

# Yakima Valley Community Foundation

Financial Statements and  
Independent Auditors' Report

December 31, 2008 and 2007



*Powerful insight. Proven results.*

# Yakima Valley Community Foundation

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Yakima Valley Community Foundation  
Yakima, Washington

We have audited the accompanying statements of financial position of Yakima Valley Community Foundation (the Organization) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yakima Valley Community Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of expressing an opinion on the basic financial statements taken as a whole. The supplemental information on page 17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*LeMaster & Daniels PLLC*

Yakima, Washington

May 28, 2009

# Yakima Valley Community Foundation

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## Statements of Financial Position

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	December 31,	
	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 1,924,834	\$ 914,727
Current maturities of pledges receivable	774,276	734,966
Total current assets	<u>2,699,110</u>	<u>1,649,693</u>
<i>INVESTMENTS</i>	12,705,901	18,174,432
<i>INVESTMENT IN TRUST</i>	500,000	-
<i>FURNITURE AND EQUIPMENT, net of accumulated depreciation of \$57,046 and \$47,541</i>	26,567	36,073
<i>LONG-TERM PLEDGES RECEIVABLE AND BEQUESTS</i>	<u>4,775,226</u>	<u>4,299,502</u>
	<u>\$ 20,706,804</u>	<u>\$ 24,159,700</u>
<b>Liabilities</b>		
Accrued compensation	<u>\$ 5,000</u>	<u>\$ -</u>
<b>Net Assets</b>		
Unrestricted	2,622,824	6,312,032
Temporarily restricted	18,078,980	17,847,668
	<u>20,701,804</u>	<u>24,159,700</u>
	<u>\$ 20,706,804</u>	<u>\$ 24,159,700</u>

See accompanying notes to financial statements.

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# Yakima Valley Community Foundation

## Statement of Activities and Changes in Net Assets

Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<i>REVENUE AND OTHER SUPPORT:</i>			
Contributions and pledges	\$ 831,763	\$ 2,215,511	\$ 3,047,274
Administrative fees	89,128	-	89,128
Dividends and interest income	554,564	-	554,564
Realized and unrealized loss on investments	(5,819,585)	-	(5,819,585)
	<u>(4,344,130)</u>	<u>2,215,511</u>	<u>(2,128,619)</u>
Net assets released from restrictions	1,984,199	(1,984,199)	-
Total revenue and other support	<u>(2,359,931)</u>	<u>231,312</u>	<u>(2,128,619)</u>
<i>EXPENSES:</i>			
Grants awarded	731,902	-	731,902
Administration expenses	597,375	-	597,375
Total expenses	<u>1,329,277</u>	<u>-</u>	<u>1,329,277</u>
<i>CHANGES IN NET ASSETS</i>	(3,689,208)	231,312	(3,457,896)
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>6,312,032</u>	<u>17,847,668</u>	<u>24,159,700</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 2,622,824</u>	<u>\$ 18,078,980</u>	<u>\$ 20,701,804</u>

See accompanying notes to financial statements.

# Yakima Valley Community Foundation

## Statement of Activities and Changes in Net Assets

Year Ended December 31, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<i>REVENUE AND OTHER SUPPORT:</i>			
Contributions and pledges	\$ 394,931	\$ 5,611,877	\$ 6,006,808
Administrative fees	79,040	-	79,040
Dividends and interest income	583,669	-	583,669
Realized and unrealized gain on investments	693,200	-	693,200
	<u>1,750,840</u>	<u>5,611,877</u>	<u>7,362,717</u>
Net assets released from restrictions	1,742,987	(1,742,987)	-
Total revenue and other support	<u>3,493,827</u>	<u>3,868,890</u>	<u>7,362,717</u>
<i>EXPENSES:</i>			
Program services	369,590	-	369,590
Administration expenses	520,403	-	520,403
Other gifts	436,436	-	436,436
Total expenses	<u>1,326,429</u>	<u>-</u>	<u>1,326,429</u>
<i>CHANGES IN NET ASSETS</i>	2,167,398	3,868,890	6,036,288
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>4,144,634</u>	<u>13,978,778</u>	<u>18,123,412</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 6,312,032</u>	<u>\$ 17,847,668</u>	<u>\$ 24,159,700</u>

See accompanying notes to financial statements.

