THE ARBORETUM FOUNDATION

Financial Statements

June 30, 2024 and 2023

Table of Contents

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA

GREENWOOD OHLUND

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arboretum Foundation
Seattle, Washington

Opinion

We have audited the accompanying financial statements of The Arboretum Foundation (the Foundation, a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA

GREENWOOD OHLUND

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Greenwood Ohlund

Seattle, Washington
January 22, 2025

THE ARBORETUM FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

ASSETS	2024	2023
Current Assets		
Cash and cash equivalents	$ 1,098,066	$ 2,108,068
Investments	5,295,768	3,477,269
Contributions receivable	181,020	119,521
Gift shop inventory	22,827	20,778
Prepaid expenses and other assets	21,343	29,087
Total current assets	6,619,024	5,754,723
Investments Held for Endowments	5,080,163	4,678,628
Total assets	$ 11,699,187	$ 10,433,351
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 113,987	$ 45,711
Grants payable	-	136,666
Accrued payroll and related	64,787	50,894
Unearned revenue	41,667	23,405
Total liabilities	220,441	256,676
Net Assets		
Without donor restrictions	5,062,047	4,975,075
With donor restrictions	6,416,699	5,201,600
Total net assets	11,478,746	10,176,675
Total liabilities and net assets	$ 11,699,187	$ 10,433,351

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	$ 1,360,194	$ 652,373	$ 2,012,567	$ 1,427,126	$ 1,293,485	$ 2,720,611
Special events	418,143	-	418,143	434,584	-	434,584
Special events – direct benefit to donor	(54,180)	-	(54,180)	(85,982)	-	(85,982)
Japanese Garden program fees	246,214	-	246,214	183,295	-	183,295
Membership dues	132,143	-	132,143	105,287	-	105,287
Gift shop sales	207,554	-	207,554	200,245	-	200,245
Gift shop sales – cost of goods sold	(92,703)	-	(92,703)	(87,782)	-	(87,782)
Investment return	626,817	157,912	784,729	355,462	176,899	532,361
Other income	1,344	-	1,344	3,442	-	3,442
Net assets released from restrictions	388,737	(388,737)	-	649,529	(503,895)	145,634
Total support and revenue	3,234,263	421,548	3,655,811	3,185,206	966,489	4,151,695
Expenses						
Program services	1,687,416	-	1,687,416	1,325,317	-	1,325,317
Management and general	401,616	-	401,616	291,337	-	291,337
Fundraising	498,391	-	498,391	332,014	-	332,014
Total expenses	2,587,423	-	2,587,423	1,948,668	-	1,948,668
Change in net assets before non-operating activities	646,840	421,548	1,068,388	1,236,538	966,489	2,203,027
Nonoperating Activities						
Contributions to Master Plan	-	986,673	986,673	-	1,153,500	1,153,500
Grants to others – Master Plan	(752,990)	-	(752,990)	(931,963)	-	(931,963)
Net assets released from restrictions related to Master Plan	193,122	(193,122)	-	368,214	(513,848)	(145,634)
Change in net assets	**86,972**	**1,215,099**	**1,302,071**	**672,789**	**1,606,141**	**2,278,930**
Net Assets, beginning of year	4,975,075	5,201,600	10,176,675	4,302,286	3,595,459	7,897,745
Net Assets, end of year	$ 5,062,047	$ 6,416,699	$ 11,478,746	$ 4,975,075	$ 5,201,600	$ 10,176,675

