WHATCOM COMMUNITY FOUNDATION

Consolidated Financial Statements

For the Year Ended June 30, 2026

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Clark Nuber PS

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 affiliates (collectively, the Community Foundation), which comprise the consolidated statement of financial position as of June 30, 2026, 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 financial statements present fairly, in all material respects, the financial position of the Community Foundation as of June 30, 2026, 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 Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Community Foundation's June 30, 2025, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

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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 Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Community Foundation's ability to continue as a going concern for a reasonable period of time.

Clark Nuber PS

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.

Clark Nuber PS

Certified Public Accountants
September 29, 2026

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Financial Position
June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
Assets		
Cash and cash equivalents	$ 16,869,403	$ 7,806,815
Accounts and grants receivable	219,041	255,008
Refundable advance		700,000
Prepaid expenses and other assets		708,409
Investments	83,289,466	76,928,813
Restricted investments	4,217,940	2,153,327
Program-related loans receivable, net	2,746,153	1,204,300
Right-of-use asset - operating lease	121,760	56,526
Property and equipment, net of depreciation	10,767,095	10,508,832
Total Assets	**$118,230,858**	**$100,322,030**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 494,033	$ 233,016
Grant and scholarship awards payable	745,657	445,308
Guarantee liability	355,898	157,365
Lease liability - operating	122,493	57,003
Funds held for others	5,522,237	4,852,224
Note payable, net	3,410,823	
Total Liabilities	**10,651,141**	**5,744,916**
Net Assets:		
Without donor restrictions-		
Operating	90,192,329	80,332,284
Board-designated	3,871,813	3,493,135
Total without donor restrictions	94,064,142	83,825,419
With donor restrictions	13,515,575	10,751,695
Total Net Assets	**107,579,717**	**94,577,114**
Total Liabilities and Net Assets	**$118,230,858**	**$100,322,030**

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Activities
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	Without Donor Restrictions	With Donor Restrictions	2026 Total	2025 Total
Operating Revenue and Support:				
Contributions	$ 14,064,395	$ 2,157,814	$ 16,222,209	$ 15,519,381
In-kind contributions	27,019		27,019	10,875
Below market rate interest note payable contribution		1,660,326	1,660,326	
Program income		193,435	193,435	741,545
Lease income		303,155	303,155	290,945
Total Operating Revenue and Support	**14,091,414**	**4,314,730**	**18,406,144**	**16,562,746**
Net Assets Released From Restrictions	**1,577,272**	**(1,577,272)**		
Total Revenue and Net Assets Releases	**15,668,686**	**2,737,458**	**18,406,144**	**16,562,746**
Operating Expenses:				
Program	16,523,302		16,523,302	10,438,698
Management and general	1,360,220		1,360,220	984,540
Fundraising	277,521		277,521	147,380
Total Operating Expenses	**18,161,043**		**18,161,043**	**11,570,618**
Provision for loan losses	180,388		180,388	
Total Operating Activities	**(2,672,745)**	**2,737,458**	**64,713**	**4,992,128**
Nonoperating Gains and Losses:				
Investment return	12,367,789	26,422	12,394,211	8,377,926
Other income	543,679		543,679	66,734
Change in value of beneficial interest in trust				45,043
Total Nonoperating Gains and Losses	**12,911,468**	**26,422**	**12,937,890**	**8,489,703**
Change in Net Assets	**10,238,723**	**2,763,880**	**13,002,603**	**13,481,831**
Net assets, beginning of year	83,825,419	10,751,695	94,577,114	81,095,283
Net Assets, End of Year	**$ 94,064,142**	**$ 13,515,575**	**$107,579,717**	**$ 94,577,114**

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	Program	Management and General	Fundraising	2026 Total	2025 Total
Awards granted	$ 11,779,763	$ -	$ -	$ 11,779,763	$ 7,635,341
Salaries, benefits, and taxes	1,362,179	877,586	96,018	2,335,783	1,700,337
Consultants	2,985,628	135,279	97,585	3,218,492	1,739,059
Professional services	22,698	75,519	1,641	99,858	69,774
Development and communications	28,463		66,413	94,876	47,229
Property taxes and equipment maintenance	48,927	42,651	3,538	95,116	34,399
Depreciation	1,945	1,255	141	3,341	10,472
Other	293,699	227,930	12,185	533,814	334,007
Total Expenses	**$ 16,523,302**	**$ 1,360,220**	**$ 277,521**	**$ 18,161,043**	**$ 11,570,618**
2025 Total Expenses	**$ 10,438,698**	**$ 984,540**	**$ 147,380**		**$ 11,570,618**

See accompanying notes.