# Yakima Valley Community Foundation

## Statements of Cash Flows

	Years Ended December 31,	
	<u>2008</u>	<u>2007</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>		
Cash received from donors and agencies	\$ 2,621,368	\$ 7,041,606
Cash paid to grant recipients	(717,397)	(369,590)
Cash paid to employees and suppliers	(597,375)	(502,592)
Interest received	554,564	583,669
Net cash provided by operating activities	<u>1,861,160</u>	<u>6,753,093</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES:</i></b>		
Purchase of investments	(8,734,030)	(14,219,033)
Proceeds from sale of investments	7,882,977	7,907,436
Net cash used in investing activities	<u>(851,053)</u>	<u>(6,311,597)</u>
<b><i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i></b>	1,010,107	441,496
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>914,727</u>	<u>473,231</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 1,924,834</u>	<u>\$ 914,727</u>
<b><i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i></b>		
Changes in net assets	\$ (3,457,896)	\$ 6,036,288
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,505	17,811
Net loss on investments	5,819,585	-
Decrease (increase) in assets:		
Pledges receivable	(515,034)	698,994
Increase in liabilities:		
Accrued compensation	5,000	-
Net cash provided by operating activities	<u>\$ 1,861,160</u>	<u>\$ 6,753,093</u>

See accompanying notes to financial statements.

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### *NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

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#### *Organization:*

Yakima Valley Community Foundation (the Organization) is a nonprofit organization incorporated in November of 2003, under the laws of the State of Washington, and commenced operations in 2005. The Organization was initially formed as a result of the acquisition of medical centers located at Yakima and Toppenish, Washington, by a for-profit corporation, Health Management Associates, Inc., (“HMA”) from a nonprofit hospital, Providence Health System (“Providence”). A portion of the proceeds from the sale of the medical centers were required to be held and administered by a nonprofit corporation. The Organization was formed as a nonprofit community foundation in order to fulfill that purpose and benefit the local community.

#### *Nature of Operations and Services Provided:*

As a community foundation the Organization is chartered to improve the cultural, economic, social, health, and educational quality of life for residents of Yakima County and to help donors achieve their philanthropic goals. The Organization attracts, manages, and distributes the income from gifts of capital for community betterment. The Organization assists compatible nonprofit groups in providing and improving services in health, education, the arts/humanities, community development, and social programs. The Organization’s major sources of revenue include HMA contributions, private grants and donations, and asset management fees.

#### *Summary of Significant Accounting Policies:*

- a. *Financial statement presentation* – The Organization presents its financial statements in accordance with the provisions of Statement of Financial Accounting Standards No. 117 (SFAS 117), “*Financial Statements of Not-for-Profit Organizations*.” Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets* – Unrestricted net assets are funds controlled and designated by the Board that include the general, operating, and equipment accounts.

*Temporarily restricted net assets* – Temporarily restricted net assets are controlled by law or donor-imposed restrictions that allow the use of the assets as specified either by the passage of time or by actions of the Organization. The Organization had \$18,078,980 and \$17,847,668 in temporarily restricted net assets at December 31, 2008 and 2007, respectively. Net assets were released from donor restrictions by incurring expenses satisfying the restriction specified by the donors in the amount of \$1,984,199 and \$1,742,987 for the years ended December 31, 2008 and 2007, respectively.

