\$ 4,279,299
Restricted Cash	170,000	70,000
	\$ 6,527,734	\$ 4,349,299

See accompanying notes to the consolidated financial statements.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

1. Organization

Whatcom Community Foundation (the Foundation) is a not-for-profit Washington corporation established in 1996 to strengthen and enhance communities of Whatcom County, Washington. With the support of individuals, businesses, and nonprofit organizations, the Foundation provides funding to a wide range of organizations promoting innovative community building programs in economic and community development, food and agriculture, education, arts and culture, health and wellness, affordable housing, nonprofit capacity building, and the environment, in keeping with its mission to amplify the force of philanthropy - by connecting people, ideas, and resources - so that communities flourish.

During the year ended June 30, 2019, the Foundation created a new entity called The Millworks LLC (the LLC). The Foundation is the sole member of the LLC. As an LLC, the liability of the member is generally limited to amounts invested. The LLC was formed for the purpose of serving as the development entity for a new mixed-use project that will include a food hub, workforce housing, an early learning center and nonprofit offices. The LLC currently has a joint option agreement with Mercy Housing Northwest (the Foundation's development partner in the project) and the Port of Bellingham (the Port) for a three acre parcel on the Bellingham, Washington waterfront where the project will be developed in conjunction with Mercy Housing Northwest. The LLC will be the entity that eventually owns all or part of the site and any relevant agreements for its development. There was no activity for the LLC for the year ended June 30, 2021, as all costs associated with the project were paid for by the Foundation.

In 2018, the Foundation became a contractor for the Washington State Department of Agriculture's (WSDA) Emergency Food Assistance Program. During the year ended June 30, 2021, the Foundation received \$451,367 in WSDA reimbursements for payments to local vendors for food purchases made by local food banks and food pantries.

The Foundation's Nonprofit Capacity Building Initiative offers several programs, including Board Match, matching community members to serve as board members for local organizations by providing basic training and opportunities for engagement. The Executive Director Roundtable supported by the Community Foundation provided 19 nonprofit leaders with opportunities to learn, share best practices, and enhance leadership skills each month with the help of a professional coach and facilitator. The Roundtable was expanded to offer free services for an additional 20 nonprofit leaders for three weeks during the Covid response.

The Foundation's Whatcom Scholarship Program awarded scholarships to 81 students across Whatcom County totaling \$185,900 in 2021.

In response to the extended closure of independent live music venues across Washington State due to COVID-19, the Foundation was asked to serve as the fiscal sponsor for Love Live Music's Keep Music Live campaign. Thanks to generous contributions from individuals and businesses small and large, the effort awarded approximately \$1 million to 79 venues across the state.

On November 19, 2019, the Lakeland Foundation became a type 1 supporting organization of the Whatcom Community Foundation. Whatcom Community Foundation was chosen as a partner and supported organization for its local philanthropic expertise. The assets of the Lakeland Foundation consist of nineteen adjoining parcels totaling 329 acres of farmland and timberland located near Willey's Lake in Whatcom County. The farm was gifted from Lakeland Farms LLC to the Lakeland Foundation on December 23, 2019, with a value of \$10,500,000.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

The donor's wish is that Lakeland Foundation would not sell, and instead hold the property as its primary asset. Their belief is that with efficient administration, the cropland lease income will be sufficient to continue supporting the Jansen Art Center, and to support other local charitable causes.

Lakeland Foundation and Whatcom Community Foundation have entered into a management agreement, effective January 1, 2020, whereas Whatcom Community Foundation has agreed to provide services which include: Grantmaking, financial management, administrative services, and Board of Director's support. As discussed below, the Lakeland Foundation is included in these financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of grantor/donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions are not subject to grantor/donor-imposed stipulations and are available for operations, programs, and grant making. Net assets without donor restrictions also include those assets that are board-designated for a particular purpose. Since the board has authority to revoke its decision at any time, these assets are not subject to the same restrictions as those from grantors/donors. Board-designated net assets consist of the following at June 30:

	2021	2020
Quasi-endowments	\$ 2,033,548	\$ 1,737,542
Operating reserve	300,933	300,000
	<u>\$ 2,334,481</u>	<u>\$ 2,037,542</u>

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Whatcom Community Foundation