WHATCOM COMMUNITY FOUNDATION

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2026
(With Comparative Totals for 2025)

	2026	2025
Cash Flows From Operating Activities:		
Change in net assets	$ 13,002,603	$ 13,481,831
Adjustments to reconcile changes in net assets to net cash provided by operating activities-		
Depreciation	3,341	10,472
Realized and unrealized gain on investments	(9,982,391)	(6,346,090)
Provision for loan losses	180,388	
Interest accrued on notes receivable	(49,552)	(2,498)
Noncash grant expense from below-market program-related loans receivable discount	128,588	
Change in loan guarantee liability	198,533	
Noncash contribution revenue from below-market financing	(1,589,177)	
Changes in operating assets and liabilities:		
Accounts receivable	35,967	143,242
Refundable advance	700,000	(700,000)
Prepaid expenses and other assets	708,409	(433,756)
Beneficial interest in charitable lead annuity trust		2,393,153
Accounts payable and accrued expenses	261,017	(211,348)
Grant and scholarship awards payable	300,349	(173,039)
Operating lease liability, net of right-of-use asset	256	359
Funds held for others	670,013	395,035
Net Cash Provided by Operating Activities	**4,568,344**	**8,557,361**
Cash Flows From Investing Activities:		
Collections of program related notes receivable	1,573,723	1,079,086
Program-related notes receivable funded	(3,375,000)	(1,170,000)
Proceeds from sale of investments	27,427,877	3,935,324
Purchase of investments	(25,870,752)	(9,972,460)
Purchases of property and equipment	(261,604)	
Net Cash Used in Investing Activities	**(505,756)**	**(6,128,050)**
Cash Flows From Financing Activities:		
Proceeds from long-term note payable	5,000,000	
Net Cash Provided by Financing Activities	**5,000,000**	
Net Change in Cash and Cash Equivalents	**9,062,588**	**2,429,311**
Cash and cash equivalents, beginning of year	7,806,815	5,377,504
Cash and Cash Equivalents, End of Year	**$ 16,869,403**	**$ 7,806,815**
Supplemental Disclosure:		
Cash paid during the year for interest	$ 65,206	$ -

See accompanying notes.

Note 1 - Organization

Whatcom Community Foundation is a nonprofit corporation incorporated in the State of Washington in 1996 to strengthen and enhance communities of Whatcom County, Washington so that everyone who lives there thrives. With the generous support of individuals, businesses, and other funders, Whatcom Community Foundation makes grants to a wide range of organizations with innovative community building programs in economic and community development, food and agriculture, education, arts and culture, health and wellness, affordable and workforce housing, nonprofit capacity building, disaster preparedness, relief and recovery, and the environment. Whatcom Community Foundation's mission is to cultivate neighborliness, lift community voices, and invest in equity and hope.

Whatcom Community Foundation is active in impact investing, putting financial assets to work beyond traditional grantmaking (e.g., loan guarantees, equity investments, and other similar arrangements) in alignment with its vision and mission. Priority investment areas include affordable and workforce housing, strengthening the local food system and expanding economic opportunity through small businesses, particularly businesses owned by Black, Indigenous and people of color, and people living in rural communities of Whatcom County. Whatcom Community Foundation has significant investments in the form of loans and loan guarantees in multiple permanently affordable housing developments and is in the final design and development stage of the Millworks project, a mixed-use, brownfield redevelopment project in a federally qualified Opportunity Zone that will include impact investing and other philanthropic opportunities.

Whatcom Community Foundation's Strengthening Nonprofits program includes hosting and/or supporting various avenues for peer engagement, learning, coaching, technical assistance, training, collaboration, and information sharing. The organization's Birth to Bright Futures program includes an evolving Child Savings Account (CSA) program, the Youth Philanthropy Project, and investment in exploration of a proven model for youth substance use prevention and reduction, as well as scholarships. This suite of activities supports children and families across the lifespan, seeking pivotal opportunities along the continuum to improve outcomes for more Whatcomtonians.

In Fall 2024, Whatcom Community Foundation launched the Washington Center for Employee Ownership, a new statewide entity under the umbrella of Whatcom Community Foundation that promotes and facilitates the creation and conversion of more employee-owned enterprises across Washington State. There is significant research regarding the positive, multi-level impacts of employee-owned businesses: higher compensation and retirement assets for employee-owners, higher productivity, reduced likelihood of layoffs following an economic shock, greater civic engagement, and significant tax benefits for sellers and businesses with some forms of employee ownership. This initiative along with Whatcom Community Foundation's Child Savings Account program and impact investing work are designed to improve economic security and upward mobility for the people of Whatcom County.