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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#### Summary of Significant Accounting Policies (continued):

a. *Financial statement presentation (continued)* –

*Permanently restricted net assets* – Permanently restricted net assets are controlled by law or donor-imposed restrictions that require such assets be maintained in perpetuity. The Organization has no permanently restricted net assets.

b. *Federal income tax* – As a charitable organization, Yakima Valley Community Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

c. *Contributions* – The Organization accounts for contributions in accordance with the provisions of SFAS 116, “Accounting for Contributions Received and Contributions Made.” In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions.

d. *Cash and cash equivalents* – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be cash equivalents.

e. *Pledges receivables* – The Organization carries long-term portion of pledges receivable at the present value, using an appropriate discount rate.

f. *Furniture and equipment* – Furniture and equipment are stated at cost. Depreciation is computed by the straight-line method over estimated useful lives of 5 to 7 years.

g. *Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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#### *Summary of Significant Accounting Policies (continued):*

- h. *Recent accounting pronouncements* – In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to disclose or recognize income tax positions based on management's estimate of whether it is reasonable, possible, or probable, respectively, that a liability has been incurred for unrecognized income tax benefits. Management has not yet determined if the adoption of FIN 48 will have a material effect on the Organization's financial statements.

### NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS:

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The Organization has several types of temporarily restricted net assets. Contributions received from the public are categorized into four types of funds:

*Field of Interest Funds* – Field of Interest Funds are restricted for a general charitable purpose identified by the donor.

*Designated Funds* – Designated Funds are restricted to support a particular organization specified by the donor.

*Donor Advised Funds* – Donor Advised Funds are restricted to support charitable causes specified by the donor. These funds allow the donor to remain actively involved in the administration of the contribution.

*Nonprofit Endowment Funds* – Nonprofit Endowment Funds are restricted to support a particular nonprofit agency specified by the donor.

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# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS (continued):

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Temporarily restricted net assets at December 31, 2008, are available for the following purpose:

	Temporarily Restricted <u>Contributions</u>	Funds Released in Satisfaction <u>of Requirement</u>	Balance as of <u>2008</u>
Program and time restricted, HMA receivables	\$ 5,034,468	\$ (734,966)	\$ 4,299,501
CSV life insurance	61,825	-	61,825
Charitable gift annuities	45,579	-	45,579
Pledge receivable, Jewett Estate	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>
	<u>6,891,872</u>	<u>(734,966)</u>	<u>5,656,905</u>
<i>Field of Interest Funds:</i>			
YVCF Sustaining	4,734,885	(882,878)	3,852,007
Providence	4,601,640	(213,991)	4,387,649
Michael and Mikey Mercy	131,215	(6,177)	125,038
Karin Dufault Education	172,993	(9,651)	163,342
Rachel J Peters Fund	54,442	(206)	54,236
Powell	4,964	(41)	4,923
Petrie Trust	812,523	(41,533)	770,990
Messer	5,825	(48)	5,777
Dr. Barg Veram	<u>59,550</u>	<u>-</u>	<u>59,550</u>
	<u>10,578,037</u>	<u>(1,154,525)</u>	<u>9,423,512</u>
<i>Designated Funds:</i>			
Young Life	<u>14,822</u>	<u>(132)</u>	<u>14,690</u>

# Yakima Valley Community Foundation

## Notes to Financial Statements

### NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS (continued):

	Temporarily Restricted <u>Contributions</u>	Funds Released in Satisfaction <u>of Requirement</u>	Balance as of <u>2008</u>
<i>Donor Advised Funds:</i>			
Gavin J. Gress	\$ 33,660	\$ (172)	\$ 33,488
Kloster	24,110	(118)	23,992
Mike and Shannon Richardson	5,000	(42)	4,958
Terry Abeyta	6,000	(42)	5,958
Sundquist Charitable	2,671,024	(90,666)	2,580,358
William Douglas	14,886	(87)	14,799
Baker Boyer Bank	<u>9,050</u>	<u>(87)</u>	<u>8,963</u>
	<u>2,763,730</u>	<u>(91,214)</u>	<u>2,672,516</u>
<i>Nonprofit Endowment Funds:</i>			
Camp Ghormley	48,743	(2,616)	46,127
Parker Youth Sports Fund	27,100	(44)	27,056
Young Life	37,600	(61)	37,539
Union Gospel Mission	121,420	-	121,420
United Way Operations	55,248	(416)	54,832
United Way Annual Campaign	<u>24,608</u>	<u>(225)</u>	<u>24,383</u>
	<u>314,719</u>	<u>(3,362)</u>	<u>311,357</u>
	\$ 20,563,179	\$ (1,984,199)	\$ 18,078,980
	=====	=====	=====