Notes to Consolidated Financial Statements

Certain net assets with donor restrictions are subject to grantor/donor-imposed stipulations that may be met by either actions of the Foundation, the occurrence of certain events, or the passage of time. When a restriction expires, net assets with donor restrictions - time or purpose-restricted are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions - time or purpose-restricted are restricted for the following at June 30:

	2021	2020
Time		
Charitable Lead Annuity Trust receivable	\$ 8,108,183	\$ 9,945,732
	8,108,183	9,945,732
Non-Endowed Funds (Purpose)		
WCF Grantmaking		
To designated organizations	775,356	333,877
Field of interest grants	989,470	668,791
Scholarships, upon student registration	719,621	552,276
Donor-advised grants, upon request	2,698,810	1,155,390
Programs and projects	301,104	277,900
Mission investments	369,248	359,572
Lakeland Foundation	10,618,741	10,608,305
	16,472,350	13,956,111
	\$ 24,580,533	\$ 23,901,843

Other net assets with donor restrictions endowed are subject to donor-imposed stipulations to be maintained in perpetuity by the Foundation (see Note 14) and consistent of the following at June 30:

	2021	2020
Endowed Funds		
Corpus	\$ 14,704,596	\$ 13,626,733
Earnings	8,321,945	4,030,709
	\$ 23,026,541	\$ 17,657,442

Basis of Consolidation

These consolidated financial statements include the accounts of the Foundation, the LLC, and Lakeland Foundation. As noted above, the Foundation owns 100% of the LLC, so this entity is consolidated into the Foundation's financial statements. The Foundation also maintains control of Lakeland Foundation's operations, so this entity is also consolidated into the Foundation's financial statements.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

Prior-Year Comparative Information

These consolidated 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 Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash

Cash includes cash in a bank and money market funds, except money market funds held as investments.

Restricted Cash and Investments

At June 30, 2021, the Foundation has pledged funds totaling \$70,000, at banks to guarantee loans for one small Whatcom County business as part of the Foundation's Community Mission Investment Initiative. These funds have been reported as restricted cash on the consolidated statement of financial position. Generally accepted accounting principles require that the Foundation record a liability for the fair value of the guarantee (i.e., the benefit provided to the borrower) at the date the guarantee is made. Management has determined that the fair value of the guarantee was not material to the consolidated financial statements; therefore, no guarantee liability has been recorded in these consolidated financial statements related to this guarantee. At the date these consolidated financial statements were available to be issued, the businesses holding the \$65,000 and \$5,000 loans were current on both. The Foundation evaluates guarantees quarterly and would record a loss and related liability if management of the Foundation believed the guarantee obligation would need to be fulfilled.

At June 30, 2021, the Foundation has pledged investments totaling \$1,748,880 as collateral to guarantee a line of credit for a Whatcom County LLC formed by two Whatcom County nonprofit organizations to aid in a housing development program. These investments are recorded as restricted investments on the consolidated statement of financial position at June 30, 2021. The terms of the underlying loans mature in April and September 2023. The Foundation has pledged funds totaling \$100,000 at June 30, 2021, as collateral for the same organization for a secondary loan maturing March 2022. These funds are recorded as restricted cash on the consolidated statement of financial position. The loans are not currently at risk of default nor are they expected to be over the terms of the loans. The fair value of the guarantees are valued at \$104,312 and are recorded as a liability on the consolidated statement of financial position at June 30, 2021.

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 that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Whatcom Community Foundation

Notes to Consolidated Financial Statements

Level 3: Unobservable inputs where there is little or no market data, which require the Foundation to develop its own assumptions.

All of the Foundation's investments are stated at fair value and are classified as Level 1 investments, except for certificates of deposit, which are recorded at cost plus accrued interest.

Property, Equipment, and Depreciation/Land Held for Sale

Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions are included in operations in the year of disposal. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of their estimated useful lives or the lease term.

Land held for sale was contributed during fiscal year 2021 and was not depreciated during the year ended June 30, 2021.

Funds Held for Others

The Foundation may accept funds from a nonprofit organization (to establish a permanent endowment fund naming that organization as beneficiary), subject to the variance power of the Foundation's board and to the Foundation's endowment, investment, and spending policies. The amounts are included in the Foundation's assets and as an offsetting liability. The liability presented is equal to the fair value of the funds held. Activities related to funds held for others do not affect the change in net assets on the statement of activities.