Supporting Organization - On November 19, 2019, Lakeland Foundation (Lakeland) became a type 1 supporting organization of Whatcom Community Foundation. Lakeland Foundation was created with a donor-restricted asset, which generates lease income. All income generated from the donor-restricted asset is recorded as with donor restrictions. Lakeland's purpose is to support the Jansen Art Center, and other local charitable causes.

Lakeland and Whatcom Community Foundation have entered into a management agreement, effective January 1, 2020, under which the Community Foundation has agreed to provide services which include: grantmaking, financial management, administrative services, and Board of Directors' support.

Note 1 - Continued

Fiscal Sponsorships - Whatcom Community Foundation is the fiscal sponsor of fourteen organizations. The sponsored organizations are considered programs of Whatcom Community Foundation, and contributions received for the sponsored organizations are recognized as donor-restricted contributions in the consolidated statement of activities.

The Millworks LLC - The consolidated financial statements include The Millworks LLC (the LLC), a limited liability company formed in the State of Washington in April 2019, wholly owned by Whatcom Community Foundation. Whatcom Community Foundation formed the LLC and signed a memorandum of understanding in January 2021 with Mercy Housing Northwest with the intent to develop an affordable family housing development at the Port of Bellingham's Waterfront District Development Site, a strategic partner of the Community Foundation (Note 3).

Principles of Consolidation - These consolidated financial statements include the accounts of the Community Foundation, Lakeland, and the LLC (collectively, the Community Foundation). Inter-organization transactions and balances have been eliminated in consolidation.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying consolidated financial statements were prepared using the accrual basis of accounting.

Financial Statement Presentation - The Community Foundation's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles require the Community Foundation to present its net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. The Community Foundation has presented an unclassified consolidated statement of financial position, which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

Nonoperating Activities - The Community Foundation considers return on investments, other income/losses, and the change in value of beneficial interest in trust to be nonoperating activities.

Cash and Cash Equivalents - Cash includes cash in a bank. Cash equivalents consist of money market funds totaling $16,286,694 and $7,294,440 as of June 30, 2026 and 2025, respectively.

Restricted Investments - The Community Foundation guarantees debt for three entities at June 30, 2026 and 2025, in Whatcom County. Restricted cash and investments are collateral for these guarantees (Note 5).

Accounts and Grants Receivables - Trade accounts receivable are stated at the amount the Community Foundation expects to collect. The Community Foundation has determined that based upon historical credit loss rates adjusted for current economic conditions that an allowance for credit losses would not be material. As such, the Community Foundation has not recorded an allowance for credit losses for these balances at June 30, 2026 and 2025.

Note 2 - Continued

Refundable Advance - When the Community Foundation makes a recoverable grant, the amount distributed is recorded as a refundable advance until either repaid by the grantee or when the conditions of the recoverable grant are met and grant expense is recorded on the consolidated statement of activities.

Beneficial Interest in Charitable Lead Annuity Trust - The Community Foundation was a beneficiary of a charitable lead annuity trust. The beneficial interest was recorded at the net present value of expected future payments to be received on the consolidated statement of financial position. The trust terminated during the year ended June 30, 2025, at which time the remaining trust assets were distributed in accordance with the trust agreement.

Investments - Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Investments in securities traded on organized securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on over-the-counter markets are valued at the last reported bid price. Securities are generally held in custodial investment accounts administered by certain financial institutions. Certificates of deposit held at banks are reported at original cost plus accrued interest. Private equity investments generally do not have readily determinable fair values and are recorded at cost less impairment, plus or minus changes in fair value as a result of observable price changes that occur in orderly transactions for identical or similar investments of the same issuer.

Investments are made according to the Investment Policy adopted by the Community Foundation's Board of Directors. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate benchmarks and indices.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment Capitalization and Depreciation - The Community Foundation capitalizes assets with a cost greater than $2,500 and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost and donated property and equipment are recorded at fair value on the date received.

Note 2 - Continued

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the lease as follows:

Furniture	7 years
Office equipment	5 years
Leasehold improvements	Lesser of lease term or 10 years

Funds Held for Others - In accordance with U.S. GAAP, when a not-for-profit organization, such as a 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, the foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. These funds, identified as funds held for others, are included in the Community Foundation's assets with an offsetting liability on the consolidated statement of financial position. The liability is valued at the fair value of the agency funds, estimated by the Community Foundation. Activities related to the agency funds do not affect the change in net assets of the Community Foundation (Note 10).

