

THE BLOEDEL RESERVE
FINANCIAL REPORT (Reviewed)
DECEMBER 31, 2023

THE BLOEDEL RESERVE

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Bloedel Reserve

We have reviewed the accompanying financial statements of The Bloedel Reserve, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Bloedel Reserve and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. GAAP.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2023 financial statements include a reclassification of beginning net assets. Our conclusion is not modified with respect to this matter.



July 30, 2024

THE BLOEDEL RESERVE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(See Independent Accountant's Review Report)

ASSETS	
Cash and cash equivalents	\$ 2,423,274
Pledges and accounts receivable	124,497
Investments - main	21,142,966
Investments - capital	385,533
Inventory	60,038
Prepaid expenses	4,306
Property and equipment, net	4,173,436
Artwork	53,159
Antique furniture	11,327
Endowment investments	4,228,750
Total Assets	\$ 32,607,285
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 139,632
Accrued liabilities	137,774
Deferred memberships	247,766
Other deferred revenues	161,663
Total Liabilities	686,835
NET ASSETS	
Without donor restrictions	26,309,230
With donor restrictions:	
Purpose and time restricted properties	175,000
Purpose restricted - capital and programs	1,207,472
Unappropriated endowment earnings	885,948
Perpetual in nature (CR endowment)	716,045
Perpetual in nature (RAB endowment)	2,626,755
	5,611,220
Total Net Assets	31,920,450
Total Liabilities and Net Assets	\$ 32,607,285

See notes to financial statements.

THE BLOEDEL RESERVE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:			
Contributions	\$ 651,822	\$ 106,688	\$ 758,510
Grants	-	111,037	111,037
Special events	569,110	-	569,110
Creative residency	-	5,000	5,000
Donated in-kind services	7,068	-	7,068
Total Public Support	1,228,000	222,725	1,450,725
Revenues:			
Membership fees	368,102	-	368,102
Admissions	890,738	-	890,738
Facilities rental	75,000	-	75,000
	247,978		
Less: cost of sales	(125,031)	-	122,947
Program income	15,109	-	15,109
Miscellaneous income	6,392	-	6,392
Total Revenues	1,478,288	-	1,478,288
Investment Income			
Interest income - banks	72,315	-	72,315
Investment income (Net of fees of \$59,944)	510,076	117,258	627,334
Net realized gain	376,643	1,242	377,885
Net unrealized	1,821,661	528,662	2,350,324
Total investment income	2,780,695	647,162	3,427,857
Released from Restrictions:			
Satisfaction of usage restriction-properties	58,333	(58,333)	-
Satisfaction of donors' restrictions-programs	146,570	(146,570)	-
Satisfaction of donor restrictions-RAB endowment	149,390	(149,390)	-
Satisfaction of donors' restrictions-capital projects	14,065	(14,065)	-
Total released from restrictions	368,358	(368,358)	-
Total Public Support, Revenues and Investment Income	5,855,341	501,529	6,356,870
Expenses:			
Program services	3,652,100	-	3,652,100
Management and general	400,159	-	400,159
Fundraising	462,743	-	462,743
Total Expenses	4,515,002	-	4,515,002
Change in net assets	1,340,339	501,529	1,841,867
Net assets, beginning as reclassified (Note 15)	24,968,891	5,109,691	30,078,582
Net assets, ending	\$ 26,309,230	\$ 5,611,220	\$ 31,920,449

See notes to financial statements.

