
Kitsap Community Foundation
A Washington Non-Profit Corporation

Financial Statements

For the Year Ended September 30, 2024

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
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FINANCIAL STATEMENTS:

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kitsap Community Foundation
Silverdale, WA

Opinion

We have audited the accompanying financial statements Kitsap Community Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2024, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

August 6, 2025

Kitsap Community Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

September 30, 2024 (with Comparative Totals for 2023)	2024	2023
Assets		
Current Assets:		
Operating cash	\$ 238,662	\$ 427,783
Pass through funds	223,302	504,160
Restricted cash	13,781	29,900
Total Cash	475,745	961,843
Right to use operating lease asset - current	38,026	-
Accounts receivable	65,388	200
Total Current Assets	579,159	962,043
Other Assets:		
Investments	14,216,551	11,761,088
Right to use operating lease asset - long term	55,281	-
Property	3,500	3,500
Total Other Assets	14,275,332	11,764,588
Total Assets	\$ 14,854,491	\$ 12,726,631
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 67,109	\$ 2,695
Other liabilities	8,770	5,304
Payroll taxes and benefits payable	8,926	7,612
Vacation payable	29,994	15,741
Operating lease liability - current	38,026	-
Total Current Liabilities	152,825	31,352
Long Term Liabilities:		
Operating lease liability - long term	55,281	-
Total Long Term Liabilities	55,281	-
Agency funds	2,666,025	2,604,181
Total Liabilities	2,874,131	2,635,533
Net Assets:		
Without donor restrictions:		
Available for current operations	1,415,229	883,168
Donor advised pass through funds	3,795,805	3,633,712
Board designated	168,785	108,096
	5,379,819	4,624,976
With donor restrictions	6,600,541	5,466,122
Total Net Assets	11,980,360	10,091,098
Total Liabilities and Net Assets	\$ 14,854,491	\$ 12,726,631

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

Kitsap Community Foundation

A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Fiscal Year Ended September 30, 2024 (with Comparative Totals for 2023)	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and Grants:				
Donations	\$ 1,455,921	\$ 928,581	\$ 2,384,502	\$ 1,929,338
Government grants	-	-	-	667,627
Inkind	833	-	833	11,360
Special Event:				
Celebration of Philanthropy Dinner, net of \$90,952 direct costs	156,726	-	156,726	93,904
Service Fees:				
Asset management fees	24,950	-	24,950	6,846
Program fees	30	-	30	2,330
Pass through fees	-	-	-	14,829
Fiscal sponsorship fees	-	-	-	1,191
Registration fees	5,178	8,000	13,178	20,718
Miscellaneous	9,391	1,146	10,537	2,296
Investment Earnings:				
Interest and dividends	159,963	160,249	320,212	250,587
Realized/unrealized gain (loss), net of \$72,396 investment mgmt fees	780,760	973,483	1,754,243	626,695
Net assets released from restrictions	937,040	(937,040)	-	-
Total Support and Revenue	3,530,792	1,134,419	4,665,211	3,627,721
Expenses:				
Program services	2,705,070	-	2,705,070	2,822,835
Management and general	48,357	-	48,357	105,366
Fundraising	22,522	-	22,522	36,822
Total Expenses	2,775,949	-	2,775,949	2,965,023
Change in Net Assets	754,843	1,134,419	1,889,262	662,698
Net Assets, Beginning of Year	4,624,976	5,466,122	10,091,098	10,627,268
Transfer to organization	-	-	-	(1,198,868)
Net Assets, End of Year	\$ 5,379,819	\$ 6,600,541	\$ 11,980,360	\$ 10,091,098