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to others	$ 1,564,928	$ -	$ -	$ 1,564,928	$ 1,479,510	$ -	$ -	$ 1,479,510
Payroll and related	612,160	177,800	345,946	1,135,906	512,576	141,787	265,319	919,682
Professional fees	78,542	209,834	15,660	304,036	82,743	110,961	14,328	208,032
Event meals, entertainment, and other	37,557	-	128,054	165,611	44,719	14,906	89,439	149,064
Gift shop cost of goods sold	92,703	-	-	92,703	87,782	-	-	87,782
Repairs and maintenance	30,216	4,488	17,076	51,780	33,891	9,375	17,543	60,809
Printing and postage	33,643	1,723	10,984	46,350	25,046	1,151	2,215	28,412
Miscellaneous	28,659	-	16,196	44,855	19,584	5,415	10,137	35,136
Bulletin	26,998	-	3,000	29,998	28,619	-	3,180	31,799
Donated facilities, materials, and other services	11,063	3,213	6,252	20,528	11,717	3,241	6,065	21,023
Office supplies	5,826	1,692	3,292	10,810	8,982	2,485	4,649	16,116
Public relations	6,523	-	3,686	10,209	5,349	-	2,769	8,118
Telephone	4,291	1,246	2,425	7,962	4,544	1,257	2,352	8,153
Taxes and licenses	-	1,620	-	1,620	-	759	-	759
Total expenses	2,533,109	401,616	552,571	3,487,296	2,345,062	291,337	417,996	3,054,395
Less: Special events – direct benefit to donor	-	-	(54,180)	(54,180)	-	-	(85,982)	(85,982)
Less: Gift shop cost of goods sold	(92,703)	-	-	(92,703)	(87,782)	-	-	(87,782)
Less: Grants to others – Master Plan	(752,990)	-	-	(752,990)	(931,963)	-	-	(931,963)
	$ 1,687,416	$ 401,616	$ 498,391	$ 2,587,423	$ 1,325,317	$ 291,337	$ 332,014	$ 1,948,668

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received from:		
Donors and grantors	$ 3,345,884	$ 4,291,780
Japanese Garden customers	264,476	184,913
Members	132,143	105,287
Gift shop customers	207,554	200,245
Interest and dividends	161,707	84,920
Other	1,344	3,442
Cash paid to:		
University of Washington and City of Seattle	(1,701,594)	(1,342,844)
Personnel	(1,122,013)	(910,542)
Vendors	(712,491)	(668,908)
Net cash flows from operating activities	577,010	1,948,293
Cash Flows from Investing Activities		
Purchases of investments	(6,228,539)	(5,976,883)
Proceeds from sales of investments	4,631,527	5,655,122
Net cash flows from investing activities	(1,597,012)	(321,761)
Cash Flows from Financing Activity		
Contributions received restricted for endowment	10,000	10,000
Net change in cash and cash equivalents	**(1,010,002)**	**1,636,532**
Cash and Cash Equivalents, beginning of the year	2,108,068	471,536
Cash and Cash Equivalents, end of the year	$ 1,098,066	$ 2,108,068

See accompanying notes to financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

The Arboretum Foundation (the Foundation) was created on June 11, 1935, to support the preservation and development of the Washington Park Arboretum through advocacy and fundraising. Throughout the Arboretum's history, the Foundation has provided funds for routine maintenance and special projects including the Graham Visitors Center, restoration of key components of Arboretum plant collections and grounds, and creation of new plant displays and gardens. Today, the Foundation, with an active member and volunteer constituency, regularly raises funds to support ongoing Arboretum improvements, education, and public programs. The Foundation is the Arboretum's primary advocate, providing public relations initiatives and outreach designed to strengthen the Arboretum's support among public officials, businesses, and the community at large.

With 230 acres of green space and internationally significant plant collections, the Washington Park Arboretum welcomes approximately 750,000 visitors annually. The Arboretum's primary purposes—conservation, education, and recreation—are fulfilled through school-age learning activities, horticultural research, plant display, plant study programs, and passive recreation opportunities. The Washington Park Arboretum is located near central Seattle, just south of the University of Washington campus, on the shores of Lake Washington.

The City of Seattle (the City) owns most of the Washington Park Arboretum's land and buildings, and the University of Washington (the University) owns some of the land and buildings and all of the collections. The Arboretum is managed cooperatively by the University and the City, and the Foundation is its major supporter. Seattle Parks and Recreation is responsible for park functions throughout the Arboretum. The University of Washington manages the Arboretum's collections, horticultural programs, facilities, public programs, and education programs through the University of Washington Botanic Gardens.