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

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Net assets with donor restrictions include the charitable lead annuity trust, Lakeland, and the net assets of fiscal sponsorships.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Community Foundation's Fund Agreements grant the Community Foundation's Board of Directors variance power over assets received, which allows the Board of Directors to modify any such restriction or condition if they become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Consequently, all contributions are classified as net assets without donor restrictions if they are made under these Fund Agreements or are available to the Community Foundation with no restriction as to when or which purpose the funds are available for expenditure.

Contribution and Grant Revenue - Contributions and grants are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. Contributions of assets other than cash are recorded at their estimated fair value on the date received.

Note 2 - Continued

Conditional promises to give are recognized as revenue when the donor-imposed conditions upon which they depend have been met. Conditional grants for which conditions had not yet been met totaled $3,000,000 and $156,845 at June 30, 2026 and 2025, respectively. Revenue will be recognized in future periods as donor-imposed conditions are met. Conditional grants at June 30, 2026 included a grant for the completion of the Millworks project by June 30, 2028. Conditional grants at June 30, 2025 include a planning grant of $156,845 to design and develop the operations and capacity model for a farm-to-freezer program.

In-Kind Contributions - The Community Foundation recognizes contributed non-financial assets at fair value on the date received. Donated use of space was received and utilized in the Community Foundation's programs and supporting activities.

Program Income - Program income consists of revenue that is earned when qualifying expenses are incurred.

Grants and Scholarship Payable and Expenses - All scholarships and most grants are approved at the staff level, as authorized by the Board of Directors. Conditional grants and scholarships are recognized only when the conditions on which they depend are met and the grant or scholarship award becomes unconditional. There were no conditional grants outstanding at June 30, 2026 or 2025 other than those recorded as refundable advances on the consolidated statement of financial position.

Conditional scholarships for which payment is conditional upon student enrollment totaled $102,033 and $78,533 as of June 30, 2026 and 2025, respectively. These scholarships will be recognized as a liability upon student enrollment.

Leases - The Community Foundation determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Community Foundation's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Community Foundation’s leases do not provide an implicit rate of return; thus, the Community Foundation uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs and excludes lease incentives. The Community Foundation has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Community Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

Concentration of Market and Credit Risk - The Community Foundation maintains cash balances at several financial institutions, focusing on those that are local or regional, and/or aligned with the Community Foundation’s mission. On occasion, the Community Foundation may have cash balances at a financial institution in excess of federally insured limits.

For the year ended June 30, 2026, 33% of contribution revenue was from two donors. For the year ended June 30, 2025, 40% of contribution revenue was from one donor.

Note 2 - Continued

Income Taxes - Whatcom Community Foundation and its supporting organization qualify as tax-exempt organizations, under Section 501(c)(3) of the Internal Revenue Code (the Code), and are not subject to federal or state income taxes, except on unrelated business income. In addition, the Community Foundation and its supporting organization qualify for the charitable contribution deduction under Section 170(b)(a)(A) of the Code and have been classified as organizations that are not private foundations as defined in Section 509(a) of the Code. The Community Foundation is subject to federal income tax only on "unrelated business taxable income" as defined in Section 512 of the Code. Unrelated business income tax, if any, is immaterial and no tax provision has been made in the accompanying consolidated financial statements. The Millworks LLC is wholly owned by the Community Foundation and is a disregarded entity for tax purposes.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP 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 Community 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;

Fundraising - Including establishing and maintaining relationships with donors; and

Management and General - Including expenses that benefit the Community Foundation as an entity and the management and accounting for funds.

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statement of activities and statement 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 expenses are allocated on the basis of estimates of time and effort.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Community Foundation’s consolidated financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Subsequent Events - Management of the Community Foundation has evaluated subsequent events through September 29, 2026, the date on which these consolidated financial statements were available to be issued.

Note 3 - The Millworks LLC

As described in Note 1, the LLC is wholly owned by Whatcom Community Foundation. 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 demonstration project that will include a local food campus, workforce housing, an early learning center and community partner meeting rooms and office space. The LLC currently has an option agreement with the Port of Bellingham (the Port) for the remaining portion of a three-acre parcel on the Bellingham, Washington waterfront where the project is being developed in conjunction with Mercy Housing Northwest. The LLC is the entity that will ultimately own part of the site and any relevant agreements for its development. There was no activity for the LLC for the years ended June 30, 2026 or 2025, as all costs associated with the project were paid for by Whatcom Community Foundation. Mercy Housing Northwest began construction on Phase 1, 83 permanently affordable rental units and a six-classroom early learning and childcare center, in early 2023. Occupancy of the building was achieved in March of 2024. Planning and design for Phase 2 continues, including the local food campus and other elements. Phase 2 is anticipated to begin construction in 2027 with occupancy before the end of 2029.

