THE ARBORETUM FOUNDATION

Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024 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, 2025 and 2024, 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 23, 2026

THE ARBORETUM FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	$ 2,589,951	$ 1,098,066
Investments	6,232,657	5,295,768
Contributions receivable	251,870	181,020
Gift shop inventory	21,094	22,827
Prepaid expenses and other assets	44,036	21,343
Total current assets	9,139,608	6,619,024
Investments Held for Endowments	5,306,459	5,080,163
Total assets	$ 14,446,067	$ 11,699,187
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 183,257	$ 113,987
Accrued payroll and related	32,047	64,787
Unearned revenue	4,167	41,667
Total liabilities	219,471	220,441
Net Assets		
Without donor restrictions	5,612,570	5,062,047
With donor restrictions	8,614,026	6,416,699
Total net assets	14,226,596	11,478,746
Total liabilities and net assets	$ 14,446,067	$ 11,699,187

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	$ 1,383,000	$ 2,276,966	$ 3,659,966	$ 1,492,337	$ 652,373	$ 2,144,710
Special events	140,484	-	140,484	418,143	-	418,143
Special events – direct benefit to donor	(25,092)	-	(25,092)	(54,180)	-	(54,180)
Japanese Garden program fees	147,589	-	147,589	246,214	-	246,214
Gift shop sales	264,808	-	264,808	207,554	-	207,554
Gift shop sales – cost of goods sold	(110,499)	-	(110,499)	(92,703)	-	(92,703)
Investment return	672,787	238,101	910,888	626,817	157,912	784,729
Other income	1,332	-	1,332	1,344	-	1,344
Net assets released from restrictions	1,148,746	(1,148,746)	-	388,737	(388,737)	-
Total support and revenue	3,623,155	1,366,321	4,989,476	3,234,263	421,548	3,655,811
Expenses						
Program services	1,972,059	-	1,972,059	1,687,416	-	1,687,416
Management and general	664,949	-	664,949	401,616	-	401,616
Fundraising	599,380	-	599,380	498,391	-	498,391
Total expenses	3,236,388	-	3,236,388	2,587,423	-	2,587,423
Change in net assets before non-operating activities	386,767	1,366,321	1,753,088	646,840	421,548	1,068,388
Nonoperating Activities						
Contributions to Master Plan	-	1,365,511	1,365,511	-	986,673	986,673
Grants to others – Master Plan	(370,749)	-	(370,749)	(752,990)	-	(752,990)
Net assets released from restrictions related to Master Plan	534,505	(534,505)	-	193,122	(193,122)	-
Change in net assets	**550,523**	**2,197,327**	**2,747,850**	**86,972**	**1,215,099**	**1,302,071**
Net Assets, beginning of year	5,062,047	6,416,699	11,478,746	4,975,075	5,201,600	10,176,675
Net Assets, end of year	$ 5,612,570	$ 8,614,026	$ 14,226,596	$ 5,062,047	$ 6,416,699	$ 11,478,746

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to others	$ 1,004,070	$ -	$ -	$ 1,004,070	$ 1,564,928	$ -	$ -	$ 1,564,928
Payroll and related	577,942	262,287	421,927	1,262,156	612,160	177,800	345,946	1,135,906
Professional fees	653,507	187,383	67,545	908,435	78,542	209,834	15,660	304,036
Gift shop cost of goods sold	110,499	-	-	110,499	92,703	-	-	92,703
Repairs and maintenance	7,705	76,909	22,796	107,410	30,216	4,488	17,076	51,780
Miscellaneous	30,181	35,597	4,470	70,248	28,659	-	16,196	44,855
Printing and postage	22,717	4,427	36,814	63,958	33,643	1,723	10,984	46,350
Public relations	21,409	16,253	16,899	54,561	6,523	-	3,686	10,209
Bank fees	-	53,928	-	53,928	-	-	-	-
Donated facilities, materials, and other services	2,612	20,528	12,154	35,294	11,063	3,213	6,252	20,528
Office supplies	12,958	7,637	11,628	32,223	5,826	1,692	3,292	10,810
Event meals, entertainment, and other	-	-	25,092	25,092	37,557	-	128,054	165,611
Telephone	9,707	-	188	9,895	4,291	1,246	2,425	7,962
Taxes and licenses	-	-	2,559	2,559	-	1,620	-	1,620
Bulletin	-	-	2,400	2,400	26,998	-	3,000	29,998
Total expenses	2,453,307	664,949	624,472	3,742,728	2,533,109	401,616	552,571	3,487,296
Less: Special events – direct benefit to donor	-	-	(25,092)	(25,092)	-	-	(54,180)	(54,180)
Less: Gift shop cost of goods sold	(110,499)	-	-	(110,499)	(92,703)	-	-	(92,703)
Less: Grants to others – Master Plan	(370,749)	-	-	(370,749)	(752,990)	-	-	(752,990)
	$ 1,972,059	$ 664,949	$ 599,380	$ 3,236,388	$ 1,687,416	$ 401,616	$ 498,391	$ 2,587,423

See accompanying notes to financial statements.