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

Kitsap Community Foundation
A Washington Non-Profit Corporation

Statement of Functional Expenses

Fiscal Year Ended September 30, 2024 (with Comparative Totals for 2023)	2024	2023			
	<div>Program Services</div>	<div>Management & General</div>	<div>Fundraising</div>	<div>Total</div>	<div>Total</div>
Grants	\$ 2,069,872	\$ -	\$ -	\$ 2,069,872	\$ 1,709,751
Salary and wages	261,665	14,537	14,537	290,739	543,389
Employee benefits	24,863	1,382	1,381	27,626	18,217
Payroll taxes	25,862	1,437	1,436	28,735	42,932
Professional services	3,078	7,181	-	10,259	73,853
Outside contractors	109,536	-	49,644	159,180	309,524
Advertising and promotion	26,430	1,469	1,468	29,367	45,688
Office expense and supplies	23,462	1,304	1,303	26,069	72,679
Office equipment	2,806	156	156	3,118	1,328
Postage and shipping	19,687	1,094	1,093	21,874	21,917
Printing	42,170	2,343	2,343	46,856	40,539
Dues and subscriptions	-	4,390	-	4,390	4,250
Technology expense	39,881	2,216	2,215	44,312	32,858
Rent, parking & utilities	34,994	1,944	36,746	73,684	63,930
Telephone	3,794	211	210	4,215	5,510
Travel	116	7	6	129	2,780
Meetings & training	15,499	861	861	17,221	52,957
Insurance	-	7,750	-	7,750	5,986
Miscellaneous	1,355	75	75	1,505	-
Subtotal	2,705,070	48,357	113,474	2,866,901	3,048,088
Less Direct expense for fundraising	-	-	(90,952)	(90,952)	(83,065)
Total	\$ 2,705,070	\$ 48,357	\$ 22,522	\$ 2,775,949	\$ 2,965,023

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

Kitsap Community Foundation
A Washington Non-Profit Corporation

Statement of Cash Flows

Fiscal Year Ended September 30, 2024 (with Comparative Totals for 2023)	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,889,262	\$ 662,698
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized/Unrealized (Gain) Losses	(1,826,639)	(695,474)
Stock donations	(58,398)	(58,398)
(Increase) Decrease in Operating Assets		
Accounts receivable	(65,188)	89,400
Increase (Decrease) in Operating Liabilities		
Accounts payable	64,414	(93,353)
Other liabilities	3,466	(2,388)
Vacation accrual	14,253	2,343
Payroll taxes and benefit payables	1,314	(5,113)
Agency funds	61,844	370,442
Net Cash Provided (Used) by Operating Activities	84,328	270,157
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer to organization	-	(1,198,868)
Proceeds from Sales of Investment	3,237,804	5,071,549
Purchases of Investment	(3,808,230)	(5,369,908)
Net Cash Provided (Used) by Investing Activities	(570,426)	(1,497,227)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(486,098)	(1,227,070)
BEGINNING CASH AND CASH EQUIVALENTS	961,843	2,188,913
ENDING CASH AND CASH EQUIVALENTS	\$ 475,745	\$ 961,843
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	\$ -	\$ -

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

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Kitsap Community Foundation (the Foundation) was incorporated as a non-profit organization on December 17, 1993. The Foundation exists to provide a flexible, efficient vehicle for local philanthropy in Kitsap County. The mission of the Foundation is to improve Kitsap County by connecting people who care with causes that matter through endowment funded grants. In January 2007, the Foundation met the Council on Foundation's National Standards for U.S. Community Foundations by demonstrating their commitment to operational quality, integrity, and accountability. The Foundation maintains this accreditation.

In 2018, the Foundation formed a separate limited liability company, Kitsap Strong Consulting LLC (the LLC), to work with other organization's finding creative ways to improve the quality of life in Kitsap County for all people. The Foundation owns 100% of the LLC and is a disregarded entity for tax purpose. The transfers between the entities have been recorded in the change to net assets on the statement of activities. All interagency accounts and transactions have been eliminated. During the fiscal year ended September 30, 2023, the LLC net assets were transferred to another organization to operate this program. The amount transferred was \$1,198,868.

Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America (GAAP), the Foundation is required to report information regarding its financial position and activities according to two classes of net assets (without donor restriction net assets and with donor restriction net assets) based on the existence or absence of donor imposed restrictions. Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restriction. The Foundation should record assets received as contribution revenue if the donor has granted the community foundation the unilateral power (called variance power) to redirect the use of the assets transferred to a beneficiary other than the one specified by the resource provider. Also, if a not-for-profit organization establishes with its own funds, a fund at a community foundation for its own benefit, the transfer of assets to the community foundation is not contribution revenue and should be accounted for as a liability. This liability is referred to as agency funds on the Statement of Financial Position. Therefore, the activity during the fiscal year for the agency funds are not shown as revenue and expenses in the financial statements. Agency fund liability as of September 30, 2024 and 2023, was \$2,666,025 and \$2,604,181, respectively. Also, direct costs for the special event are netted against the special event revenue.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2023, from which the summarized information was derived.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Liquidity and Availability

The Foundation has \$304,050 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$238,662 and accounts receivable of \$65,388 as of September 30, 2024. The Foundation has \$427,983 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$427,783 and accounts receivable of \$200 as of September 30, 2023. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has an endowment fund of \$6,104,723 and \$5,068,343 as of September 30, 2024 and 2023, respectively. The Foundation also has donor advised pass through funds in cash and investments of \$3,795,805 and \$3,633,712 as of September 30, 2024 and 2023, respectively. The Foundation can distribute the earnings in accordance with the spending policy. See note 7.

The Foundation has restricted cash of \$13,781 and \$29,900 as of September 30, 2024 and 2023, respectively.

Revenue and Revenue Recognition

The Financial Accounting Standards Board (FASB) guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Foundation follows these principles.

A portion of the Foundation's revenue is derived from grants and contracts from their funding sources. Amounts received are recognized as revenue when expenditures have incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. No amounts have been received in advance under the Foundation's contracts and grants.

Recognition of Contribution Revenue

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

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. However, restricted gifts for which the donor restriction is met in the same period the gift is received are recorded as without donor restriction revenue.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Estimates

The preparation of financial statements in conformity with general accepted account principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property & Equipment

Property and equipment with a life greater than one-year costing \$1,000 or more are capitalized at cost if purchased or at fair market value if donated.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The Foundation's program services are the activities that result in goods and services being distributed to beneficiaries, customers or members that fulfill the purpose or mission for which the organization exists. Payroll and related costs are allocated based on time spent on each function.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, it has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Foundation has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Foundation believes that its income tax filing position will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flow.

The foundation is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to September 30, 2021.

Advertising

The costs of advertising are expensed when incurred.

Supplemental Cash Flow Disclosure

The Foundation considers all cash and short-term investments maturing in 90 days or less to be cash equivalent.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash

The cash account is grouped into cash for operations, pass through funds, and restricted cash. Pass through funds allow the donor to suggest the purpose for which the funds will be used, but the donor agreements indicate that those suggestions are not binding on the Foundation. Thus, the net assets are classified as without donor restrictions. Restricted cash is comprised of funds where the foundation is acting in a fiscal agent capacity.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Leases

The Foundation recognizes and measures its leases in accordance with FASB ASC 842, leases. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. For operating and financing leases, the Foundation recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise The Organization uses the U.S. Treasury Bill risk free rate with a term equivalent to the lease term. The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments).

Lease cost for lease payments is recognized on a straight line basis over the lease term. The Foundation has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that The Organization is reasonably certain to exercise.

NOTE 2: IN-KIND CONTRIBUTIONS

Donated materials are recorded at the estimated fair value of the materials donated. Donated services are recorded if the services require a specialized skill that is provided by someone possessing that skill and the organization would otherwise need to purchase those services. In kind contributions and expenses for the year ended September 30, 2024 and 2023, were \$833 and \$11,360, respectively.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 3: INVESTMENTS

BNY Mellon Wealth Management assesses a management fee based on the fair market value of the assets it holds. At September 30, 2024 the management fee was .77% per annum. During the fiscal year ended September 30, 2013, the Foundation started an investment account with Halbert Hargrove for the new AY Petter Family Donor Advised Fund. The Halbert Hargrove management fee is 0.5% per annum.