Contributions, Donations, Gifts, and Bequests

The Foundation's corporate bylaws and contribution documents grant the Foundation "variance power" that, in effect, gives the Foundation control over all grant disbursements from contributed funds. Donations, gifts, and bequests are recorded as contributions to the appropriate program funds at fair value. Contributions received are recorded as net assets with or without donor restrictions based on donor-imposed stipulations despite variance power being granted to the Foundation, as the Foundation's intent is to honor the donor-imposed stipulation unless, in the sole judgement of the board, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area being served. These contributions are maintained in the funds until expended as grants, in accordance with the Board of Directors' authorization. Donors may advise or make recommendations regarding the distribution of income and principal from a fund, but all such recommendations are ultimately subject to this variance power.

Donated Assets and Services

Noncash donations and donated marketable securities are recorded at their estimated fair value at the date of donation.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

Pledges and Grants

The Foundation maintains an allowance for potential losses based upon management's periodic review of the Foundation's experience related to pledges and other collections. Receivables written off are charged against the allowance. At June 30, 2021, management determined that no allowance for potential receivable losses was necessary.

Unconditional pledges and grants receivable consist of unconditional promises to give. 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 initially recorded at fair value, which is measured at present value of the future cash flows. The discounts (if any) on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue in the statement of activities. A discount was calculated at June 30, 2021, but was considered immaterial and, therefore, was not recognized. All grants receivable are due from one donor and will be collected during the year ending June 30, 2022. Accounts receivable at June 30, 2021, consist solely of balances due from the Washington State Department of Agriculture.

Bequests

The Foundation receives bequests from time to time. It is the policy of the Foundation to record the bequest when it has cleared probate and all related fees have been determined.

Recent Accounting Pronouncements

During the year ended June 30, 2021, the Foundation adopted the provisions of the Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (commonly referred to as Accounting Standards Codification Topic 606 (ASC 606)), issued by the Financial Accounting Standards Board (FASB). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflected the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the organization satisfies a performance obligation

The Foundation has implemented ASC 606 on the modified retrospective basis. There was no significant impact on the Foundation's consolidated financial statements as significant revenue streams do not fall under the provisions of ASC 606. As such, no adjustments to net assets or timing and method of revenue recognition were necessary.

Grants Payable and Grant Expenses

Grant awards are reported as program expenses and grant awards payable when the unconditional award is made. Grant awards payable represent payments to be made related to grants previously

Whatcom Community Foundation

Notes to Consolidated Financial Statements

approved as program expenses. When payments are made for grants previously approved, they are offset against grant awards payable.

Concentration of Market and Credit Risk

The Foundation maintains cash balances at several financial institutions, focusing on those that are local or regional, and/or aligned with the Foundation's mission. On occasion, the Foundation may have cash balances at a financial institution in excess of federally insured limits, based on management's confidence level in the institution.

For the year ended June 30, 2021, the Foundation did not have any concentrations for grant and contribution revenue.

Federal Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

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

Functional Allocation of Expenses

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

Program services - including grants awarded, impact investments, service to other nonprofits, philanthropic leadership, and civic leadership;

Development and fundraising - including establishing and maintaining relationships with donors; and

Management and general - including expenses that benefit the Foundation as an entity and the management and accounting for funds.

The cost of providing the various program and supporting services has been summarized on a functional basis in the consolidated statements of activities and statements of functional expenses. These statements include expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, benefits and taxes, equipment maintenance, depreciation, and other are allocated on the basis of estimates of time and effort or other reasonable bases.

Subsequent Events

Management of the Foundation has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was September 22, 2021.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

The Foundation received forgiveness of the Payroll Protection Program (PPP) loan held on July 15, 2021. See Note 10 for further details.

Additionally, the Foundation increased their loan guarantees (as discussed in restricted cash and investments) for Telegraph Townhome Project, LLC by \$500,000 subsequent to year end. No amounts are considered necessary to accrue as of June 30, 2021.

Subsequent to year-end, the Foundation was notified they have been named as a recipient of a significant bequest. The majority of the bequest proceeds (85%) will support the Foundation's unrestricted grant making which will exponentially increase the organization's annual discretionary grant awards. The Foundation is expecting to receive approximately \$14 million in fiscal year 2022, which is subject to change as the bequest accounting has not been finalized as of the audit report date.

On August 30, 2021, the Foundation closed on the sale of land listed as held for sale on the statement of financial position.