Temporarily restricted net assets at December 31, 2007, are available for the following purpose:

	Temporarily Restricted <u>Contributions</u>	Funds Released in Satisfaction <u>of Requirement</u>	Balance as of <u>2007</u>
Program and time restricted, HMA receivables	\$ 5,733,461	\$ (698,994)	\$ 5,034,467
CSV life insurance	71,816	(9,991)	61,825
Charitable gift annuities	45,579	-	45,579
Receivable, Yakima Specialties	<u>436,436</u>	<u>(436,436)</u>	<u>-</u>
	<u>6,287,292</u>	<u>(1,145,421)</u>	<u>5,141,871</u>

# Yakima Valley Community Foundation

## Notes to Financial Statements

### NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS (continued):

	Temporarily Restricted Contributions	Funds Released in Satisfaction of Requirement	Balance as of 2007
<i>Field of Interest Funds:</i>			
YVCF Sustaining	\$ 4,522,578	\$ (380,090)	\$ 4,142,488
Providence	4,734,773	(133,133)	4,601,640
Michael and Mickey Mercy	140,276	(9,061)	131,215
Karin Dufault Education	180,406	(7,438)	172,968
Powell	5,000	(36)	4,964
Petrie Trust	851,874	(39,351)	812,523
Messer	5,225	-	5,225
Dr. Barg Veram	71,532	(11,982)	59,550
Books for Babies	<u>1,227</u>	<u>(1,227)</u>	<u>-</u>
	<u>10,512,891</u>	<u>(582,318)</u>	<u>9,930,573</u>
<i>Designated Funds:</i>			
Young Life	<u>15,050</u>	<u>(229)</u>	<u>14,821</u>
<i>Donor Advised Funds:</i>			
Gavin J. Gress	18,000	-	18,000
Kloster	15,500	(40)	15,460
Mike and Shannon Richardson	5,000	-	5,000
Terry Abeyta	5,000	-	5,000
Sundquist Charitable	2,590,058	-	2,590,058
William Douglas	10,000	(114)	9,886
Baker Boyer Bank	<u>20,183</u>	<u>(11,133)</u>	<u>9,050</u>
	<u>2,663,741</u>	<u>(11,287)</u>	<u>2,652,454</u>
<i>Nonprofit Endowment Funds:</i>			
Camp Ghormley	51,681	(2,938)	48,743
United Way Operations	35,000	(402)	34,598
United Way Annual Campaign	<u>25,000</u>	<u>(392)</u>	<u>24,608</u>
	<u>111,681</u>	<u>(3,732)</u>	<u>107,949</u>
	<u>\$ 19,590,655</u>	<u>\$ (1,742,987)</u>	<u>\$ 17,847,668</u>

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### NOTE 3 – INVESTMENT SECURITIES AND OTHER INVESTMENTS:

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The Organization presents investment securities at fair value. Investments include: marketable securities, five cash value life insurance policies, and a charitable gift annuity. The charitable gift annuity is held at Bank of America by Sisters of Providence until the Organization meets the three years as a nonprofit requirement for holding charitable gift annuities. The aggregate carrying amount of the major types of investments consisted of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Equity securities	\$ 7,854,771	\$ 11,950,030
Fixed income securities	4,720,673	6,098,406
Charitable gift annuity	45,579	45,579
Cash value life insurance	<u>84,878</u>	<u>80,417</u>
 Total investments	 \$ 12,705,901	 \$ 18,174,432

During 2008, the Organization invested \$500,000 of unrestricted funds in a revocable trust for the benefit of the Organization as well as Pacific Northwest University of Health Sciences (PNWU). The trust was established to assist PNWU obtain financing for its educational operations. The trust estate is invested in fixed income securities.

