



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Tacoma Community Foundation
Tacoma, Washington

We have audited the accompanying consolidated financial statements of Greater Tacoma Community Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greater Tacoma Community Foundation as of December 31, 2018, and the changes in its consolidated net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 31 through 34 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Summarized Comparative Information

We have previously audited Greater Tacoma Community Foundation's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emphasis of Matter

Adoption of ASU No. 2016-14

As discussed in Note 1 to the financial statements, in 2018, the Community Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.



Tacoma, Washington
August 23, 2019

GREATER TACOMA COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 9,432,689	\$ 6,541,935
Contributions and grant receivable (Note 4)	2,244,681	793,825
Bequest receivable	591,944	---
Trusts receivable (Note 5)	1,899,628	2,687,187
Real estate held for sale	1,258,000	---
Other assets	89,335	363,454
Investments (Note 6)	95,986,339	102,274,629
Mission related investments (Note 1 and 6)	1,375,836	1,500,000
Property and equipment, net (Note 7)	1,902,009	1,846,952
Land use (Note 8)	1,438,911	1,608,453
Collections	504,075	493,975
TOTAL ASSETS	\$ 116,723,447	\$ 118,110,410
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 282,375	\$ 703,874
Grants payable	1,254,399	395,469
Deferred revenue (Note 9)	1,303,626	1,019,743
Line of credit (Note 10)	68,231	68,907
Split-interest agreements payable (Note 17)	963,105	1,015,509
Funds held for the benefit of other organizations	10,450,322	9,932,168
TOTAL LIABILITIES	14,322,058	13,135,670
Net Assets:		
Without Donor Restrictions (Note 14)	93,213,688	96,676,645
With Donor Restrictions (Note 14)	9,187,701	8,298,095
TOTAL NET ASSETS	102,401,389	104,974,740
TOTAL LIABILITIES AND NET ASSETS	\$ 116,723,447	\$ 118,110,410

See accompanying notes.

GREATER TACOMA COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2018
(With comparative totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and Agency Funds:				
Advised	\$ 4,299,190	\$ 620,528	\$ 4,919,718	\$ 1,731,504
Designated	330,953	810,340	1,141,293	167,761
Field of interest	1,055,139	---	1,055,139	1,244,443
Scholarships	170,488	---	170,488	243,783
Community grantmaking	51,000	541,857	592,857	36,089
Charitable annuities and remainder trusts	20,001	---	20,001	---
Administrative fund	158,672	---	158,672	875,624
Supporting organizations	506,292	220,008	726,300	341,011
Agency funds	1,457,491	---	1,457,491	1,430,280
	<u>8,049,226</u>	<u>2,192,733</u>	<u>10,241,959</u>	<u>6,070,495</u>
Less agency funds	1,457,491	---	1,457,491	1,430,280
TOTAL CONTRIBUTIONS	6,591,735	2,192,733	8,784,468	4,640,215
Net investment income (loss)	(3,975,962)	---	(3,975,962)	11,983,182
Grant revenue	1,443,814	---	1,443,814	854,530
Other income	332,718	---	332,718	250,323
Change in value of split-interest agreements	(6,956)	(44,573)	(51,529)	98,514
Net assets released from restrictions	1,258,554	(1,258,554)	---	---
TOTAL REVENUE AND SUPPORT	5,643,903	889,606	6,533,509	17,826,764
EXPENSES				
Program Services:				
Grants:				
Advised	1,625,610	---	1,625,610	1,596,947
Designated	1,004,103	---	1,004,103	748,897
Field of interest	1,425,037	---	1,425,037	1,840,491
Scholarships	339,736	---	339,736	393,058
Community grantmaking	333,050	---	333,050	663,785
Administrative fund	---	---	---	6,500
Agency funds	474,833	---	474,833	551,313
	<u>5,202,369</u>	<u>---</u>	<u>5,202,369</u>	<u>5,800,991</u>
Less agency funds	474,833	---	474,833	551,313
TOTAL GRANTS	4,727,536	---	4,727,536	5,249,678
Other program service expenses	2,335,182	---	2,335,182	2,049,545
TOTAL PROGRAM SERVICES	7,062,718	---	7,062,718	7,299,223
Management and general	1,398,300	---	1,398,300	1,314,661
Fundraising	645,842	---	645,842	753,568
TOTAL EXPENSES	9,106,860	---	9,106,860	9,367,452
CHANGE IN NET ASSETS	(3,462,957)	889,606	(2,573,351)	8,459,312
NET ASSETS, Beginning	96,676,645	8,298,095	104,974,740	96,515,428
NET ASSETS, Ending	\$ 93,213,688	\$ 9,187,701	\$102,401,389	\$104,974,740

See accompanying notes.

GREATER TACOMA COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018
(With comparative totals for 2017)

				2018	2017
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 998,609	\$ 735,391	\$ 344,276	\$ 2,078,276	\$ 1,980,025
Employee benefits	153,029	120,682	62,902	336,613	342,612
Payroll taxes	75,726	63,457	30,703	169,886	168,364
TOTAL SALARY EXPENSE	1,227,364	919,530	437,881	2,584,775	2,491,001
Grants	4,727,536	---	---	4,727,536	5,249,678
Professional fees	253,717	92,019	26,745	372,481	354,793
Occupancy	87,949	75,958	26,246	190,153	165,639
Conferences and conventions	75,309	65,953	42,682	183,944	155,142
Supplies	71,077	28,646	13,233	112,956	104,421
Equipment maintenance	41,684	23,732	6,489	71,905	58,400
Local transportation and travel	81,278	4,512	1,202	86,992	76,378
Computer and website	29,519	36,357	16,870	82,746	103,911
Miscellaneous	25,791	20,278	7,522	53,591	83,383
Publicity and promotion	166,524	40,740	16,348	223,612	115,590
Telephone and postage	22,943	14,232	7,359	44,534	54,130
Interest expense	---	963	---	963	81
TOTAL EXPENSES BEFORE DEPRECIATION & AMORTIZATION	6,810,691	1,322,920	602,577	8,736,188	9,012,547
Depreciation and amortization	54,608	23,456	6,422	84,486	74,331
Land lease expense	197,419	51,924	36,843	286,186	280,574
TOTAL EXPENSES	\$ 7,062,718	\$ 1,398,300	\$ 645,842	\$ 9,106,860	\$ 9,367,452

See accompanying notes.