3. Liquidity and Availability of Resources

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.

General expenditures include management and general expenses, fundraising expenses, and some program expenses.

Liquid financial assets available for use at June 30:

	2021	2020
Cash and cash equivalents	\$ 6,357,734	\$ 4,279,299
Investments, short-term pool	105,541	316,932
Receivables with liquidity horizons of one year or less	560,959	1,222,430
Total financial assets available for operational and program expenditures within one year	\$ 7,024,234	\$ 5,818,661

Administrative Fees provide an ongoing source of income for general operations and programs. Fees are assessed to funds monthly, based on fund balance and/or activity. Administrative fees of \$655,571 were charged to funds for the year ended June 30, 2021. Such administrative fee income (operating fund) and administrative fee expense (other funds) is netted in the presentation of the statement of activities. Administrative fees available for general expenditures for the year ended June 30, 2022, are estimated to total \$590,000.

Whatcom Community Foundation

Notes to Consolidated Financial Statements

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. Most funds that are not endowed are invested in the Foundation's short-term pool in money market funds, as capital preservation and liquidity are the primary objectives.

Endowed funds are generally invested in the Foundation's long-term pool. The amount available for granting is calculated annually according to the Foundation's spending policy, which is typically 4% of the average quarterly market value of the fund over the preceding twelve quarters. Due to the Covid crisis in 2021, the Board authorized a one-time spending rate increase that ranged from 6% to 20% based on the fund type. In order to protect the principal value of an endowment, no grant distributions are made that will cause the fund balance to fall below the total contributions to the fund. Funds calculated as available to grant during the year ended June 30, 2021, were \$1,688,138. Assuming a return to the 4% spending rate, an estimated \$970,000 will be made available for the year ended June 30, 2022: \$840,000 for grantmaking from donor restricted endowments and \$130,000 from board designated (quasi) endowments to support operating expenses.

4. Investments

At June 30, 2021 and 2020, investments consist of the following:

	2021	2020
Mutual Funds		
Large blend equity	\$ 11,554,164	\$ 9,236,653
Intermediate-term bond	5,018,548	3,967,853
Restricted - Intermediate-term bond	1,530,816	1,335,000
Foreign large blend equity	4,824,276	4,109,533
Small-cap blend equity	2,151,003	1,965,278
Mid-cap blend equity	1,489,609	1,254,129
Real estate equity fund	1,537,488	1,196,291
Money market fund	1,002,167	560,225
Large growth equity	226,197	162,616
Certificates of Deposit		
Certificates of Deposit	105,542	54,096
Restricted - Certificates of Deposit	218,064	226,051
Impact Investments	639,992	99,999
	\$ 30,297,866	\$ 24,167,724

Impact investments are focused on local food system and philanthropic infrastructure.

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Investments are recorded as follows on the statement of financial position at June 30:

	2021	2020
Investments	\$ 28,548,986	22,606,673
Restricted investments	1,748,880	1,561,051
	\$ 30,297,866	\$ 24,167,724

5. Notes Receivable

The Foundation holds one note receivable, which is recorded at cost. The note bears interest at a rate of 5.5%. No allowance for the note is deemed necessary at June 30, 2021.

6. Charitable Lead Annuity Trust Receivable

During the year ended June 30, 2015, the Foundation received a gift of a current interest in a Charitable Lead Annuity Trust (CLAT) from which the Foundation will receive annual payments beginning on December 31, 2015, through March 17, 2025. The total remaining payments to be received over the course of the annuity period amount to \$8,492,220, and management has determined a discount rate of 1.8%, at the time of the gift, to be the most relevant discount factor to value the gift at fair value. The CLAT receivable at June 30, 2021 and 2020, is as follows:

	2021	2020
Receivable in less than one year	\$ 2,018,008	\$ 2,018,008
Receivable in one to five years	6,474,212	8,492,220
	8,492,220	10,510,228
Less: Unamortized discount	(384,037)	(564,496)
	\$ 8,108,183	\$ 9,945,732

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7. Land and Equipment

At June 30, 2021 and 2020, land and equipment consist of the following:

	2021	2020
Land	\$ 10,500,000	\$ 10,500,000
Furniture	13,821	13,821
Office equipment	45,113	42,097
Leasehold improvements	112,661	112,661
	10,671,595	10,668,579
Less: Accumulated depreciation	(119,340)	(100,815)
Land and Equipment, net	\$ 10,552,255	\$ 10,567,764

8. Grants Payable

Included in grants payable are the following unconditional grants payable at June 30:

	2021	2020
Amounts Due in		
Less than one year	\$ 1,046,300	\$ 855,118
One to five years	341,559	690,000
Total Grants Payable	\$ 1,387,859	\$ 1,545,118

9. Conditional Grants and Scholarships

Conditional grants and scholarships are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional.