Note 4 - Investments and Fair Value Measurements

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

	2026	2025
Investments	$ 83,289,466	$ 76,928,813
Restricted investments	4,217,940	2,153,327
Total Investments	**$ 87,507,406**	**$ 79,082,140**

Restricted investments consist of investment balances pledged or otherwise restricted as collateral for loan guarantee and credit support arrangements. At June 30, 2026, restricted investments totaled $4,217,940, including amounts pledged for microfinance loan guarantees, amounts pledged to secure a line of credit guarantee, and other restricted collateral balances. Restricted investments are included in the investment disclosures below and are not available for general operating expenditures while pledged or otherwise restricted.

Restricted investments consist of the following at June 30:

	2026	2025
Investments restricted for programmatic loans	$ 1,982,163	$ -
Loan guarantees	1,726,750	1,656,750
	3,708,913	1,656,750
Earnings on restricted investments	509,027	496,577
	$ 4,217,940	**$ 2,153,327**

Note 4 - Continued

Investment return consists of the following at June 30:

	2026	2025
Interest and dividends	$ 2,411,820	$ 2,031,836
Realized and unrealized gain on investments	9,982,391	6,346,090
Total Investment Return	**$ 12,394,211**	**$ 8,377,926**

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

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

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Community Foundation considers observable data to be market data that is readily available, regularly distributed or updated, reliable, and verifiable, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment only and should not be considered analogous to risk.

Investments are valued as follows:

Mutual Funds, Treasury Bills - Valued at the closing price reported on the active market on which the securities are traded.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Private Equity - Valued at NAV per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

There were no changes in the valuation methodologies used by the Community Foundation for the years ended June 30, 2026 or 2025.

Note 4 - Continued

Fair values of the Community Foundation's investments measured on a recurring basis were as follows at June 30:

	2026			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Mutual funds	$ 80,658,923	$ -	$ -	$ 80,658,923
Money market funds	4,878,753			4,878,753
Total Investments at Fair Value	**$ 85,537,676**	**$ -**	**$ -**	85,537,676
Investment at Net Asset Value:				
Private equity				141,000
Investments at cost plus accrued interest-				
Certificates of deposit				1,828,730
Total Investments				**$ 87,507,406**

	2025			
	Level 1	Level 2	Level 3	Total
Investments at Fair Value:				
Mutual funds	$ 72,655,489	$ -	$ -	$ 72,655,489
Treasury bills	496,940			496,940
Money market funds	4,028,285			4,028,285
Total Investments at Fair Value	**$ 77,180,714**	**$ -**	**$ -**	77,180,714
Investment at Net Asset Value:				
Private equity				140,000
Investments at cost plus accrued interest-				
Certificates of deposit				1,761,426
Total Investments				**$ 79,082,140**

Note 5 - Program-Related Investments

Program-Related Loans Receivable - The Community Foundation provides loans to nonprofit organizations and other mission-aligned entities in furtherance of its charitable purposes. Loans are recorded at the amount advanced, adjusted for any discount resulting from below-market interest rates, and reduced by an allowance for credit losses.

At loan inception, the Community Foundation records the difference between the loan's stated terms and market terms as contribution expense, with a corresponding discount on the loan receivable. The discount is amortized to interest income over the term of the loan using the effective interest method.

Management evaluates loans receivable for expected credit losses in accordance with ASC 326 and records an allowance for credit losses based on historical experience, current conditions, and reasonable and supportable forecasts.

Program-related loans receivable are generally due over a period of one to seven years with stated annual interest rates of 2% to 5%. The loans are recorded at net present value, and imputed interest is recognized over the time of the loans calculated using the simple-interest method on the outstanding principal balances.

Outstanding balances totaled the following at June 30:

	2026	2025
Loans maturing within one year	$ 150,000	$ 1,167,257
Loans maturing within two to five years	2,371,292	37,043
Loans maturing over five years	533,837	
	3,055,129	1,204,300
Discount on loan receivable for below-market loans	(128,588)	
Loan loss reserve	(180,388)	
	$ 2,746,153	**$ 1,204,300**

Management determined an allowance for uncollectible loans was not considered necessary at June 30, 2025.

Loan Guarantees - At June 30, 2026 and 2025, the Community Foundation pledged $250,000 at a bank to guarantee individual loans under a joint microfinance program with Western Washington University's Small Business Development Center. Total outstanding loan guarantees were $110,000 and $40,000 as of June 30, 2026 and 2025, respectively. The pledged amount is reported as restricted investments.