THE ARBORETUM FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Cash received from:		
Donors and grantors	$ 5,095,111	$ 3,478,027
Japanese Garden customers	110,089	264,476
Gift shop customers	264,808	207,554
Interest and dividends	434,814	161,707
Other	1,332	1,344
Cash paid to:		
University of Washington and City of Seattle	(1,004,070)	(1,701,594)
Personnel	(1,294,896)	(1,122,013)
Vendors	(1,428,192)	(712,491)
Net cash flows from operating activities	2,178,996	577,010
Cash Flows from Investing Activities		
Purchases of investments	(15,803,406)	(6,228,539)
Proceeds from sales of investments	15,116,295	4,631,527
Net cash flows from investing activities	(687,111)	(1,597,012)
Cash Flows from Financing Activity		
Contributions received restricted for endowment	-	10,000
Net change in cash and cash equivalents	**1,491,885**	**(1,010,002)**
Cash and Cash Equivalents, beginning of the year	1,098,066	2,108,068
Cash and Cash Equivalents, end of the year	$ 2,589,951	$ 1,098,066

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), a nonprofit organization founded in 1935, supports the Washington Park Arboretum and Seattle Japanese Garden. The Foundation's mission is to promote, protect and enhance the Washington Park Arboretum, connecting people and plants to cultivate a more sustainable, informed, inspired, and just community.

The Washington Park Arboretum is a 230-acre botanic garden, Seattle public park, and living plant museum in the heart of Seattle. Home to trails, wetlands, and more than 40,000 plants from around the world, the Arboretum welcomes hundreds of thousands of visitors each year. Management and operation of the Arboretum is a collaborative effort between three entities: University of Washington (UW) Botanic Gardens, Seattle Parks and Recreation, and the Foundation. The Arboretum offers environmental education and public programming, horticultural displays, and recreation opportunities. It is also a research center for plant and conservation science and environmental restoration.

The Seattle Japanese Garden is a tranquil Japanese-style stroll garden featuring winding trails, carefully maintained plants, stone lanterns, and a teahouse surrounding a central pond. More than 100,000 visitors enjoy this historical landmark each year. The Garden offers cultural celebrations, art exhibitions, and tea ceremonies. Seattle Japanese Garden is operated under a cooperative agreement between Seattle Parks and Recreation and the Foundation. Seattle Parks is responsible for operations and maintenance, and the Foundation raises funds and manages programs 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.

Fundraising: The Foundation raises funds through active membership programs, giving circles, an annual fundraising campaign, partnerships with foundations and corporations, and signature events. These funds are used to preserve and enhance plant collections care and maintenance, employ horticultural, administrative, and programming staff, support environmental education, and provide cultural and public programming in the Arboretum and Seattle Japanese Garden. The Foundation also raises vital funds to restore, revitalize, and improve visitor amenities, park facilities, and plant displays.

Volunteerism: The Foundation's volunteer programs are central to its mission, connecting people with plants through a variety of service opportunities. Volunteers support plant collections and ecological restoration work, propagate and rehabilitate plants for resale, provide a warm welcome to visitors, lead public tours in the Seattle Japanese Garden, and support community events.

Advocacy: The Foundation uses communications, public relations, and outreach to build and strengthen support among members, friends, donors, public officials, businesses, and the community at large. The Foundation's advocacy has resulted in several significant and transformative public projects. As a result of the Foundation's advocacy during the State Route 520 Bridge Replacement project, the State of Washington supplied mitigation funds to build the Arboretum Loop Trail in 2018 and committed the funds to redevelop the 28-acre Montlake Peninsula, anticipated to begin in 2031. In 2025, the Washington State Legislature awarded capital funding to develop a new accessible trail linking two signature exhibits in the Pacific Connections Garden. The City of Seattle holds funding for these projects, while project design, management, and construction will be shared between the three managing 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:

	2025	2024
Quasi-endowment	$ 3,209,110	$ 2,960,964
Special use funds	478,149	501,273
Operating reserve	630,000	630,000
	$ 4,317,259	$ 4,092,237

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:

	2025	2024
Net assets with purpose restrictions – Operating		
Sustaining Fund	$ 2,379,569	$ 879,131
UW botanical garden support	299,185	-
Entry improvements	42,000	42,000
Tsutakawa gates maintenance	20,000	20,000
Other	13,548	19,065
Arts programming	12,658	23,596
Capital projects	-	310,000
Strategic fund support	-	50,129
Education	-	34,868
Net assets with purpose restrictions – Master Plan		
Pacific Pathways – China	1,223,329	378,274
Japanese garden projects	1,105,450	1,184,856
Woodland Meadow	998,676	998,676
Arboretum Headwater	173,220	163,060
Rhododendron Glen	131,000	136,000
Transition / consolidation	53,196	-
Azalea Way	44,971	37,970
Environmental Education Center Pre-design	12,375	12,375
GVC Garden Project	7,500	7,500
Total net assets with purpose restrictions	6,516,677	4,297,500
Net assets with endowment restrictions		
Unappropriated endowment earnings		
Master Plan Endowment	258,836	253,159
General Endowment	184,351	181,532
Ruth Ellerbeck Rhododendron Glen Endowment	134,053	133,112
Faulstich Totem Endowment	-	11,287
Total unappropriated endowment earnings	577,240	579,090
Endowment fund perpetual restrictions		
Master Plan Endowment	1,002,954	1,002,954
General Endowment	442,155	442,155
Ruth Ellerbeck Rhododendron Glen Endowment	75,000	75,000
Faulstich Totem Endowment	-	20,000
Total endowment fund perpetual restrictions	1,520,109	1,540,109
Total net assets with endowment restrictions	2,097,349	2,119,199
	$ 8,614,026	$ 6,416,699