THE BLOEDEL RESERVE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

	Other Program Services	Gift Shop Program	Total Program Services	Management and General	Fundraising	Special Event - Garden Party	Total Fundraising	Total
Salaries and wages	\$ 2,090,705	\$ -	\$ 2,090,705	\$ 230,376	\$ 136,212	\$ -	\$ 136,212	\$ 2,457,293
Retirement plan 401(k)	67,116	-	67,116	7,373	4,281	-	4,281	78,769
Industrial insurance	30,334	-	30,334	3,345	1,983	-	1,983	35,662
Payroll taxes	185,724	-	185,724	20,424	11,934	-	11,934	218,082
Health benefits	242,101	-	242,101	26,396	14,635	-	14,635	283,132
Total personnel expenses	<u>2,615,980</u>	<u>-</u>	<u>2,615,980</u>	<u>287,914</u>	<u>169,045</u>	<u>-</u>	<u>169,045</u>	<u>3,072,939</u>
Retail costs	450	114,055	114,505	-	-	5,106	5,106	119,612
Grounds expense	48,753	-	48,753	-	463	305	768	49,521
Repairs and maintenance	74,936	-	74,936	-	7,000	35	7,035	81,971
Program and event expense	55,205	66	55,271	-	16,267	68,588	84,854	140,125
Fundraising expense	177	-	177	-	1,879	-	1,879	2,056
Membership expense	6,012	-	6,012	-	-	-	-	6,012
Advertising	72,837	-	72,837	-	-	-	-	72,837
Bank charges and fees	47,706	2,879	50,585	805	3,001	12,057	15,058	66,447
Copying & printing expense	18,578	-	18,578	762	12,225	11,698	23,923	43,263
Equipment < \$2,500	23,965	504	24,469	1,861	4,888	1,116	6,004	32,333
Lease & service agreements	30,420	-	30,420	1,180	638	-	638	32,239
Insurance, taxes and license	97,579	-	97,579	10,561	5,756	-	5,756	113,897
Outside computer service	50,353	1,037	51,390	-	445	1,742	2,187	53,577
Postage and shipping	1,400	579	1,979	2,562	1,401	314	1,715	6,256
Professional development	29,133	200	29,333	-	508	-	508	29,841
Professional services	234,613	625	235,238	92,645	68,819	59,750	128,569	456,453
Supplies	24,671	575	25,246	928	1,512	7,026	8,539	34,713
Travel	8,634	2,257	10,891	87	35	86	121	11,099
Utilities	54,767	-	54,767	-	-	-	-	54,767
Other	2,314	2,253	4,567	854	596	442	1,038	6,459
Sub-total	<u>3,498,483</u>	<u>125,030</u>	<u>3,623,513</u>	<u>400,159</u>	<u>294,478</u>	<u>168,265</u>	<u>462,743</u>	<u>4,486,415</u>
Depreciation and amortization	<u>153,617</u>		<u>153,617</u>					<u>153,617</u>
Total	<u>3,652,100</u>	<u>125,030</u>	<u>3,777,130</u>	<u>400,159</u>	<u>294,478</u>	<u>168,265</u>	<u>462,743</u>	<u>4,640,032</u>
Less gift shop cost of sales	<u>-</u>	<u>(125,030)</u>	<u>(125,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,030)</u>
Total expenses, by function	\$ <u>3,652,100</u>	\$ <u>-</u>	\$ <u>3,652,100</u>	\$ <u>400,159</u>	\$ <u>294,478</u>	\$ <u>168,265</u>	\$ <u>462,743</u>	\$ <u>4,515,002</u>

See notes to financial statements.

THE BLOEDEL RESERVE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

Cash flows from operating activities:

Change in net assets	\$ 1,841,867
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized gain from investments	(2,728,209)
Depreciation and amortization	153,617
Changes in operating assets and liabilities:	
Pledges and accounts receivable	22,321
Inventory	(255)
Accounts payable	48,892
Accrued liabilities	(40,137)
Deferred memberships	119,104
	<u>(21,604)</u>

Net cash used in operating activities	<u>(604,404)</u>
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Cash flows from investing activities:

Purchases of property and equipment	(192,134)
Proceeds from sale of investments	1,688,545
Purchases of investments	<u>(1,214,327)</u>

Net cash provided by investing activities	<u>282,084</u>
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Net change in cash and cash equivalents	(322,320)
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Cash and cash equivalents - beginning	<u>2,745,594</u>
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Cash and cash equivalents - ending	<u><u>\$ 2,423,274</u></u>
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See notes to financial statements.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 1 – NATURE OF BUSINESS

The Bloedel Reserve (the Reserve and/or Organization) was initially a private foundation that was created by Prentice and Virginia Bloedel (Founders) in 1974. It operates as a tax-exempt non-profit organization whose primary purpose is to provide people with an opportunity to enjoy nature through quiet walks in the gardens and woodlands. The Bloedel Reserve is funded by contributions raised through efforts of the Board of Trustees, memberships and renewals, admissions, fundraising and special events, grants, rentals, program revenue, and retail sales. The fund was created by a contribution of the real estate, cash, and investments by the Bloedel's as further discussed in Note 5.