During 2026, the Community Foundation guaranteed two revolving lines of credit issued to a Whatcom County 501(c)(3) supporting disaster recovery. The first line of credit has a maximum principal amount of $1,000,000, is payable on demand, and has a maturity date of October 29, 2026. The second line of credit has a maximum principal amount of $2,000,000, and is payable on demand, and if no demand is made, matures November 2027. There are no restricted investments pledged for these guarantees.

Note 5 - Continued

At June 30, 2026 and 2025, the Community Foundation had $1,616,750 of investments pledged to secure a line of credit for a Whatcom County LLC supporting a housing development initiative. These investments are reported as restricted investments and are pledged through January 2027.

At June 30, 2026, the Community Foundation's maximum potential undiscounted exposure under outstanding guarantee arrangements was approximately $1,726,750. The Foundation has recorded a guarantee liability of $355,898 related to these arrangements. Management evaluates the payment/performance risk of guarantees at least quarterly, considering borrower status, collateral, recourse provisions, and other available credit information. Certain investments have been pledged as collateral and are reported as restricted investments.

Subsequent to year end, the Community Foundation entered into a guarantee agreement with Artaris Impact Investors, LLC, under which the Community Foundation agreed to provide up to $2,000,000 of first-loss protection in connection with qualifying investments in the region, including Bellingham, Whatcom County, and the Lummi Nation. The guarantee is intended to attract investment capital and support qualified investments and related investment program expenses in the region.

Note 6 - Beneficial Interest in Charitable Lead Annuity Trust

During the year ended June 30, 2015, the Community Foundation became a beneficiary of a Charitable Lead Annuity Trust (CLAT) from which the Community Foundation was to receive annual payments of $2,018,007 beginning on December 31, 2015 through March 17, 2025. The trust terminated during the year ended June 30, 2025, at which time the remaining trust assets were distributed in accordance with the trust agreement.

Note 7 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2026	2025
Land	$ 10,500,000	$ 10,500,000
Construction in progress	257,724	
Vehicles	3,880	
Furniture	10,381	10,381
Office equipment	24,866	24,866
Leasehold improvements		112,661
	10,796,851	10,647,908
Less accumulated depreciation	(29,756)	(139,076)
Property and Equipment, Net	**$ 10,767,095**	**$ 10,508,832**

Note 8 - Grant and Scholarship Awards Payable

Included in grant and scholarship awards payable are the following unconditional grants payable at June 30:

	2026	2025
Amounts due in-		
Less than one year	$ 676,657	$ 399,808
Two to five years	69,000	38,000
Thereafter		7,500
Total Grant and Scholarship Awards Payable	**$ 745,657**	**$ 445,308**

The discount for present value was immaterial at June 30, 2026 and 2025.

Note 9 - Note Payable

On October 17, 2025, the Community Foundation entered into a credit agreement with a private foundation providing for borrowings of up to $5,000,000 to support the Community Foundation's program-related lending activities. Amounts borrowed under the agreement bear interest at 2.0% per annum and may be drawn through the end of the commitment period. Amounts repaid may not be reborrowed.

As of June 30, 2026, the Community Foundation had outstanding borrowings of $5,000,000.

Interest is payable quarterly. Principal repayments begin October 17, 2032, and continue quarterly through maturity. The note matures on October 16, 2035, at which time all remaining principal and accrued interest are due.

Proceeds from the borrowing arrangement are restricted for use in the Community Foundation's program-related loan program. The note is unsecured.

The note bears interest at a rate below prevailing market rates. Accordingly, the Community Foundation recorded a discount on the note payable and related contribution revenue at inception. The discount is amortized to interest expense over the term of the note using the effective interest method.

The credit agreement includes certain financial covenants. As of June 30, 2026, the Community Foundation was in compliance with these covenants.