Distributions from BNY Mellon Wealth Management and Halbert Hargrove are made to the Foundation, upon its request, to fund grants and other contributions as approved by the Foundation's Board of Directors. The assets held by BNY Mellon Wealth Management, Halbert Hargrove and other investments at September 30, 2024, recorded at fair market value, consisted of the following asset classes:

	<u>Cost</u>	<u>Market Value</u>
Cash and Cash equivalents	\$ 100,436	\$ 100,436
Bonds	4,399,032	4,771,069
Mutual Funds	3,237,501	4,237,442
Cattle Syndicate Shares	80,050	80,050
Corporate Stocks	<u>3,307,216</u>	<u>5,027,554</u>
	<u>\$11,124,235</u>	<u>\$14,216,551</u>

Investments at market value as of September 30, 2023, were \$11,761,088.

NOTE 4: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restriction by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Grants awarded from endowed fund earnings	\$ 684,064
Donor restricted donations spent	<u>252,976</u>
Total	<u>\$ 937,040</u>

NOTE 5: WITHOUT DONOR RESTRICTION NET ASSETS-BOARD DESIGNATED

As stated in Note 1, the foundation is required to report activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. The Board has designated \$168,785 of without donor restriction net assets to the Foundation's two endowments, the Operations Endowment and the Community Endowment. Since the designations have not been restricted by donors, GAAP requires them to be reported as part of the without donor restriction class of net assets.

NOTE 6: FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Foundation manages deposit concentration risk by placing cash and savings accounts with financial institutions believed to be creditworthy. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 7: ENDOWMENT

The Foundation's endowment consists of 82 individual funds established for a variety of purposes to benefit Kitsap County and its surrounding communities, some of which are intended to be perpetual endowment funds. Endowment funds generally are established by donor-restricted gifts and bequests to provide a perpetual endowment, which is to provide a perpetual source of income. The Foundation does manage these funds with the intention of these funds being perpetual endowments. However, the Foundation has adopted a Spending Policy that allows for limited expenditures from these funds even if such an expenditure could result in a portion of the original principal of the fund being expended. This expenditure of principal could only occur during an extreme downturn in the economy that resulted in substantial losses in the value of a fund. The Foundation interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing for such expenditures if the Foundation determines that such expenditures of principal are fulfilling the donor's intent of providing income to nonprofits in the community.

The Foundation has determined that donors who create these perpetual funds would like the funds to still make limited distributions during severe economic downturns and in so doing support charitable work in our community even if doing so will temporarily decrease the principal of the fund.

Because the possibility does exist of a portion of the original principal of the perpetual funds being distributed, the Foundation has determined that these perpetual funds are most accurately classified as with donor restriction funds for purpose rather than as perpetual funds. Investment gains and losses increase or reduce with donor restriction net assets. As required by GAAP, net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Foundation's philosophy is that the endowment is to exist into perpetuity and therefore should provide funding in perpetuity. This is consistent with the philosophy that the foundation is to exist into perpetuity and therefore should provide for grant making into perpetuity. To achieve this goal, the primary objective in the investment management for endowment fund assets is:

- Preservation of purchasing power: Achieve returns in excess of the rate of inflation over the investment horizon in order to preserve capital.
- Income and growth: Achieve a balanced return of income and growth.

The Foundation believes there should be an emphasis on contributions to endowments as the most important source of new funds to assure significant growth of assets. Accordingly, future giving will serve to increase endowment fund principal.

Strategies Employed for Achieving Objectives

In order to meet its need, the investment strategy of the foundation is to emphasize total return. Investment assets should be allocated to a combination of growth-oriented and cash flow-producing investments.

Most of the assets received by the Foundation are transferred to BNY Mellon Wealth Management or Halbert Hargrove where they are held and invested. Investment professionals handle the daily management of these assets. The investment performance is reviewed annually by the Foundation Investment Committee which make recommendations to the Board of Directors.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 7: ENDOWMENT (CONT'D)

Spending Policies and How the Investment Objectives Relate to Spending Policy

The general policy is that a minimum of \$5,000 is required to establish an endowment fund. Distributions of accumulated earnings from an endowment fund may be made after the corpus has reached \$10,000.

The annual distribution of endowment funds is based on up to 3.5% of the 16 quarter rolling average of each individual fund market values.