GREATER TACOMA COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenue and support	\$ 4,908,145	\$ 6,015,914
Cash paid to grantees, employees, and suppliers	(8,001,180)	(6,671,947)
Interest and dividends received	1,851,569	1,786,584
Proceeds from sales of donated investments	<u>3,697,616</u>	<u>1,557,488</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,456,150</u>	<u>2,688,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(21,738,689)	(18,090,182)
Proceeds from sales of investments	22,323,612	7,579,766
Purchases of property and equipment	(139,543)	(115,089)
Net additions to collections	<u>(10,100)</u>	<u>(2,675)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>435,280</u>	<u>(10,628,180)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in line of credit	<u>(676)</u>	<u>57,162</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(676)</u>	<u>57,162</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,890,754	(7,882,979)
CASH AND CASH EQUIVALENTS, Beginning	<u>6,541,935</u>	<u>14,424,914</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 9,432,689</u>	<u>\$ 6,541,935</u>

See accompanying notes.

GREATER TACOMA COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (2,573,351)	\$ 8,459,312
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	84,486	74,331
Land use expense	286,186	280,574
Amortization of discount	(116,644)	(97,734)
Unrealized and realized (gain) loss on investments	5,827,531	(10,381,479)
(Increase) decrease in assets:		
Contributions and grant receivable	(1,450,856)	1,017,491
Bequest receivable	(591,944)	---
Trusts receivable	(470,441)	217,516
Other assets	274,119	(42,427)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(421,499)	447,969
Grants payable	858,930	136,449
Deferred revenue	283,883	635,754
Split-interest agreements payable	(52,404)	(53,543)
Funds held for the benefit of other organizations	518,154	1,993,826
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,456,150</u>	<u>\$ 2,688,039</u>

See accompanying notes.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Activities:

Greater Tacoma Community Foundation (Community Foundation) helps build a thriving and vibrant Pierce County by providing resources that support donors, businesses, nonprofit organizations, and members of the community in working together to meet the community's needs, now and into the future. Through strategic investments in the community, the Community Foundation aims to support the region in realizing its full potential.

The Community Foundation believes in the power of community to collectively solve problems. With funding, networks and knowledge to make this possible, along with connections to diverse community stakeholders, the Community Foundation is uniquely positioned to pull together the best thinking and resources to catalyze positive social change.

Donors to the Community Foundation receive exceptional insights into the Pierce County region and discover opportunities to make a significant difference. Members of the Pierce County community receive support for their efforts, talent, and resources through the work of the Community Foundation and its donors.

Learn more at: www.gtcf.org

Financial Statement Presentation:

The financial statements of the Community Foundation have been prepared in accordance with the generally accepted accounting principles in the United States of America, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, net assets for capital reserve, and board-designated endowment.

With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Funds established by an unrelated not-for-profit organization using its own fund for its own benefit, are classified by the Community Foundation as a liability, funds held for the benefit of other organizations, rather than as a net asset.

Principles of Consolidation:

The Community Foundation has an economic interest in and control over three supporting organizations. The consolidated financial statements include the accounts of the Community Foundation and supporting organizations (collectively referred to as the Community Foundation). All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant interorganizational accounts and transactions have been eliminated. The supporting organizations consist of the following not-for-profit corporations:

- Asset Stewardship Foundation, established by the Community Foundation in 2008 to receive certain types of noncash gifts.
- The Friends of Lakewold, established in December 1986 to support the owning, managing, maintaining and developing of the real property known as the Lakewold Gardens.
- George Weyerhaeuser Pacific Rim Bonsai Collection, established in December 2013 to support the owning and operating of the George Weyerhaeuser Pacific Rim Bonsai Collection (d/b/a Pacific Bonsai Museum).

Comparative Financial Information:

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). According such information should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Accounting:

The Community Foundation's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting, where revenues are recognized when earned, and expenses are recognized when the obligation is incurred, regardless of the timing of the related cash flows.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates significant to the consolidated financial statements include life expectancies of trust beneficiaries and annuitants and the estimated fair value of assets and land use donated to the Pacific Bonsai Museum.

Cash and Cash Equivalents:

The Community Foundation considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market funds which are not subject to withdrawal restrictions or penalties and are not pledged as collateral.

Contributions:

Contributions are recorded as revenue when an unconditional promise to give is received. Bequests are accrued as revenue when the respective will has been declared valid. Other deferred contributions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable.

Contributions are recorded at fair value on the date received.

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 on the consolidated statements of activities and changes in net assets as net assets released from restrictions. Restricted contributions received, whose restrictions are met in the same reporting period, are recorded as unrestricted support.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

The Community Foundation's corporate bylaws and contribution documents grant "variance power" that allows the Community Foundation to modify any recommendation or condition on distribution from a fund if such recommendation or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Whenever possible, the Community Foundation confers with the donor or the donor's representative before the distribution is modified in order to stay as close as possible to the original intent of the donor.

Because of the variance power granted to the Community Foundation, contributions are classified as without donor restrictions if they are available to the Community Foundation without a stipulated time restriction.

Investments:

The Community Foundation reports investments at quoted market value. Unless specific prohibitive clauses are contained in the gift instruments, funds for investment have been combined into investment pools. Revenues arising from the ownership or disposition of pooled investments are allocated to the various funds based on each fund's percentage of ownership in the investment pool.

Mission Related Investments:

In support of its goal of advancing positive social change in Pierce County, the Community Foundation has made a loan and equity investments for program purposes.

The loan matures in 2020. Interest is recognized over the term of the loan and is calculated at the three-month LIBOR Rate plus 1.75 percent and paid quarterly.

The Community Foundation's equity investments are used to create community investment pools to make small business loans and to develop business and affordable housing in Pierce County.

The Community Foundation has an outstanding capital commitment of \$234,000 for equity mission related investments as of December 31, 2018.

Management has reviewed the collectability of the note receivable and equity investments and has determined an allowance for impairment is not needed as of December 31, 2018.

Equity mission related investments are reported at fair value (Note 6).

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Derivatives:

In the normal course of business the Community Foundation is subject to risk from adverse fluctuations from various foreign and domestic investment securities held for long-term investment purposes. The Community Foundation manages these risks through the use of derivative financial instruments included in Note 6. Counterparties to these contracts are major financial institutions. The Community Foundation is exposed to credit loss in the event of nonperformance by these counterparties. The Community Foundation does not use derivative instruments for trading or speculative purposes. The Community Foundation's objective in managing exposure to market risk is to limit the impact on earnings and cash flow.

All of the Community Foundation's outstanding derivative financial instruments are recognized in the balance sheet at their fair values. The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. Changes in the fair values of instruments designated to reduce or eliminate adverse fluctuations in the fair values of recognized assets and liabilities and unrecognized firm commitments are reported currently in earnings.

Fixed Assets:

The Community Foundation capitalizes assets with an individual cost of \$1,000 or more and an estimated useful life of more than one year. Purchased fixed assets include land, building and equipment recorded at cost.

Depreciation is recorded on a straight-line basis over the estimated useful lives as follows:

Computers and software	3 - 5 years
Furniture and equipment	7 - 15 years
Buildings and improvements	10 - 40 years

Depreciation expense for the years ended December 31, 2018 and 2017 was \$84,486 and \$74,331, respectively. No depreciation is provided for the bonsai collections.