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:

	2025	2024
Cash and cash equivalents	$ 44,008	$ 294,912
Certificates of deposit	-	1,134,191
United States treasuries	2,717,332	4,557,953
Domestic common stocks	3,348,719	2,266,463
Equity mutual funds	218,567	1,553,723
Exchange traded funds	5,210,490	568,689
	$ 11,539,116	$ 10,375,931

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

	2025	2024
Investments	$ 6,232,657	$ 5,295,768
Investments Held for Endowments	5,306,459	5,080,163
	$ 11,539,116	$ 10,375,931

Investment return consists of realized and unrealized gains and losses and dividends and interest, less investment fees, and is reported in 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, 2025 or 2024.

Gift Shop Inventory

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

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.

Approximately 50% and 35% of total support and revenue (including non-operating activities) were provided by two donors for the years ended June 30, 2025 and 2024, 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, 2023, recognized to revenue during the year ended June 30, 2024, was $23,405. Unearned revenue at June 30, 2024, recognized to revenue during the year ended June 30, 2025, was $41,667.

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, 2025 and 2024, 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 23, 2026.

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, United States treasury securities, common stocks, equity mutual funds and exchange traded 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 general 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:

	2025	2024
Financial Assets		
Cash and cash equivalents	$ 2,589,951	$ 1,098,066
Investments	11,539,116	10,375,931
Contributions receivable, net	251,870	181,020
	14,380,937	11,655,017
Less: Amounts Not Available to Be Used Within One Year for General Expenditures		
Net assets designated by the Board of Directors	(4,317,259)	(4,092,237)
Net assets with donor restrictions	(8,614,026)	(6,416,699)
	$ 1,449,652	$ 1,146,081

Note 3 – Endowments

The Endowment consists of three 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, 2025 and 2024:

		With Donor Restrictions		
	Quasi-Endowment	Unappropriated Earnings	Perpetual	Total
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 return	283,907	238,101	-	522,008
Release of restriction by donor	-	-	(20,000)	(20,000)
Appropriations for expenditure	(35,761)	(239,951)	-	(275,712)
Endowment net assets, June 30, 2025	$ 3,209,110	$ 577,240	$ 1,520,109	$ 5,306,459

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, 2025 or 2024.

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 management and maintenance. During the years ended June 30, 2025 and 2024, the Foundation granted $1,004,070 and $1,564,928, 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, 2025:

Grants from July 1, 2001, through June 30, 2024	$ 15,464,269
Grants during the year ended June 30, 2025	1,004,070
	$ 16,468,339

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, 2025 and 2024.

Note 5 – Subsequent Event – Transfer of UW Botanic Gardens Operations to the Foundation

In January 2026, the Foundation and the University signed an operations and management agreement (the Agreement) to substantially shift responsibility from UW's University of Washington Botanic Gardens unit (the UWBG unit) to the Foundation for stewardship of the UW's extensive horticultural assets at the Arboretum; the provision of educational programming and other public-facing activities and services at both the Arboretum and the Center for Urban Horticulture (the CUH); the operation and management of CUH grounds and facilities and UW facilities at the Arboretum; as well as any other University responsibilities associated with either the Arboretum or the CUH arising as a result of the University's agreements with the City of Seattle or AF, to enhance baseline performance of such responsibilities, as more specifically addressed in the Agreement. During the remainder of 2026 through December 31, 2026 (the Transition Period), AF (to be renamed "Seattle Botanic Gardens" before the end of the Transition Period) and the University will complete various transition tasks and responsibilities set forth in the Agreement by the end of which Transition Period, the University will have wound down and fully closed its UWBG unit.

The Foundation (to be renamed Seattle Botanic Gardens before the end of the Transition Period) will manage and operate three locations: the 230-acre Washington Park Arboretum, the Seattle Japanese Garden and the Center for Urban Horticulture, which includes the 74-acre Union Bay Natural Area. Seattle Botanic Gardens will be responsible for all public facing programs. With general and endowment support from the University of Washington the operating budget is projected to increase to an estimated $10M and the permanent staff will grow from 14 to 60. The Foundation will also receive certain assets from, and assume certain obligations of, the University relating to the UWBG unit in order to take over the UWBG unit's operations, although the extent of these assets and obligations are not reasonably estimable at the date of issuance of these financial statements.