As of June 30, 2021, there were no conditional grants.

Conditional scholarships for which payment is conditional upon student enrollment amounted to \$110,117 as of June 30, 2021. These scholarships will be recognized as a liability upon student enrollment.

10. Pandemic Response

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

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The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, the Foundation continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the pandemic on its future operations, financial condition, or liquidity for fiscal year 2022. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. During the year ended June 30, 2021, the Foundation applied for and received a PPP loan totaling \$126,040. The loan was subsequently forgiven by the SBA on July 15, 2021. The Foundation has not applied for or received a secondary PPP loan or other CARES Act funding. In addition, the Foundation has not received any other funding under the CARES Act, nor has it elected any other CARES Act provisions.

As part of the county-wide inter-governmental COVID-19 response effort through Whatcom Unified Command, the Foundation was asked to serve as the Food Security Unit lead. Unit leadership involves coordinating numerous food assistance providers in articulating a shared vision to meet the communities’ pandemic-related food security needs, communicating policy/advocacy issues to the appropriate parties, facilitating funding, and troubleshooting as challenges arise. In addition, the Foundation promoted its Resilience Fund which is designed to serve as the community’s preparedness, response, and recovery fund. Also, as stated in Note 1 above, the Foundation served as fiscal sponsor for the Keep Music Live campaign. The onset of the pandemic also resulted in the Foundation’s staff shifting to working remotely. Management continues to examine the impact that COVID-19 and the CARES Act may have on the Foundation.

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11. Funds Held for Others

Funds held for others as of June 30, 2021 and 2020, consist of the following:

	2021	2020
Mount Baker Theatre Endowment Fund (Agency)	\$ 1,875,274	\$ 1,535,959
Pioneer Meadows Montessori School Endowment (Agency)	1,069,776	880,939
Bellingham Public Library Endowment (Agency)	317,161	256,991
Whatcom County Library Foundation Endowment Fund (Agency)	243,126	159,015
Nooksack Salmon Enhancement Endowment (Agency)	183,804	151,772
Ferndale Band Boosters Endowment Fund (Agency)	175,184	144,654
Bellingham Public Schools Foundation Agency Endowment	158,457	130,796
Lydia Place Endowment Fund (Agency)	94,191	77,776
Bellingham Symphony Endowment Fund (Agency)	51,733	42,697
Master Gardener Foundation of Whatcom County Endowment (Agency)	38,552	29,588
Bellingham Chamber Chorale Endowment for Choral Arts (Agency)	33,981	20,158
Bellingham Festival of Music Endowment Fund (Agency)	28,859	23,807
Bruce Wolf Endowment Fund (Agency)	26,575	21,656
Law Advocates Agency Endowment Fund	25,862	22,019
Explorations Academy Endowment (Agency)	22,260	-
Whatcom Literacy Council Endowment (Agency)	20,025	16,240
Northwest Youth Services Endowment Fund (Agency)	17,924	14,800
Agape Home for Women and Children Endowment Fund (Agency)	17,113	14,131
Lighthouse Mission Endowment Fund (Agency)	16,511	13,633
Brigid Collins Endowment Fund (Agency)	16,258	12,349
Compass Health Endowment (Agency)	14,931	11,690
Eric Braun Memorial Endowment for Cedar Tree Montessori (Agency)	14,478	11,334
Bellingham Parks and Recreation Endowment (Agency)	11,187	9,225
Whatcom Land Trust Endowment (Agency)	8,905	7,353
Ferndale Double Dome Fund (Agency)	6,334	4,983
Bellingham Festival of Music Education and Outreach Endowment (Agency)	1,934	1,595
Whatcom County Library Foundation Endowment Fund for		
Blaine Library	23,819	1,210
Deming Library	6,764	1,210
Everson Library	2,771	1,210
Ferndale Library	2,377	17,448
Island Library	2,245	1,210
Lynden Library	2,149	1,529
North Fork Library	1,621	1,210
Point Roberts Library	1,599	1,210
South Whatcom Library	1,599	1,210
Sumas Library	1,599	1,210
Total Funds Held for Others	\$ 4,536,938	\$ 3,643,817