Contributed buildings, equipment and land are recorded at fair value on the date received.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Donated Goods and Services:

Many dedicated and talented individuals serve our community by collectively donating thousands of hours to Greater Tacoma Community Foundation and its supporting organizations. These volunteers provide services ranging from Board and Committee membership to landscaping maintenance. These donated services were not recognized in the consolidated financial statements because they did not meet the recognition criteria.

The value of donated goods and services such as professional services, advertising, and other services are recorded at fair value as the goods and services are rendered. Goods and services of \$24,023 and \$10,010 were recorded as contribution revenue and appropriate expense for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses:

Salaries and payroll related costs are allocated to the various supporting an program services of the Community Foundation based on time incurred by Community Foundation staff. All other programs costs not specifically identified are allocated based on estimates made by management.

Federal Income Taxes:

The Community Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, the consolidated financial statements do not include a provision for federal income taxes. However, net income from certain activities not directly related to tax exempt purpose is subject to taxation as unrelated business income. Taxes related to these activities were not significant for the years ended December 31, 2018 and 2017. The Community Foundation believes it has no uncertain tax positions.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Adoption of New Standards:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. The Community Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied respectively to all periods presented.

A recap of the net asset reclassifications driven by the adoption of the ASU 2016-14 as of December 31, 2017 is as follows:

Net Asset Classification December 31, 2017	ASU 2016-14 Classifications		
	Without Donor Restriction	With Donor Restriction	Total Net Assets
Unrestricted	\$ 95,068,193	\$ ---	\$ 95,068,193
Temporarily restricted	---	5,983,332	5,983,332
Permanently restricted	---	3,923,215	3,923,215
NET ASSETS AS PREVIOUSLY PRESENTED	95,068,193	9,906,547	104,974,740
Reclassification of long-lived asset	1,608,452	(1,608,452)	---
TOTAL NET ASSETS AS REPORTED AFTER ADOPTION OF ASU 2016-14	\$ 96,676,645	\$ 8,298,095	\$ 104,974,740

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1. (Continued)

Recently Issued Accounting Pronouncements:

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Early adoption is permitted. The Community Foundation is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements. The adoption of ASU 2018-08 is not expected to have a material impact on the Community Foundation's consolidated financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Community Foundation is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

Reclassifications:

Certain amounts presented in the preceding year have been reclassified to conform with the consolidated financial statement presentation in the current year. The reclassifications had no effect on net assets or changes in net assets as previously stated.

Date Through Which Subsequent Events Evaluated:

The date to which events occurring after December 31, 2018, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is August 23, 2019, which is the date on which the consolidated financial statements were available to be issued.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 2. Liquidity and Availability

The Community Foundation's financial assets available within one year to meet general expenditures include the following as of December 31, 2018:

Cash and cash equivalents	\$ 9,432,689
Contributions receivable	2,244,681
Bequests receivable	591,944
Trusts receivable	1,899,628
Other assets	89,335
Investments	<u>95,986,339</u>
AVAILABLE FINANCIAL ASSETS	110,244,616
Less financial assets unavailable for general expenditures due to designations:	
Donor-restricted endowment funds	(3,923,215)
Board designated reserve funds	(158,927)
Investments classified as Level 3	(10,058,083)
Funds held for the benefit of the other organizations	(10,450,322)
Prepaid expenses included in other assets	(39,203)
Contributions receivable due in more than one year	(731,614)
Trusts receivable due in more than one year	(1,799,628)
Charitable Remainder Unitrust assets	<u>(1,020,939)</u>
TOTAL AVAILABLE FINANCIAL ASSETS, NET	<u>\$ 82,062,685</u>

The Community Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities and other obligations become due. In addition to the available financial assets listed above, the Community Foundation has a line of credit totaling \$150,000 which can be drawn upon in the event of immediate liquidity needs. The Community Foundation's endowment funds consist of donor-established endowments classified as net assets without donor restrictions. Although the Community Foundation does not intend to spend from these endowment funds other than amounts appropriated for general expenditure as part of its annual budget, amounts from the endowment funds could be made available by the Board of Directors as necessary.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 3. Risks and Uncertainties

The Community Foundation is exposed to market and credit risk due to the various foreign and domestic investment securities held for long-term investment purposes. Investment securities are exposed to various risks such as foreign currency exchange rate, interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

NOTE 4. Contributions and Grant Receivable

The Community Foundation has a contributions receivable balance of \$981,362 and \$793,825 as of December 31, 2018 and 2017, respectively. The receivables are considered collectible over one to five years. The Community Foundation has a grant receivable balance of \$1,263,319 and \$-0- as of December 31, 2018 and 2017, respectively. The receivable is part of the Wallace Fund and is considered collectible within one year.

NOTE 5. Trusts Receivable

The trusts receivable consist of a charitable lead annuity trust receivable over twenty years from the date of gift and a beneficial interest in a charitable remainder trust. The charitable lead annuity trust has been discounted to present value. The charitable remainder trust is held outside the Community Foundation and is recorded at net present value of the estimated future amount to be received. Trusts receivable as of December 31, 2018 and 2017 was \$1,899,628 and \$2,687,187, respectively, and no allowance for collectability was recorded.

NOTE 6. Fair Value Measurements

Financial assets and liabilities valued using Level 1 inputs are based on adjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's suppositions about the assumptions market participants would utilize in pricing the asset or liability.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6. (Continued)

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the techniques used at December 31, 2018 and 2017.

Certificates of Deposit: Valued at cost, which approximates fair value.

Exchange Traded Funds (ETF) and Mutual Funds: Level 1 investment accounts are recorded at fair value based on current quoted market prices from actively traded markets. Level 3 investments in hedge funds and equity securities, for which quoted market prices are not available, are determined by management with the assistance of third-party investment managers using methods it considers appropriate.

Trusts Receivable: Trusts receivable are recorded at fair value based on current quoted market prices of the related investments or assessed property value for donated property, reduced by management's estimate of the present value of future payments to other beneficiaries.

Equity Investment: Investment is stated at cost, which approximates fair value as determined by management.