The Board of Trustees adopted a resolution in November 2008 to change the name of The Arbor Fund to the Bloedel Reserve.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash Restricted for Programs and Capital Projects

Cash restricted for the capital projects and programs by donors are not available for operating purposes.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give are stated at net realizable value. Management believes that promises to give are fully collectible; therefore, no allowance for uncollectible accounts is required at December 31, 2023.

Other Revenues

Annual membership fees, net of contributions, are initially recorded as deferred revenue and subsequently recognized as revenue ratably throughout the year. The pack of membership benefits (access to the Reserve, invitation to events, newsletters, purchase discounts at the gift shop regardless of the amount or item purchased) represent a bundle of services and regard them as a single performance obligation.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Revenues (Continued)

Revenues from program fees are recognized upon sales of tickets because each event is held shortly thereafter. Control of the promised goods or services is considered obtained by the customers at the transaction date.

There is no price allocation for admission fees to the Reserve and retail sales. There is only one performance obligation which is to sell tickets to visitors or sell items at given prices. Therefore, the revenue is recognized at the day of the exchange. Revenue from sales of gift certificates is recognized upon certificate redemption.

Revenue from sponsorships on special events is accounted for as non-exchange contributions because the Organization believes that the benefits that sponsors receive are of minimal value. The sponsors receive the minimal value on the day of the special event.

Deferred revenues consisted of the following as of December 31, 2023:

Deferred memberships	\$	247,766
Other deferred revenues		<u>161,663</u>
	\$	<u><u>409,429</u></u>

Inventory

Inventories are stated at the lower of cost or market determined by the first-in first-out method.

Property and Equipment

The Organization capitalizes property and equipment over \$5,000 at cost. Donations of property and equipment are recorded as contributions at their estimated fair value.

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three years for furniture, equipment and vehicles to thirty years for buildings and improvements.

Collections

The Organization's policy is to recognize collections as assets on the statement of financial position. Those artworks and antique furniture donated by the Bloedel family several years ago had an estimated fair value of \$50,000 at the date of gift. Some of the antique furniture was sold in 2015. The Organization also purchased and received additional artwork subsequently. Total estimated fair value at December 31, 2023 for artwork and antique furniture was \$53,159 and \$11,327, respectively.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

The Organization has been determined to be exempt from Federal income tax in 1974 under Section 501(c)(3) of the Internal Revenue Code. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserve, or related accruals for interest and penalties for uncertain income tax at December 31, 2023.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2020.

Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Sales Tax

Revenue is recorded net of sales tax. Sales tax is collected and remitted to the tax authority.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the programs have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following table shows the expenses that are allocated, and the bases used to allocate them:

Type of Expense	Base
Salaries and benefits	Time study
Bank charges	Staff FTE
Small equipment	Staff FTE
Lease and services	Staff FTE
Insurance	Staff FTE
Taxes	Staff FTE
Licenses	Staff FTE
Outside computer services	Staff FTE
Supplies	Primary usage
Professional development (usually all program)	Primary usage
Travel (usually all program)	Primary usage
Depreciation and amortization	Primary usage

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents. Any cash and equivalents with Vanguard are included if they are considered available for spending within the next three months or less; otherwise, they are considered part of the investments.

Web Site Development Costs

The Organization expenses all costs incurred that relate to the planning and post-implementation phases of web site development. Costs incurred in the development phase are capitalized to the extent that their estimated useful lives exceed one year. Any capitalized costs are amortized over the assets' useful lives of three years. Costs incurred associated with repairs and maintenance of the existing site, or the development of website content are expensed as incurred.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Investments

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

Leases

Operating leases are capitalized and recognized as a right of use asset when the capital lease value is \$10,000 or more. The Organization does not have any operating leases that exceed \$10,000 in value.