In January of 2016, the Foundation took over the support functions of the Seattle Japanese Garden from the Associated Recreation Council (ARC), which had been providing the support functions through the Japanese Garden Advisory Council (JGAC). The operations and maintenance are still handled by Seattle Parks and Recreation. The Foundation is the lead for organizing the cycle of cultural events and programs, for recruiting and training volunteers, and for fundraising and community outreach. Under an agreement with the City through December 2032, the Foundation receives a base amount of the gate revenue collected by the City plus a percentage over a designated threshold designed to ensure the City receives adequate funds to support general operations and maintenance. The Foundation provides certain staffing and programmatic support to Seattle Japanese Garden.

As part of its function as a supporting and advocacy organization for the Arboretum as a whole, there have been instances in which the Foundation has assisted in fundraising for general improvements, although the funding did not flow through the Foundation's own books. Two examples relate to the State Route 520 bridge project, which impacted Arboretum wetlands and was ongoing through June 30, 2024. As a result of the Foundation's lobbying on behalf of the Arboretum during the SR-520 process, the State of Washington agreed to supply funds to build the new Arboretum Loop Trail, a $7.8 million (unaudited) project completed in 2018 that improves bike and pedestrian pathways and related areas through the Arboretum. In 2023, the Foundation helped negotiate a second agreement to provide $22.7 million in State of Washington funds to support redevelopment of the 28-acre peninsula currently used for bridge construction staging. These project funds are held by the City and will be administered by the three Arboretum partners.

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.

Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for support of the Foundation's operations. Certain net assets without donor restrictions have been designated by the Board of Directors of the Foundation as follows at June 30:

	2024	2023
Quasi-endowment	$ 2,960,964	$ 2,648,473
Special use funds	501,273	735,795
Operating reserve	630,000	480,000
	$ 4,092,237	$ 3,864,268

THIS SPACE HAS INTENTIONALLY BEEN LEFT BLANK

Net Assets with Donor Restrictions

Net assets with donor restrictions include net assets that are subject to donor-imposed stipulations that will be met through actions of the Foundation or the passage of time and net assets with donor-imposed stipulations that are perpetual in nature (endowments). Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met. Net assets with donor restrictions are available for the following purposes at June 30:

	2024	2023
Net assets with purpose restrictions – Operating		
Sustaining Fund	$ 879,131	$ 600,000
Capital projects	310,000	-
Strategic fund support	50,129	60,000
Entry improvements	42,000	42,000
Education	34,868	53,868
Arts programming	23,596	43,440
Tsutakawa gates maintenance	20,000	20,000
Other	19,065	69,917
Community survey	-	137,060
UW horticulture staffing	-	120,000
Net assets with purpose restrictions – Master Plan		
Japanese garden projects	1,184,856	812,897
Woodland Meadow	998,676	555,584
Pacific Pathways – China	378,274	378,274
Arboretum Headwater	163,060	52,060
Rhododendron Glen	136,000	151,000
Azalea Way	37,970	62,970
Environmental Education Center Pre-design	12,375	12,375
GVC Garden Project	7,500	-
Total net assets with purpose restrictions	4,297,500	3,171,445
Net assets with endowment restrictions		
Unappropriated endowment earnings		
Master Plan Endowment	253,159	203,243
General Endowment	181,532	162,208
Ruth Ellerbeck Rhododendron Glen Endowment	133,112	125,372
Faulstich Totem Endowment	11,287	9,223
Total unappropriated endowment earnings	579,090	500,046
Endowment fund perpetual restrictions		
Master Plan Endowment	1,002,954	1,002,954
General Endowment	442,155	432,155
Ruth Ellerbeck Rhododendron Glen Endowment	75,000	75,000
Faulstich Totem Endowment	20,000	20,000
Total endowment fund perpetual restrictions	1,540,109	1,530,109
Total net assets with endowment restrictions	2,119,199	2,030,155
	$ 6,416,699	$ 5,201,600

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and those holdings with initial maturities of three months or less. On occasion, the Foundation has amounts deposited with financial institutions in excess of federally insured limits. The Foundation has not experienced any losses in these accounts, and management does not believe it is exposed to a significant credit risk.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Investments

Investments in certificates of deposit are reported at cost plus accrued interest. Investments in other marketable securities are reported at their fair value in the statements of financial position using Level 1 inputs in the fair value hierarchy described above.