Funds Held for the Benefit of Other Organizations: The liability is recorded at management's estimate of the present value of future payments to beneficiaries.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6. (Continued)

The following table sets forth by level, within the fair value hierarchy, the Community Foundation's assets and liabilities at fair value as of December 31, 2018 and 2017:

	Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 1,000,000	\$ ---	\$ ---	\$ 1,000,000
Exchange Traded Funds:				
Domestic Equity	326,526	---	---	326,526
International Equity	61,980	---	---	61,980
Global Fixed Income	250,986	---	---	250,986
Mutual Funds:				
Domestic Equity	32,133,506	---	---	32,133,506
International Equity	21,264,817	---	---	21,264,817
Global Fixed Assets	17,533,782	---	---	17,533,782
Real Assets	5,071,254	---	---	5,071,254
Diversifying Strategies	8,285,405	---	---	8,285,405
Private Equity	---	---	10,058,083	10,058,083
TOTAL INVESTMENTS	85,928,256	---	10,058,083	95,986,339
Trusts Receivable	---	---	1,899,628	1,899,628
Equity Mission Related Investments	---	---	625,836	625,836
TOTAL ASSETS AT FAIR VALUE	\$ 85,928,256	\$ ---	\$ 12,583,547	\$ 98,511,803
Funds held for the benefit of other organizations	\$ ---	\$ ---	\$ 10,450,322	\$ 10,450,322
TOTAL LIABILITIES AT FAIR VALUE	\$ ---	\$ ---	\$ 10,450,322	\$ 10,450,322

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6. (Continued)

	Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Domestic Equity	\$ 36,138,713	\$ ---	\$ ---	\$ 36,138,713
International Equity	23,076,427	---	1,937,208	25,013,635
Global Fixed Assets	14,758,504	---	---	14,758,504
Real Assets	8,759,380	---	---	8,759,380
Diversifying Strategies	8,810,780	---	---	8,810,780
Private Equity	---	---	8,769,029	8,769,029
Other Mutual Funds	24,588	---	---	24,588
TOTAL INVESTMENTS	91,568,392	---	10,706,237	102,274,629
Trusts Receivable	---	---	1,429,187	1,429,187
Equity Investment	---	---	750,000	750,000
TOTAL ASSETS AT FAIR VALUE	\$ 91,568,392	\$ ---	\$ 12,885,424	\$ 104,453,816
Funds held for the benefit of other organizations	\$ ---	\$ ---	\$ 9,932,168	\$ 9,932,168
TOTAL LIABILITIES AT FAIR VALUE	\$ ---	\$ ---	\$ 9,932,168	\$ 9,932,168

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6. (Continued)

For the years ended December 31, 2018 and 2017, the changes in assets and liabilities classified as Level 3 are as follows:

	Assets	Liabilities
Balance, January 1, 2017	\$ 14,871,309	\$ 7,938,342
Unrealized gain on investments	298,525	858,099
Realized gain on investments	---	151,381
Purchases of investments	2,340,750	1,423,350
Sales of investments	(4,632,660)	---
Interest and dividends	7,500	176,859
Investment expenses	---	(107,577)
Grant expenses	---	(508,286)
Balance, January 1, 2018	12,885,424	9,932,168
Unrealized gain (loss) on investments	86,374	(1,027,875)
Realized gain on investments	1,385,455	368,543
Purchases of investments	1,978,312	1,457,490
Sales of investments	(3,759,518)	---
Interest and dividends	7,500	220,653
Investment expenses	---	(117,526)
Grant expenses	---	(383,131)
Balance, December 31, 2018	<u>\$ 12,583,547</u>	<u>\$ 10,450,322</u>

The following sets forth additional disclosures for the investments valued at Level 3 as of December 31, 2018 and 2017:

Asset Class	At December 31, 2018		At December 31, 2017	
	Fair Value	Unfunded Commitment	Fair Value	Unfunded Commitment

Alternative Investment Funds:

Strategy - Focused Hedge

Fund of Funds	\$	---	\$	---	\$	1,937,208	\$	---
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Private Equity -

Fund of Funds	\$	10,058,083	\$	1,239,000	\$	8,769,029	\$	2,409,000
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Strategy - Focused Hedge Fund of Funds - Strategy is to generate returns in excess of traditional, long-term only indices while realizing one-half of their volatility. Redemptions are annual, subsequent to satisfying a 3 year lockup and 95 days written notice.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6. (Continued)

Private Equity Fund of Funds – Includes investments in a partnership that makes indirect investments in three key segments: global private equity, special situations, and real assets. The objective is to invest in a diversified pool of underlying investment funds among the key segments from established investment organizations to exploit the opportunities available from investing in their requisite market segments. No withdrawals may be made prior to the dissolution and winding up of the partnership.

NOTE 7. Property and Equipment, Net

Property and equipment consist of the following at December 31:

	2018	2017
Land	\$ 1,145,000	\$ 1,145,000
Buildings and improvements	1,371,898	1,312,013
Equipment	48,797	44,411
Furniture and fixtures	555,924	495,823
TOTAL COST	3,121,619	2,997,247
Less accumulated depreciation	(1,219,610)	(1,150,295)
TOTAL PROPERTY AND EQUIPMENT, NET	\$ 1,902,009	\$ 1,846,952

NOTE 8. Land Use

The Pacific Bonsai Museum entered into a lease agreement for the use of land where the Pacific Bonsai Museum is located. The lease agreement provides for below market rent at \$1 per year for the first 20 years. The lease carries one optional renewal extension term of 10 years after the initial 20-year lease has expired.

In 2014, the Community Foundation recorded a contribution at the fair value of the contributed use of the land for 20 years, which was estimated at \$2,430,440. The Community Foundation amortizes the value of the contribution over its remaining term. Amortization of the discount was \$116,644 and \$97,734 at December 31, 2018 and 2017, respectively. The balance of the land use was \$1,438,911 and \$1,608,453 at December 31, 2018 and 2017, respectively.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 9. Deferred Revenue

Included in deferred revenue at December 31, 2018 and 2017 is \$998,494 and \$770,600, respectively, relating to the Wallace Foundation grant which will be recognized over the time stipulated in the agreement. The Wallace Foundation selected Tacoma as one of six cities nationwide to participate in their Partnerships for Social and Emotional Learning Initiative (PSELI). This initiative, co-designed locally by Tacoma Public Schools, Greater Tacoma Community Foundation, and expanded learning communities, is testing how to provide aligned, equitable, high-quality social, emotional, and academic development to students in and out of school. As part of this grant, the Community Foundation has been designated as providing sub-grants to other entities. Included grants payable at December 31, 2018 and 2017 is \$1,028,898 and \$395,710 in sub-grants for PSELI, respectively. Deferred revenue as of December 31, 2018 and 2017 was \$1,303,626 and \$1,019,743 respectively.

NOTE 10. Line of Credit

The Friends of Lakewold has a revolving line-of-credit agreement with a bank in the amount of \$150,000 maturing September 2019. The interest rate is based on the Columbia Bank Base Rate plus 1.75 percent that is no lower than 4.75 percent in 2018 and 4.50 in 2017, and is unsecured. The rate at December 31, 2018 and 2017 were 7.25 and 4.5 percent, respectively. The outstanding balance on the line of credit at December 31, 2018 and 2017, was \$68,231 and \$68,907, respectively.