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12. Operating Lease

The Foundation entered into a 10-year lease for office space commencing in November 2014. Total rent expense for the year ended June 30, 2021, was \$22,251 including Washington Federal's \$9,656 in-kind donation. Minimum rent payable is as follows for the years ending June 30:

2022	\$	11,923
2023		12,280
2024		12,650
2025		5,276
	\$	42,129

13. Pension Plan

The Foundation sponsors a defined contribution retirement plan for employees. Employer contributions equal 10% of each eligible employee's compensation and vest immediately. Pension contributions for the year ended June 30, 2021, were \$60,211.

14. Endowments

The Foundation's endowment consists of 147 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds, funds designated by the Board of Directors to function as endowments (quasi-endowments), and funds established by other nonprofit organizations to support their organizations, which are listed in Note 10, Funds Held for Others. As required by generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 of this interpretation, the Foundation classifies as net assets with donor restrictions - endowed (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions endowed is classified as net assets with donor restrictions - time or purpose restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected

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total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Endowment net assets are as follows as of and for the year ended June 30, 2021:

	Without Donor Restrictions - Board Designated	With Donor Restrictions - Time or Purpose Endowed	With Donor Restrictions - Endowed	Funds Held for Others	Total
Endowment Net Assets Composition by Type of Fund, June 30, 2021					
Donor-restricted endowment funds	\$ -	\$ 8,321,945	\$ 14,704,596	\$ 4,536,938	\$ 27,563,479
Board-designated endowment funds	2,033,548	-	-	-	2,033,548
Total Funds	2,033,548	8,321,945	14,704,596	4,536,938	29,597,027
Endowment Net Assets, June 30, 2020 (excluding pledges receivable)					
	1,737,542	4,030,709	13,626,733	3,643,817	23,038,801
Endowment investment return					
Interest and dividends	39,045	370,137	-	75,963	485,145
Realized and unrealized gains	439,830	4,813,736	-	986,035	6,239,601
Total endowment investment return	478,875	5,183,873	-	1,061,998	6,724,746
Contributions	-	48,200	1,068,845	83,837	1,200,882
Management fee	(29,442)	(239,483)	-	(47,007)	(315,932)
Appropriation of endowment for expenditure	(63,365)	(519,630)	-	(205,707)	(788,702)
Transfer to/from endowment	(90,062)	(181,724)	9,018	-	(262,768)
Endowment Net Assets, June 30, 2021 (excluding pledges receivable)	\$ 2,033,548	\$ 8,321,945	\$ 14,704,596	\$ 4,536,938	\$ 29,597,027
Endowment Net Assets, June 30, 2020 (excluding pledges receivable)	\$ 1,737,542	\$ 4,030,709	\$ 13,626,733	\$ 3,643,817	\$ 23,038,801

Funds with Deficiencies

From time to time, the fair value of assets associated with endowment funds with donor restrictions may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In the cases when this happens, spending for that particular endowment is suspended to prevent spending of the corpus. In accordance with accounting principles generally

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accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies at June 30, 2021.

Return Objectives, Risk Parameters, and Strategies

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 funds while maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve a long-term rate of growth sufficient to offset normal inflation, administrative fees, and management fees (if any), plus reasonable, regular distributions within prudent risk constraints. Endowment assets are invested in a well-diversified asset mix, which includes equity, fixed income securities, and cash equivalents. Investment risk is measured in terms of the total endowment; investment assets and allocation between asset classes and strategies are managed to not expose the endowment to unacceptable levels of risk. The distribution portion of endowed funds, as determined by the Foundation's spending policy, may be used for grantmaking or community impact investing, subject to the Foundation's impact investing policy.

Spending Policy

The Foundation has a policy of appropriating a percentage (typically 4%) of each endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Due to the COVID-19 crisis in 2021, the Board authorized a one-time spending rate increase that ranged from 6% to 20% based on the fund type. The rate is expected to return to 4% in 2022. No appropriations are made until a fund has been established for 12 quarters. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature, and duration of the endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.