Investments consist of the following at June 30:

	2024	2023
Cash and cash equivalents	$ 294,912	$ 343,843
Certificates of deposit	1,134,191	1,640,017
United States treasuries	4,557,953	2,413,427
Domestic common stocks	2,266,463	1,943,221
Equity mutual funds	1,553,723	1,311,110
Exchange traded funds	568,689	504,279
	$ 10,375,931	$ 8,155,897

Investments are presented in the statements of financial position as follows at June 30:

	2024	2023
Investments	$ 5,295,768	$ 3,477,269
Investments Held for Endowments	5,080,163	4,678,628
	$ 10,375,931	$ 8,155,897

Investment return consists of realized and unrealized gains and losses and dividends and interest, less investment fees, and is reported on the statements of activities as increases or decreases in net assets without donor restrictions unless a donor restricts its use.

Contributions Receivable

Contributions receivable consist of balances due from donors and are stated at the amount management expects to collect from the outstanding balances (net realizable value). Management reviews the collectability of contributions receivable on a periodic basis, estimates the amount determined to be uncollectible, and establishes a reserve for doubtful accounts. The Foundation charges off amounts against the allowance when management determines that a receivable balance is not collectible. No allowance for receivables was considered necessary at June 30, 2024 or 2023.

Gift Shop Inventory

Gift shop inventory consists of gift shop merchandise that is stated at the lower of first-in, first-out cost or market.

Grants Payable

Grant awards, although not legally binding, are reported as an expense and liability when the unconditional award is pledged. Grants payable as of June 30, 2023, represents payments to be made to (or directly to the vendors of) the City of Seattle and the University of Washington.

Revenue Recognition

Contributions (including those received at special events and membership dues, which are contributory in nature) are recognized in the period the unconditional award is received as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Expirations of net assets with donor restrictions (that is, donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Approximately 35% and 48% of total support and revenue were provided by two donors for the years ended June 30, 2024 and 2023, respectively.

Gift shop sales are recognized as revenue at the point of sale when the title to the goods is transferred to the customer.

Japanese Garden program fees consist of daily entrance fees and are recognized over time as the customer utilizes the Japanese Garden's grounds and facilities (the sole performance obligation). Program fees received before performance obligations are met are recognized as unearned revenue. Unearned revenue at June 30, 2022, recognized to revenue during the year ended June 30, 2023, was $21,787. Unearned revenue at June 30, 2023, recognized to revenue during the year ended June 30, 2024, was $23,405.

There are no significant judgements or estimates in determining the amount and timing of recognition of revenue from gift shop sales and program fees.

Nonoperating Activities

The Foundation's nonoperating activities relate to the Washington Park Arboretum Master Plan (the Master Plan). The Master Plan includes a vision for the future of the Arboretum that will last for generations. The activities involved in the plan are improved plant collections, plant displays, facilities, visitor services, and educational programs. The Foundation plans to fundraise for Master Plan projects including Woodland Meadow and the Japanese Garden Pavilion.

Donated Services

Approximately 550 unpaid volunteers (unaudited) donated over 7,000 hours (unaudited) of their time to carry out programs and activities of the Foundation. The estimated value of the volunteer services is not included in these financial statements because it does not meet the accounting criteria for recording.

As part of the original occupancy agreement for the Graham Visitors Center, the City provides the Foundation with in-kind support in the form of rent-free occupancy. The Foundation has estimated the value of donated space to be $20,528 for each of the years ending June 30, 2024 and 2023, and has included these gifts within contributions on the statements of activities.

Functional Allocation of Expenses

The financial statements report expenses from operating, fundraising, and administrative activities. Rent, depreciation and amortization, and staffing expenses, therefore, require an allocation process for these activities. The allocation of payroll and related expenses is based on percentages of time worked in these same areas of activity. Professional fees, event meals, entertainment, and other, and repairs and maintenance are allocated based on estimates of use of resources.