NOTE 11. Concentration of Credit Risk

The Community Foundation maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Community Foundation has not experienced any losses in such accounts.

At December 31, 2018 and 2017, the Community Foundation maintained accounts containing cash and securities with a brokerage firm and the trust departments of various banks. These accounts are insured up to the Securities Investor Protection Corporation insured maximum. The Community Foundation monitors these investments regularly.

NOTE 12. Employee Benefits

The Community Foundation sponsors a 401(k) profit sharing plan covering all eligible employees. The Community Foundation, at the discretion of the Board of Directors, may contribute matching, profit sharing and/or qualified nonelective contributions. For 2018 and 2017, contributions by the Community Foundation totaled \$80,313 and \$111,101, respectively.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 12. (Continued)

The Friends of Lakewold maintains a defined contribution plan under Section 403(b) of the Internal Revenue Code for all employees. This plan allows employees to make contributions, but does not require any contributions from the Organization. No contributions were made by the Organization for the years ended December 31, 2018 and 2017.

The Pacific Bonsai Museum sponsors a Savings Incentive Match Plan for Employee (Simple IRA) covering all eligible employees. The Organization, at the discretion of the Board of Directors, may contribute matching up to 3 percent of compensation. For 2018 and 2017, contributions by the Organization totaled \$10,535 and \$8,409, respectively.

NOTE 13. Leases

The Community Foundation leases office facilities from Rust Building - Tacoma L.L.C. In June 2018, the Community Foundation executed a lease amendment, extending the lease term from May 2021 to May 2022. Monthly lease payments vary from \$7,468 per month to \$11,486 per month. The Community Foundation is also responsible for taxes, assessments, normal maintenance and insurance. Future minimum lease payments under the extended operating lease are as follows:

2019	\$ 128,975
2020	132,842
2021	136,434
2022	<u>57,432</u>
TOTAL	<u><u>\$ 455,683</u></u>

Rent expense for the year ended December 31, 2018 and 2017 was \$107,508 and \$91,007, respectively.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 14. Net Assets Without and With Donor Restrictions

Net assets without donor restrictions are available for the following purposes at December 31:

	2018	2017
Community grant making	\$ 11,589,043	\$ 12,886,202
Designated	27,143,519	30,224,482
Advised	8,796,757	9,062,404
Field of interest	13,662,016	15,171,244
Scholarships	6,505,962	7,173,334
Supporting organizations	166,692	361,723
TOTAL ENDOWMENT FUNDS	<u>67,863,989</u>	<u>74,879,389</u>
Operating funds - non-endowed	<u>25,349,699</u>	<u>21,797,256</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 93,213,688</u>	<u>\$ 96,676,645</u>

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Contributions receivable	\$ 810,152	\$ 177,274
Trust receivable	---	1,258,000
Bequest receivable	591,944	---
Split interest agreements	2,453,967	2,046,794
Real estate held for sale	1,258,000	---
Other	150,423	892,812
Funds held in perpetuity	<u>3,923,215</u>	<u>3,923,215</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 9,187,701</u>	<u>\$ 8,298,095</u>

Donor restricted net assets held in perpetuity totaling \$3,923,215 at December 31, 2018 and 2017 are comprised of two endowment funds related to the Friends of Lakewold. The agency endowment fund corpus of \$1,879,527 was established by the Friends of Lakewold using its own fund for its own benefit and included as net assets of the Friends of Lakewold. The other endowment fund corpus of \$2,043,688 is included in net assets of the Community Foundation.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 15. Release of Net Assets

Net assets were released from donor restrictions as follows by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors:

	2018	2017
Purpose or time restrictions accomplished:		
Time restricted expired	\$ 987,507	\$ 2,034,064
Other	271,047	12,303
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 1,258,554	\$ 2,046,367

NOTE 16. Endowments

The Community Foundation's endowments consist of approximately 300 individual funds established by donors for a variety of purposes. When donations are received with restrictions to use the funds for a long-term nature, the Community Foundation invests these funds as endowments, with annual distributions to beneficiaries in keeping with donor intent. The net endowment assets related to Friends of Lakewold are restricted. The remaining net endowment assets are without donor restrictions subject to the Community Foundation's variance power as discussed below.

Interpretation of Relevant Law:

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by Washington State as of July 2009. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization cannot spend from the fund, and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Community Foundation may spend as much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. The donor's intent that the fund be perpetual in nature must still be considered and the fund managed accordingly. Under the terms of the *Articles of Incorporation* and *Bylaws*, the Board of Directors has variance power which is the ability to distribute the property held by the organization, other than property held by the organization as a trustee, in the manner that best serves the charitable, social, civic, educational and scientific needs of the people of the greater Tacoma area. The Board of Directors has the authority in carrying out such duty to override specific bequests, conditions and directives of donors if, but only if, circumstances have changed in such a way as is determined to render execution of any bequest, condition or directive obsolete, inappropriate or impracticable.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 16. (Continued)

As of December 31, 2018, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Supporting organization endowment funds	\$ 166,692	\$ 3,923,215	\$ 4,089,907
Other endowment funds:			
Community grant making	11,589,043	---	11,589,043
Designated	27,143,519	---	27,143,519
Advised	8,796,757	---	8,796,757
Field of interest	13,662,016	---	13,662,016
Scholarships	6,505,962	---	6,505,962
TOTAL ENDOWMENT FUNDS	\$ 67,863,989	\$ 3,923,215	\$ 71,787,204

As of December 31, 2017, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Supporting organization endowment funds	\$ 361,723	\$ 3,923,215	\$ 4,284,938
Other endowment funds:			
Community grant making	12,886,202	---	12,886,202
Designated	30,224,482	---	30,224,482
Advised	9,062,404	---	9,062,404
Field of interest	15,171,244	---	15,171,244
Scholarships	7,173,334	---	7,173,334
TOTAL ENDOWMENT FUNDS	\$ 74,879,389	\$ 3,923,215	\$ 78,802,604

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 16. (Continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment net assets as of January 1, 2017	\$ 66,094,015	\$ 3,923,215	\$ 70,017,230
Income received on investments	1,477,253	---	1,477,253
Gain on investments	8,860,658	---	8,860,658
Contributions	931,748	---	931,748
Amounts appropriated for expenditure	(2,542,322)	---	(2,542,322)
Net transfers	58,037	---	58,037
Change in endowment net assets	8,785,374	---	8,785,374
Endowment net assets as of December 31, 2017	74,879,389	3,923,215	78,802,604
Income received on investments	1,648,038	---	1,648,038
Loss on investments	(4,855,447)	---	(4,855,447)
Contributions	2,109,723	---	2,109,723
Amounts appropriated for expenditure	(2,687,162)	---	(2,687,162)
Net transfers	(3,230,552)	---	(3,230,552)
Change in endowment net assets	(7,015,400)	---	(7,015,400)
Endowment net assets as of December 31, 2018	\$ 67,863,989	\$ 3,923,215	\$ 71,787,204

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 16. (Continued)

Return Objectives and Risk Parameters:

Endowed assets of the Community Foundation are prudently managed by an Investment Consultant under the direction of the Investment Committee. A thorough investment policy defines the objective and acceptable risk-return parameters for these funds. To provide support for programs and agencies benefitting from this endowment, a specific spending policy is adhered to and reviewed at least annually. Over time, it is the goal of the endowment's investment policy to provide a return that keeps pace with the combined total of inflation, administrative expenses and the spending requirements of fund holders. The endowment investment pool is globally diversified but not immune to declines in value. However, over time, it is the expectation that investment principal can be maintained in perpetuity.