Note 10 - Funds Held for Others

Funds held for others (agency funds) as of June 30, 2026 and 2025, consist of the following:

	2026	2025
Mount Baker Theatre Endowment Fund	$ 2,153,944	$ 1,930,489
Pioneer Meadows Montessori School Endowment	1,220,562	1,098,960
Whatcom County Library Foundation Endowment Fund	642,291	478,817
Bellingham Public Schools Foundation Agency Endowment	303,146	273,723
Nooksack Salmon Enhancement Endowment	206,754	186,788
Ferndale Band Boosters Endowment Fund	197,057	178,027
Lydia Place Endowment Fund	105,952	95,720
Explorations Academy Endowment	71,327	65,375
Bellingham Symphony Endowment Fund	58,197	52,577
Master Gardener Foundation of Whatcom County Endowment	57,801	52,221
Whatcom Humane Society Endowment Fund	46,637	40,970
Bellingham Chamber Chorale Endowment for Choral Arts	39,842	35,993
Bellingham Festival of Music Endowment Fund	38,897	35,083
Law Advocates Agency Endowment Fund	33,240	30,029
Bruce Wolf Endowment Fund	29,991	27,097
Brigid Collins Endowment Fund	26,786	22,140
Whatcom Literacy Council Endowment	26,722	24,138
Northwest Youth Services Endowment Fund	20,162	18,215
Agape Home for Women and Children Endowment Fund	19,250	17,391
Lighthouse Mission Endowment Fund	18,572	16,779
Compass Health Endowment	17,482	15,793
Eric Braun Memorial Endowment for Cedar Tree Montessori	16,324	14,748
Bellingham Parks and Recreation Endowment	13,121	11,847
Whatcom Land Trust Endowment	10,017	9,049
Meadows Montessori Financial Assistance Fund	9,996	
Ferndale Double Dome Fund	8,540	7,488
Bellingham Festival of Music Education and Outreach Endowment	2,964	2,677
Whatcom County Library Foundation Endowment Fund for-		
Blaine Library	5,263	3,588
Deming Library	4,995	4,249
Everson Library	2,323	1,974
Ferndale Library	54,614	49,042
Island Library	3,893	3,357
Lynden Library	15,853	13,672
North Fork Library	2,307	1,943
Point Roberts Library	30,926	26,669
South Whatcom Library	3,400	2,932
Sumas Library	3,089	2,664
	$ 5,522,237	**$ 4,852,224**

Note 11 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following at June 30:

	2026	2025
Operating net assets-		
Administrative	$ 2,263,700	$ 2,255,412
Designated	1,504,613	912,266
Donor advised	17,869,670	13,298,625
Field of interest	3,474,709	2,402,165
Mission investments	478,001	463,603
Scholarship	553,532	550,634
WCF grantmaking	541,437	282,390
Sustainable Whatcom funds	165,013	165,013
Project	290,930	1,045,961
Donor-established endowment funds	63,050,724	58,956,215
	90,192,329	80,332,284
Board-designated net assets-		
Quasi-endowments	3,432,541	3,067,283
Operating reserve	439,272	425,852
	3,871,813	3,493,135
Total Net Assets Without Donor Restrictions	**$ 94,064,142**	**$ 83,825,419**

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future periods or for specific programs. They consisted of the following at June 30:

	2026	2025
Subject to expenditure for specific purpose-		
Programs and fiscal sponsorships	$ 1,511,016	$ 90,895
Program-related loan program	1,330,674	
Lakeland Foundation	10,673,885	10,660,800
Total Net Assets With Donor Restrictions	**$ 13,515,575**	**$ 10,751,695**

Note 13 - Endowments

The Community Foundation's endowment consists of approximately 132 funds established for a variety of purposes. Its endowment includes donor-established endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments).

As discussed in Note 2, due to the variance power the Community Foundation has over donated funds, all endowments are classified for accounting purposes as "funds without donor restrictions" and managed in accordance with the donors' intent at the discretion of the Board of Directors.

The Community Foundation's endowment consists of numerous funds established for a variety of purposes.

Donor-Established Endowment Funds - Funds established by donors with the intent of maintaining the original donations (corpus) in perpetuity by utilizing established spending policies.

Board-Designated Quasi-Endowment Funds - Funds without donor restrictions designated by the Board with the intent of maintaining the corpus in perpetuity by utilizing established spending policies.

The Community Foundation follows the principles outlined in the Washington State Prudent Management of Institutional Funds Act (PMIFA) for all of its donor-established and board-designated funds even though they are legally funds without donor restrictions.