### NOTE 4 – LONG-TERM PLEDGES RECEIVABLE AND BEQUEST:

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The Organization has unconditional written promises to give in the amount of \$4,299,502 and \$5,034,468, which includes \$774,276 and \$734,966 of current maturities at December 31, 2008 and 2007, respectively. The Organization will receive \$1,000,000, annually for the next six years with the last contribution scheduled to be received in 2013.

Pledges receivable are net of unamortized discount of \$700,498 and \$965,531 as of December 31, 2008 and 2007, respectively. The discount is calculated using a risk-free interest rate of 5.25%. No provision has been made for uncollectible pledges receivable because the uncollected amount is expected to be insignificant.

The Organization received a bequest in the amount of \$1,250,000 in 2008. The amount is expected to be received in the year 2010.

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### *NOTE 5 – RETIREMENT PLAN:*

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The Organization contributes to a 401(k) retirement plan. All employees may participate in the Plan. The Organization contributes up to 5% of the eligible employee's salary to the Plan. Employees are 100% vested. During the years ended December 31, 2008 and 2007, the Organization contributed \$8,400 and \$4,504, respectively.

### *NOTE 6 – LEASES:*

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In February 2005, the Organization entered into an office lease agreement with Iron Horse Lodge. As of December 31, 2008 and 2007, the monthly payment was \$1,925 and \$1,749, respectively. The lease term is for five years and will end January 31, 2010. The Organization paid a total of \$22,665 and \$19,199 rent for the years ended December 31, 2008 and 2007, respectively.

### *NOTE 7 – DEFERRED COMPENSATION:*

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The Organization has a deferred compensation plan for the executive director. Each year the liability is adjusted to reflect the amount vested in the plan. The corresponding expense is included in administrative expenses on the statement of activities and changes in net assets.

### *NOTE 8 – CONCENTRATIONS OF CREDIT RISK:*

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Most of the Organization's support was provided by one source for the year ended December 31, 2008. The support provided by this source was \$1,250,000. During the year ended December 31, 2007, support was provided by three sources, and their contributions totaled \$5,827,500.

The Organization maintains cash balances in financial institutions in Washington State. The Federal Deposit Insurance Corporation (FDIC) insures the accounts at each of these institutions. The aggregate funds held in one institution may exceed the FDIC insured limit from time to time and specific funds held by the institution may not be covered by FDIC insurance.

# Yakima Valley Community Foundation

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## Notes to Financial Statements

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### *NOTE 9 – SUBSEQUENT EVENT:*

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The Organization is a beneficiary of a trust bequeathed by Mary Monroe “Mollie” Davis. The Organization is to administer and distribute the trust funds in accordance with the trust agreement. The primary purpose of the educational trust is to provide academic scholarships to residents of Yakima County, Washington, to enable them to attend college. The trust names an administrator of the scholarship program but gives the Organization variance power. The total amount of the gift is undetermined, but it’s estimated value is approximately \$20,000,000 as of May 2009.

## **SUPPLEMENTAL INFORMATION**

# Yakima Valley Community Foundation

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## Administration Expenses

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	Years Ended	
	December 31,	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 189,526	\$ 166,115
Related payroll expense	13,841	13,019
Employee benefits	39,193	32,120
	<u>242,560</u>	<u>211,254</u>
Administrative fees	89,124	79,040
Advertising	36,637	30,560
Bank fees	115,821	91,704
Depreciation and amortization	9,505	17,811
Maintenance	2,319	457
Occupancy	24,531	20,903
Other	24,580	27,837
Postage and shipping	4,630	2,132
Professional fees	29,401	23,687
Supplies	6,151	4,940
Telephone	3,902	2,691
Travel	8,214	7,387
	<u>\$ 597,375</u>	<u>\$ 520,403</u>

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See accompanying independent auditors' report.