Strategies Employed for Achieving Objectives:

To satisfy its long-term 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). The Community Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How Investment Objectives Relate to Spending Policy:

The spending policy calculates the amount of money distributed annually for grant making from the Community Foundation's various endowed funds. The current spending policy is to distribute an amount equal to 4.3 percent of the sixteen-quarter rolling average market value. If the market value of an endowment fund on the date on which a distribution is being determined is less than the fund's historic dollar value (the amount of the original gift plus each additional donation to the fund), the allowable spending from the endowment fund is limited to 3 percent of the sixteen-quarter rolling average market value. Accordingly, over the long term, the Community Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of 2 percent annually. This is consistent with the Community Foundation's objective of maintaining the purchasing power of endowment assets as well as providing additional real growth through new gifts and investment return.

GREATER TACOMA COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 17. Split-Interest Agreements

Some donors enter into trusts or other arrangements under which the Community Foundation receives benefits that are shared with other beneficiaries. The Community Foundation either receives distributions during the agreement's term, or it receives all or a portion of the assets remaining at the end of the term. Assets received under these split-interest agreements are recorded at fair value in the investments and receivable accounts and totaled \$3,799,613 and \$3,542,376 at December 31, 2018 and 2017, respectively. The related receivable or liability is calculated based on the life expectancy of the beneficiary or the term of the agreement, discounted at the applicable federal rate per the IRS tables. Included in split-interest agreements payable are charitable gift annuities with an actuarial present value of \$496,505 and \$483,670 at December 31, 2018 and 2017, respectively. The Community Foundation maintains a reserve fund adequate to meet the future payments under its charitable gift annuity contracts and in accordance with State law.

GREATER TACOMA COMMUNITY FOUNDATION
SUPPLEMENTAL SCHEDULE
December 31, 2018

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

	Greater Tacoma Community Foundation	The Asset Stewardship Foundation	The Friends of Lakewold	Pacific Bonsai Museum	Total	Eliminating Entries	Consolidated Total
ASSETS							
Cash and cash equivalents	\$ 9,212,621	\$ ---	\$ 146,451	\$ 73,617	\$ 9,432,689	\$ ---	\$ 9,432,689
Contributions receivable	2,073,471	56,046	96,435	18,729	2,244,681	---	2,244,681
Bequest receivable	591,944	---	---	---	591,944	---	591,944
Trusts receivable	1,899,628	---	---	---	1,899,628	---	1,899,628
Real estate held for sale	---	1,258,000	---	---	1,258,000	---	1,258,000
Other assets	39,391	---	41,608	8,336	89,335	---	89,335
Investments	95,986,339	---	---	---	95,986,339	---	95,986,339
Mission related investments	1,375,836	---	---	---	1,375,836	---	1,375,836
Property and equipment, net	70,194	---	1,625,902	205,913	1,902,009	---	1,902,009
Land use	---	---	---	1,438,911	1,438,911	---	1,438,911
Collections	---	---	---	504,075	504,075	---	504,075
Funds held by others for organization's benefit	---	---	2,046,220	---	2,046,220	(2,046,220)	---
TOTAL ASSETS	<u>\$ 111,249,424</u>	<u>\$ 1,314,046</u>	<u>\$ 3,956,616</u>	<u>\$ 2,249,581</u>	<u>\$ 118,769,667</u>	<u>\$ (2,046,220)</u>	<u>\$ 116,723,447</u>
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and other liabilities	\$ 169,994	\$ 31,143	\$ 25,474	\$ 55,764	\$ 282,375	\$ ---	\$ 282,375
Grants payable	1,254,399	---	---	---	1,254,399	---	1,254,399
Deferred revenue	1,303,626	---	---	---	1,303,626	---	1,303,626
Line of credit	---	---	68,231	---	68,231	---	68,231
Split-interest agreements payable	963,105	---	---	---	963,105	---	963,105
Funds held for the benefit of other organizations	12,496,542	---	---	---	12,496,542	(2,046,220)	10,450,322
TOTAL LIABILITIES	<u>16,187,666</u>	<u>31,143</u>	<u>93,705</u>	<u>55,764</u>	<u>16,368,278</u>	<u>(2,046,220)</u>	<u>14,322,058</u>
Net Assets:							
Without Donor Restrictions	89,161,819	24,903	1,857,149	2,169,817	93,213,688	---	93,213,688
With Donor Restrictions	5,899,939	1,258,000	2,005,762	24,000	9,187,701	---	9,187,701
TOTAL NET ASSETS	<u>95,061,758</u>	<u>1,282,903</u>	<u>3,862,911</u>	<u>2,193,817</u>	<u>102,401,389</u>	<u>---</u>	<u>102,401,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 111,249,424</u>	<u>\$ 1,314,046</u>	<u>\$ 3,956,616</u>	<u>\$ 2,249,581</u>	<u>\$ 118,769,667</u>	<u>\$ (2,046,220)</u>	<u>\$ 116,723,447</u>

See Independent Auditor's Report.