The Organization has elected to apply the short-term lease exception to all leases with a term of less than one year.

NOTE 3 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023:

Temporary:

Capital projects	\$ 1,207,472
Fixed assets - purpose and time restrictions	175,000
Creative residency	127,309
RAB net investment income	758,639
	<u>\$ 2,268,420</u>

Permanent:

Creative residency endowment	\$ 716,045
RAB endowment funded	2,626,755
	<u>3,342,800</u>
Grand total	<u><u>\$ 5,611,220</u></u>

Comprehensive capital campaign: Pledges were accumulated for various purpose restrictions and expenditures as of December 31, 2023.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 3 – RESTRICTIONS ON NET ASSETS (Continued)

Capital and programs: Total capital and programs funding was \$975,623 and \$40,000, respectively.

Creative residency endowment and RAB endowment: The accumulated earnings are subject to Bloedel spending policy and appropriation. The total corpus is to remain in perpetuity.

NOTE 4 – IN-KIND CONTRIBUTIONS

The donation of services is recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of donated services and assets included as contributions in the financial statements and the corresponding programs benefited for the year ended December 31, are as follows:

	Other Program		Special Event	Management	
	Services	Fundraising	Garden Party	And General	Total
Services, wine & décor	\$ -	\$ -	\$ 5,436	\$ -	\$ 5,436
Professional services	-	50	-	1,012	1,062
Grounds equipment	570	-	-	-	570
Gift Shop inventory	-	-	-	-	-
	<u>\$ 570</u>	<u>\$ 50</u>	<u>\$ 5,436</u>	<u>\$ 1,012</u>	<u>\$ 7,068</u>

Fair values were assigned based on pricing provided by in-kind donors.

There were a substantial number of volunteers that have donated significant amounts

of their time in the fulfillment of the Organization's mission, however they do not meet the requirements of U.S. GAAP and therefore are not recognized as in-kind contributions.

NOTE 5 – PROPERTY, EQUIPMENT, AND RESTRICTIONS

In 1970, Prentice and Virginia Bloedel deeded their residence and 54 acres of land to the University of Washington. At the same time, Bloedel Timberlands Development, Inc. also deeded 40 acres to the University. In 1974, the Bloedel's created the Arbor Fund (currently The Bloedel Reserve) that was meant to manage and hold all of the properties. In 1985, the University of Washington conveyed a quit claim deed to the Arbor Fund, which continued to manage the properties as a quasi-public garden. In December 1985, an independent appraisal of the land, main house and guest house was performed. Total fair value was \$2 million.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 5 – PROPERTY, EQUIPMENT, AND RESTRICTIONS (Continued)

Because there was a required holding period of 30 years following the death of the surviving Bloedel, the restricted fair value was estimated to be \$380,000. There was not adequate documentation to determine what was recorded on The Organization's books to reflect the preceding transactions. Additionally, various purchases, improvements and land acquisitions were made during the period and thereafter. There was not adequate documentation to identify those transactions and determine the reasonableness of amounts recorded on the books. As a result, in April 2010 the Organization hired an independent consultant to perform an appraisal of the real property considering the use restrictions. The indicated value as restricted was \$1,750,000 for the real property and improvements. Management believes this amount was equivalent to the January 1, 2009 (which was the date of reclassification) amount since time and use restrictions do not expire until June 2026. The propriety of the amounts recorded as real property and the propriety of the amount of depreciation expense and accumulated depreciation for the real property and improvements in the accompanying financial statements were based on the restricted amount.