In order to accomplish the Foundation’s mission of preserving and developing the Washington Park Arboretum through financial support, a significant amount of time, effort, and money is spent raising funds. The Foundation also focuses its fundraising efforts on building an endowment to continue to provide support to the Washington Park Arboretum in the future. These fundraising efforts are carried out in a variety of ways. As a result of these efforts and because of the nature of the Foundation as the primary fundraising body within the Arboretum partnership, the proportion of fundraising expenses may be higher than other not-for-profit organizations.

Federal Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Foundation has no activities subject to unrelated business income tax.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

Management of the Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was January 22, 2025.

Note 2 – Liquidity and Availability of Resources

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, equity securities, bonds, and a variety of mutual funds.

The Foundation considers investment return without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, and contributions and other income without donor restrictions to be available for use in its annual operations. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following table shows the total financial assets held by the Foundation, less those amounts not available to cover general expenditures within one year at June 30:

	2024	2023
Financial Assets		
Cash and cash equivalents	$ 1,098,066	$ 2,108,068
Investments	10,375,931	8,155,897
Contributions receivable, net	181,020	119,521
	11,655,017	10,383,486
Less: Amounts Not Available to Be Used Within One Year for General Expenditures		
Net assets designated by the Board of Directors	(4,092,237)	(3,864,268)
Net assets with donor restrictions	(6,416,699)	(5,201,600)
	$ 1,146,081	$ 1,317,618

Note 3 – Endowments

The Endowment consists of four donor-restricted endowments in which the investment return is to be used as restricted by each fund. The endowment funds also include a board-designated quasi-endowment fund. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as making it advisable for the Foundation to track the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment earnings are classified as unappropriated endowment earnings until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Changes in endowment net assets are as follows for the years ending June 30, 2024 and 2023:

		With Donor Restrictions		
	Quasi-Endowment	Unappropriated Earnings	Perpetual	Total
Endowment net assets, June 30, 2022	$ 2,555,341	$ 406,268	$ 1,520,109	$ 4,481,718
Investment return	203,227	176,899	-	380,126
Contributions	-	-	10,000	10,000
Appropriations for expenditure	(110,095)	(83,121)	-	(193,216)
Endowment net assets, June 30, 2023	2,648,473	500,046	1,530,109	4,678,628
Investment return	273,057	157,912	-	430,969
Contributions	104,661	-	10,000	114,661
Appropriations for expenditure	(65,227)	(78,868)	-	(144,095)
Endowment net assets, June 30, 2024	$ 2,960,964	$ 579,090	$ 1,540,109	$ 5,080,163

Investment Objectives and Policy

The Foundation has adopted investment and spending policies for the Endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The Foundation expects its endowment funds, over time, to outperform inflation by at least 3%, net of investment fees and expenses, annually.

Spending Policy

The Foundation has a policy of appropriating for distribution to operating funds each year no less than 3% nor more than 4% of the average of the previous four calendar year-end endowment fund balances. This objective allows the fund to grow through gains on investments over a period of time, while distributions would be based on earnings less management expenses. This is consistent with the Foundation's objective to maintain or increase the purchasing power of assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no endowment funds with deficiencies at June 30, 2024 or 2023.

Note 4 – Affiliation with the University of Washington and City of Seattle

The University of Washington (the University) has an agreement with the City of Seattle (the City) to manage the special collections of the Arboretum, including the Graham Visitors Center. Each year the Foundation makes grants to the University and/or City to be used towards carrying out the management and maintenance. During the years ended June 30, 2024 and 2023, the Foundation granted $1,564,928 and $1,479,510, respectively, to the University and City for the benefit of these institutions. These amounts are included within grants to others in the statements of functional expenses.

Cumulative grants to the University and City are as follows through the year ended June 30, 2024:

Grants from July 1, 2001, through June 30, 2023	$ 13,899,341
Grants during the year ended June 30, 2024	1,564,928
	$ 15,464,269

In addition, in accordance with the agreement between the City and the Foundation, each fiscal year the Foundation is required to make a grant in support of the Washington Park Arboretum. The grant is calculated as at least 35% of the Foundation's average annual change in net assets without donor restrictions (without regard to this grant) over the preceding three years. These grants are included within the total grants above and significantly exceeded the required amount during the years ended June 30, 2024 and 2023.