GREATER TACOMA COMMUNITY FOUNDATION
SUPPLEMENTAL SCHEDULE
December 31, 2017

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

	Greater Tacoma Community Foundation	The Asset Stewardship Foundation	The Friends of Lakewold	Pacific Bonsai Museum	Total	Eliminating Entries	Consolidated Total
ASSETS							
Cash and cash equivalents	\$ 6,333,826	\$ 1,135	\$ 100,125	\$ 106,849	\$ 6,541,935	\$ ---	\$ 6,541,935
Contributions receivable	750,000	---	14,825	29,000	793,825	---	793,825
Trusts receivable	1,429,187	1,258,000	---	---	2,687,187	---	2,687,187
Other assets	310,037	---	44,767	8,650	363,454	---	363,454
Investments	102,274,629	---	---	---	102,274,629	---	102,274,629
Mission related investments	1,500,000	---	---	---	1,500,000	---	1,500,000
Property and equipment, net	38,052	---	1,585,403	223,497	1,846,952	---	1,846,952
Land	---	---	---	1,608,453	1,608,453	---	1,608,453
Collections	---	---	---	493,975	493,975	---	493,975
Funds held by others for organization's benefit	---	---	2,241,251	---	2,241,251	(2,241,251)	---
TOTAL ASSETS	<u>\$ 112,635,731</u>	<u>\$ 1,259,135</u>	<u>\$ 3,986,371</u>	<u>\$ 2,470,424</u>	<u>\$ 120,351,661</u>	<u>\$ (2,241,251)</u>	<u>\$ 118,110,410</u>
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and other liabilities	\$ 601,538	\$ ---	\$ 52,737	\$ 49,599	\$ 703,874	\$ ---	\$ 703,874
Grants payable	395,469	---	---	---	395,469	---	395,469
Deferred revenue	1,019,743	---	---	---	1,019,743	---	1,019,743
Line of credit	---	---	68,907	---	68,907	---	68,907
Split-interest agreements payable	1,015,509	---	---	---	1,015,509	---	1,015,509
Funds held for the benefit of other organizations	12,173,419	---	---	---	12,173,419	(2,241,251)	9,932,168
TOTAL LIABILITIES	<u>15,205,678</u>	<u>---</u>	<u>121,644</u>	<u>49,599</u>	<u>15,376,921</u>	<u>(2,241,251)</u>	<u>13,135,670</u>
Net Assets:							
Without Donor Restrictions	92,476,259	1,135	1,807,926	2,391,325	96,676,645	---	96,676,645
With Donor Restrictions	4,953,794	1,258,000	2,056,801	29,500	8,298,095	---	8,298,095
TOTAL NET ASSETS	<u>97,430,053</u>	<u>1,259,135</u>	<u>3,864,727</u>	<u>2,420,825</u>	<u>104,974,740</u>	<u>---</u>	<u>104,974,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 112,635,731</u>	<u>\$ 1,259,135</u>	<u>\$ 3,986,371</u>	<u>\$ 2,470,424</u>	<u>\$ 120,351,661</u>	<u>\$ (2,241,251)</u>	<u>\$ 118,110,410</u>

See Independent Auditor's Report.

GREATER TACOMA COMMUNITY FOUNDATION
SUPPLEMENTAL SCHEDULE
For the year ended December 31, 2018

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

	Greater Tacoma Community Foundation			The Asset Stewardship Foundation			The Friends of Lakewold			Pacific Bonsai Museum			Total	Eliminating Entries	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE AND SUPPORT															
Contributions and Agency Funds:															
Advised	\$ 4,299,190	\$ 620,528	\$ 4,919,718	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 4,919,718	\$ ---	\$ 4,919,718
Designated	330,953	810,340	1,141,293	---	---	---	---	---	---	---	---	---	1,141,293	---	1,141,293
Field of interest	1,055,139	---	1,055,139	---	---	---	---	---	---	---	---	---	1,055,139	---	1,055,139
Scholarships	170,488	---	170,488	---	---	---	---	---	---	---	---	---	170,488	---	170,488
Community grantmaking	51,000	541,857	592,857	---	---	---	---	---	---	---	---	---	592,857	---	592,857
Charitable annuities and remainder trusts	20,001	---	20,001	---	---	---	---	---	---	---	---	---	20,001	---	20,001
Administrative fund	158,672	---	158,672	---	---	---	---	---	---	---	---	---	158,672	---	158,672
Supporting organizations	---	---	---	---	---	---	403,003	220,008	623,011	773,389	---	773,389	1,396,400	(670,100)	726,300
Agency funds	1,457,491	---	1,457,491	---	---	---	---	---	---	---	---	---	1,457,491	---	1,457,491
	7,542,934	1,972,725	9,515,659	---	---	---	403,003	220,008	623,011	773,389	---	773,389	10,912,059	(670,100)	10,241,959
Less agency funds	1,457,491	---	1,457,491	---	---	---	---	---	---	---	---	---	1,457,491	---	1,457,491
TOTAL CONTRIBUTIONS	6,085,443	1,972,725	8,058,168	---	---	---	403,003	220,008	623,011	773,389	---	773,389	9,454,568	(670,100)	8,784,468
Net investment loss	(3,871,312)	---	(3,871,312)	---	---	---	(104,650)	---	(104,650)	---	---	---	(3,975,962)	---	(3,975,962)
Grant revenue	1,443,814	---	1,443,814	---	---	---	---	---	---	---	---	---	1,443,814	---	1,443,814
Other income	142,373	---	142,373	38,493	---	38,493	144,238	---	144,238	7,614	---	7,614	332,718	---	332,718
Change in value of split-interest agreements	(6,956)	(44,573)	(51,529)	---	---	---	---	---	---	---	---	---	(51,529)	---	(51,529)
Net assets released from restrictions	982,007	(982,007)	---	---	---	---	271,047	(271,047)	---	5,500	(5,500)	---	---	---	---
TOTAL REVENUE AND SUPPORT	4,775,369	946,145	5,721,514	38,493	---	38,493	713,638	(51,039)	662,599	786,503	(5,500)	781,003	7,203,609	(670,100)	6,533,509
EXPENSES															
Program Services:															
Grants:															
Advised	1,625,610	---	1,625,610	---	---	---	---	---	---	---	---	---	1,625,610	---	1,625,610
Designated	1,497,803	---	1,497,803	---	---	---	---	---	---	---	---	---	1,497,803	(493,700)	1,004,103
Field of interest	1,601,437	---	1,601,437	---	---	---	---	---	---	---	---	---	1,601,437	(176,400)	1,425,037
Scholarships	339,736	---	339,736	---	---	---	---	---	---	---	---	---	339,736	---	339,736
Community grantmaking	333,050	---	333,050	---	---	---	---	---	---	---	---	---	333,050	---	333,050
Agency funds	474,833	---	474,833	---	---	---	---	---	---	---	---	---	474,833	---	474,833
	5,872,469	---	5,872,469	---	---	---	---	---	---	---	---	---	5,872,469	(670,100)	5,202,369
Less agency funds	474,833	---	474,833	---	---	---	---	---	---	---	---	---	474,833	---	474,833
TOTAL GRANTS	5,397,636	---	5,397,636	---	---	---	---	---	---	---	---	---	5,397,636	(670,100)	4,727,536
Other program service expenses	1,171,238	---	1,171,238	---	---	---	468,593	---	468,593	695,351	---	695,351	2,335,182	---	2,335,182
TOTAL PROGRAM SERVICES	6,568,874	---	6,568,874	---	---	---	468,593	---	468,593	695,351	---	695,351	7,732,818	(670,100)	7,062,718
Management and general	1,058,578	---	1,058,578	14,725	---	14,725	142,107	---	142,107	182,890	---	182,890	1,398,300	---	1,398,300
Fundraising	462,357	---	462,357	---	---	---	53,715	---	53,715	129,770	---	129,770	645,842	---	645,842
TOTAL EXPENSES	8,089,809	---	8,089,809	14,725	---	14,725	664,415	---	664,415	1,008,011	---	1,008,011	9,776,960	(670,100)	9,106,860
CHANGE IN NET ASSETS	(3,314,440)	946,145	(2,368,295)	23,768	---	23,768	49,223	(51,039)	(1,816)	(221,508)	(5,500)	(227,008)	(2,573,351)	---	(2,573,351)
NET ASSETS, Beginning	92,476,259	4,953,794	97,430,053	1,135	1,258,000	1,259,135	1,807,926	2,056,801	3,864,727	2,391,325	29,500	2,420,825	104,974,740	---	104,974,740
NET ASSETS, Ending	\$ 89,161,819	\$ 5,899,939	\$ 95,061,758	\$ 24,903	\$ 1,258,000	\$ 1,282,903	\$ 1,857,149	\$ 2,005,762	\$ 3,862,911	\$ 2,169,817	\$ 24,000	\$ 2,193,817	\$ 102,401,389	\$ ---	\$ 102,401,389