In accordance with PMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-established endowment funds:

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

Endowment net assets are as follows as of and for the years ended June 30:

		Donor-Established Endowments				
	Board-Designated Quasi-Endowments	Accumulated Earnings	Endowment Corpus	Total Donor-Established Endowments	2026 Total	2025 Total
Donor-established endowment funds funds	$ -	$ 16,873,343	$ 46,177,381	$ 63,050,724	$ 63,050,724	$ 58,956,215
Board-designated quasi-endowment funds	3,432,541				3,432,541	3,067,283
Endowment Net Assets	**$ 3,432,541**	**$16,873,343**	**$46,177,381**	**$63,050,724**	**$66,483,265**	**$62,023,498**

Note 13 - Continued

Changes to endowment net assets are as follows for the years ended June 30:

	Donor-Established Endowments					
	Board-Designated Quasi-Endowments	Accumulated Earnings	Endowment Corpus	Total Donor-Established Endowments	2026 Total	2025 Total
Endowment net assets, beginning of year	$ 3,067,283	$ 13,008,136	$ 45,948,079	$ 58,956,215	$ 62,023,498	$ 58,222,731
Endowment investment return	552,590	9,516,660		9,516,660	10,069,250	7,388,256
Endowment contributions			229,302	229,302	229,302	379,155
Appropriation of endowment for expenditure	(187,332)	(5,651,453)		(5,651,453)	(5,838,785)	(3,966,644)
Endowment Net Assets, End of Year	**$ 3,432,541**	**$16,873,343**	**$ 46,177,381**	**$63,050,724**	**$66,483,265**	**$62,023,498**

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-established endowment funds may fall below the total amount of the gifts made to the endowment by the donor. There were no such deficiencies in endowment funds at June 30, 2026 and 2025.

Return Objectives and Risk Parameters - The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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. 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 Community Foundation's spending policy, may be used for grantmaking or community impact investing, subject to the Community Foundation's impact investing policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a diversified asset mix, which includes equity, fixed income securities, and cash equivalents.

Note 13 - Continued

Spending Policy - The Community Foundation has a policy of appropriating a percentage (5% for 2026, typically 4%) of each endowment fund's average fair value of the prior 12 quarters through the calendar year end preceding the year in which the distribution is planned. No appropriations are made until a fund has been established for 12 quarters. In establishing this policy, the Community Foundation considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, the possible effects of inflation, and changes in the community needs.

Note 14 - Leases

The Community Foundation entered into a ten-year lease for office space commencing in November 2014 and was renewed for another five years during the year ended June 30, 2025. The lease was modified during the year ended June 30, 2026 to expand the leased space. Total rent expense for the years ended June 30, 2026 and 2025, was $64,687 and $36,282 , respectively, including in-kind rent of $23,082 and $10,251, respectively.

The components of lease expense for the year ended June 30 were as follows:

	2026	2025
Operating lease costs	$ 23,911	$ 11,889
Short-term and other lease costs	40,776	24,393
Total Lease Expenses	**$ 64,687**	**$ 36,282**

Supplemental cash flow information related to leases as of June 30 was as follows:

	2026	2025
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 128,484	$ 63,226
Weighted-average remaining lease term - operating lease	3.4 years	4.4 years
Weighted-average discount rate - operating lease	4.30%	4.19%
Cash paid for amounts included in measurement of lease liabilities	$ 26,865	$ 13,048

Note 14 - Continued

Future minimum lease payments required under noncancelable leases are as follows:

For the Year Ending June 30,	
2027	$ 37,132
2028	38,294
2029	39,503
2030	16,659
Less present value discount	(9,095)
Total Lease Liabilities	**$ 122,493**

Note 15 - Pension Plan

The Community Foundation sponsors a defined contribution retirement plan for employees. Employer contributions equal 10% of each eligible employee's compensation after six months and are fully vested after one year of service. Pension contributions for the years ended June 30, 2026 and 2025, were $148,173 and $122,717, respectively.

Note 16 - Liquidity and Availability of Resources

The Community 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 donor-established endowments and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Community Foundation.

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

Note 16 - Continued

Liquid financial assets available for use at June 30:

	2026	2025
Cash and cash equivalents	$ 16,869,403	$ 7,806,815
Investments (unrestricted)	83,289,466	76,928,813
Receivables to be collected within one year	144,041	255,008
Less financial assets unavailable for general expenditures due to designations-		
Donor-established endowment funds	(63,050,724)	(58,956,215)
Board-designated quasi-endowment funds	(3,432,541)	(3,067,283)
Total Financial Assets Available for Expenditures Within One Year	**$ 33,819,645**	**$ 22,967,138**

Administrative fees provide an ongoing source of cash flow for general operations and programs. Fees are assessed to funds monthly, based on fund balance and/or activity. Administrative fees of $1,312,578 and $1,235,189 were charged to funds for the years ended June 30, 2026 and 2025.

The table above reflects the Community Foundation's consolidated financial assets. While most of the Community Foundation funds are subject to its variance power, the majority of these funds have specific recommendations identified by the donors, which the Community Foundation intends to honor. In stewarding these assets, the Community Foundation invests the assets with the objective of meeting donors' recommendations as well as their grantmaking time horizons.