Endowment Net Asset Composition by Type of Fund as of September 30, 2024, with comparative totals for 2023:

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Donor-restricted endowment	\$ -	\$ 5,935,938	\$ 5,935,938	\$ 4,960,247
Board-designated endowment	168,785	-	168,785	108,096
Total funds	<u>\$ 168,785</u>	<u>\$ 5,935,938</u>	<u>\$ 6,104,723</u>	<u>\$ 5,068,343</u>

Changes in Endowment Net Assets for the Year Ended September 30, 2024:

	Without Donor Restrictions Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 108,096	\$ 4,960,247	\$ 5,068,343
Investment return:			
Interest/dividends	10,645	149,376	160,021
Realized/unrealized gain/(losses), net of investment mgmt fees	<u>59,881</u>	<u>842,876</u>	<u>902,757</u>
Total investment return	<u>70,526</u>	<u>992,252</u>	<u>1,062,778</u>
Contributions	-	601,951	601,951
Distributions	<u>(9,837)</u>	<u>(618,512)</u>	<u>(628,349)</u>
Endowment net assets, end of year	<u>\$ 168,785</u>	<u>\$ 5,935,938</u>	<u>\$ 6,104,723</u>

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 8: PASS THROUGH FUNDS

During the fiscal years ended September 30, 2024 and 2023, the Foundation held the Kitsap Great Give event. The Kitsap Great Give is a 24-hour, online giving event organized by the Foundation to grow philanthropy in the greater Kitsap area and support the work of the community's non-profits. The event had 339 non-profit organizations participating in the event.

The Foundation received \$1,258,225 and \$1,464,495 of donations that were designated for these other non-profit organizations during the event, of which all the funds had been paid to these pass through organizations as of September 30, 2024 and 2023, respectively.

These pass through funds received during the event are not reflected in the accompanying statement of activities and changes in net assets.

NOTE 9: FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and 3 inputs are used only when Level 1 inputs are not available.

The following table present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024:

	Level 1	Level 2	Level 3	Total
Cash	\$ 100,436	\$ -	\$ -	\$ 100,436
Bonds	4,771,069	-	-	4,771,069
Mutual Funds	4,237,442	-	-	4,237,442
Corporate Stocks	5,027,554	-	-	5,027,554
Cattle Syndicates Shares	-	-	80,050	80,050
Total Funds	<u>\$ 14,136,501</u>	<u>\$ -</u>	<u>\$ 80,050</u>	<u>\$ 14,216,551</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

The fair value of Level 1 investments is based on quoted market prices.

KITSAP COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

September 30, 2024

NOTE 9: FAIR VALUE MEASUREMENTS (CONT'D)

Level 3 Fair Value Measurements

Cattle Syndicate Shares: The fair value of the shares is based upon original share purchase prices.

Level 3 Gain and Losses

	<u>Level 1</u>
Beginning Balance, Oct 1, 2023	\$ 80,050
Contributions	<u>-</u>
Ending Balance, September 30, 2024	<u>\$ 80,050</u>

NOTE 10: WITH DONOR RESTRICTION NET ASSETS

With donor restriction net assets at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2,023</u>
Scholarships and Programs	\$ 664,604	\$ 505,875
Endowment(Note 8)	<u>5,935,938</u>	<u>4,960,247</u>
Total	<u>\$ 6,600,542</u>	<u>\$ 5,466,122</u>

NOTE 11: LEASES

Effective January 1, 2021, The Foundation adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Foundation has elected the package of practical expedients permitted in ASC Topic 842.

The Foundation conducts its operations from leased office space in Silverdale, WA. The Foundation entered into a thirty-six-month lease in April 2021 with the option to renew. Current lease will expire on February 28, 2027. Future lease payments are discounted to present value using the risk free three year United States Treasury rate of 2.14%.

Future lease payments due under the operating lease total \$38,026, \$38,848, and \$16,433, for 2025, 2026, and 2027, respectively. These future lease payments reflect a discount in lease liability of \$1,625, \$803, and \$88 for 2025, 2026, and 2027, respectively

NOTE 12: SUBSEQUENT EVENTS

The Foundation did not have any subsequent events through August 6, 2025, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended September 30, 2024.