GREATER TACOMA COMMUNITY FOUNDATION
SUPPLEMENTAL SCHEDULE
For the year ended December 31, 2017

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

	Greater Tacoma Community Foundation			The Asset Stewardship Foundation			The Friends of Lakewold			Pacific Bonsai Museum			Total	Eliminating Entries	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE AND SUPPORT															
Contributions and Agency Funds:															
Advised	\$ 1,731,504	\$ ---	\$ 1,731,504	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,731,504	\$ ---	\$ 1,731,504
Designated	167,761	---	167,761	---	---	---	---	---	---	---	---	---	167,761	---	167,761
Field of interest	1,244,443	---	1,244,443	---	---	---	---	---	---	---	---	---	1,244,443	---	1,244,443
Scholarships	243,783	---	243,783	---	---	---	---	---	---	---	---	---	243,783	---	243,783
Community grantmaking	36,089	---	36,089	---	---	---	---	---	---	---	---	---	36,089	---	36,089
Administrative fund	125,624	750,000	875,624	---	---	---	---	---	---	---	---	---	875,624	---	875,624
Supporting organizations	---	---	---	---	---	---	282,399	---	282,399	786,712	30,500	817,212	1,099,611	(758,600)	341,011
Agency funds	1,430,280	---	1,430,280	---	---	---	---	---	---	---	---	---	1,430,280	---	1,430,280
	4,979,484	750,000	5,729,484	---	---	---	282,399	---	282,399	786,712	30,500	817,212	6,829,095	(758,600)	6,070,495
Less agency funds	1,430,280	---	1,430,280	---	---	---	---	---	---	---	---	---	1,430,280	---	1,430,280
TOTAL CONTRIBUTIONS	3,549,204	750,000	4,299,204	---	---	---	282,399	---	282,399	786,712	30,500	817,212	5,398,815	(758,600)	4,640,215
Net investment income	11,681,053	8,171	11,689,224	---	---	---	293,958	---	293,958	---	---	---	11,983,182	---	11,983,182
Grant revenue	854,530	---	854,530	---	---	---	---	---	---	---	---	---	854,530	---	854,530
Other income	128,582	---	128,582	---	---	---	113,952	---	113,952	7,789	---	7,789	250,323	---	250,323
Change in value of split-interest agreements	10,903	87,611	98,514	---	---	---	---	---	---	---	---	---	98,514	---	98,514
Net assets released from restrictions	2,033,064	(2,033,064)	---	---	---	---	12,303	(12,303)	---	1,000	(1,000)	---	---	---	---
TOTAL REVENUE AND SUPPORT	18,257,336	(1,187,282)	17,070,054	---	---	---	702,612	(12,303)	690,309	795,501	29,500	825,001	18,585,364	(758,600)	17,826,764
EXPENSES															
Program Services:															
Grants:															
Advised	1,596,947	---	1,596,947	---	---	---	---	---	---	---	---	---	1,596,947	---	1,596,947
Designated	1,383,297	---	1,383,297	---	---	---	---	---	---	---	---	---	1,383,297	(634,400)	748,897
Field of interest	1,964,691	---	1,964,691	---	---	---	---	---	---	---	---	---	1,964,691	(124,200)	1,840,491
Scholarships	393,058	---	393,058	---	---	---	---	---	---	---	---	---	393,058	---	393,058
Community grantmaking	663,785	---	663,785	---	---	---	---	---	---	---	---	---	663,785	---	663,785
Administrative fund	6,500	---	6,500	---	---	---	---	---	---	---	---	---	6,500	---	6,500
Agency funds	551,313	---	551,313	---	---	---	---	---	---	---	---	---	551,313	---	551,313
	6,559,591	---	6,559,591	---	---	---	---	---	---	---	---	---	6,559,591	(758,600)	5,800,991
Less agency funds	551,313	---	551,313	---	---	---	---	---	---	---	---	---	551,313	---	551,313
TOTAL GRANTS	6,008,278	---	6,008,278	---	---	---	---	---	---	---	---	---	6,008,278	(758,600)	5,249,678
Other program service expenses	902,752	---	902,752	---	---	---	414,815	---	414,815	731,978	---	731,978	2,049,545	---	2,049,545
TOTAL PROGRAM SERVICES	6,911,030	---	6,911,030	---	---	---	414,815	---	414,815	731,978	---	731,978	8,057,823	(758,600)	7,299,223
Management and general	1,061,184	---	1,061,184	64	---	64	142,246	---	142,246	111,167	---	111,167	1,314,661	---	1,314,661
Fundraising	611,627	---	611,627	---	---	---	35,256	---	35,256	106,685	---	106,685	753,568	---	753,568
TOTAL EXPENSES	8,583,841	---	8,583,841	64	---	64	592,317	---	592,317	949,830	---	949,830	10,126,052	(758,600)	9,367,452
CHANGE IN NET ASSETS	9,673,495	(1,187,282)	8,486,213	(64)	---	(64)	110,295	(12,303)	97,992	(154,329)	29,500	(124,829)	8,459,312	---	8,459,312
NET ASSETS, Beginning	82,802,764	6,141,076	88,943,840	1,199	1,258,000	1,259,199	1,697,631	2,069,104	3,766,735	2,545,654	---	2,545,654	96,515,428	---	96,515,428
NET ASSETS, Ending	\$ 92,476,259	\$ 4,953,794	\$ 97,430,053	\$ 1,135	\$ 1,258,000	\$ 1,259,135	\$ 1,807,926	\$ 2,056,801	\$ 3,864,727	\$ 2,391,325	\$ 29,500	\$ 2,420,825	\$ 104,974,740	\$ ---	\$ 104,974,740