Land and building improvement, and equipment, net, are summarized as follows at December 31, 2023:

Land	\$ 1,513,702
Land improvements	768,490
Buildings and improvements	2,681,353
Vehicles	148,007
Furniture and fixtures (antique furniture excluded \$11,327)	194,920
Equipment	140,053
Computer equipment	<u>8,253</u>
Subtotal	5,454,779
Accumulated depreciation	<u>(1,281,344)</u>
Total - net	<u>\$ 4,173,436</u>

Website design and software, net is summarized as follows at December 31, 2023:

Website design	\$ 49,390
Accumulated amortization	<u>(49,390)</u>
Total software and website design - net	<u>\$ -</u>

The antiques and artwork are included in Note 2 to the financial statements under collections.

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 5 – PROPERTY, EQUIPMENT, AND RESTRICTIONS (Continued)

Restricted properties totaling \$1,750,000 are reported under net assets with donor restrictions as follows:

Restricted fixed assets as reclassified:

Land	\$ 1,513,702
Land improvement	235,438
Water tank	860
Subtotal	<u>1,750,000</u>
Released from restriction as of December 31, 2022	<u>(1,516,667)</u>
Net restricted fixed assets as of December 31, 2022	233,333
Current year release of restricted fixed assets	<u>(58,333)</u>
Net restricted fixed assets as of December 31, 2023	<u>\$ 175,000</u>

Restricted fixed assets as previously stated:

Land	\$ 1,513,702
Land improvement	235,438
Water tank	860
Subtotal	<u>1,750,000</u>
Released from restriction as of December 31, 2022	<u>(208,731)</u>
Net restricted fixed assets as of December 31, 2022	<u>\$ 1,541,269</u>

The Organization previously did not release the annual amount of non-depreciable restricted fixed assets and accordingly the beginning net assets with and without restrictions have been reclassified.

NOTE 6 – RETIREMENT PLAN

In April 2012, the Organization adopted a 401(k)-retirement plan. All employees as of May 4, 2012, became eligible to participate in the plan. Future employees will become eligible upon reaching age 21 and after completing one year of employment in which they have worked 1,000 hours of service. Effective in 2020, the hours of service changed to 85 hours in the first month so that employees could participate sooner. Once the eligibility criteria have been met, the eligible employees can begin participating in either a ROTH or traditional 401(K) plan on the first

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 6 – RETIREMENT PLAN (Continued)

day of the next calendar quarter. The contributions are made to the plan through payroll deductions.

At its discretion, the Organization may provide a matching contribution or a discretionary contribution. For the year 2017, the organization made discretionary contributions of 4% of participants' gross wages. Participants are immediately vested in their elective employee contributions, ROTH, and rollover contributions plus actual earnings thereon. Vesting in the discretionary employer contributions is based on years of continuous service. A participant is 100% vested after three (3) years of credited service for discretionary employer contributions or at the participant's normal retirement age. Forfeitures will be used to reduce employer's contribution to the Plan. For the year ended December 31, 2023 the employer's discretionary contribution was \$78,770.

NOTE 7 – FAIR VALUE MEASUREMENTS

The Organization's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset or liability classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs that are not corroborated by market data

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NOTES TO FINANCIAL STATEMENTS
(See Independent Accountant's Review Report)

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

All fair values of investments were determined under Level 1 inputs. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Investments in the main (Founder) account consist of the following at December 31, 2023:

Fund Name	Fair Value	Cost
Real Estate Index Admiral	\$ 2,107,593	\$ 1,539,428
Tot Intl Stock Ix Inst	5,925,300	4,704,722
Total Bond Mkt Index Inst	6,825,488	7,785,047
Total Stock Mkt Idx Inst	<u>6,284,585</u>	<u>2,155,135</u>
Total	<u>\$ 21,142,966</u>	<u>\$ 16,184,332</u>

Investments in the capital campaign account consist of the following at December 31, 2023:

Fund Name	Fair Value	Cost
Real Estate Index Admiral	\$ 37,015	\$ 31,182
Tot Intl Stock Ix Inst	107,513	87,214
Total Bond Mkt Index Inst	122,074	141,470
Total Stock Mkt Idx Inst	<u>118,931</u>	<u>71,850</u>
Total	<u>\$ 385,533</u>	<u>\$ 331,716</u>

THE BLOEDEL RESERVE
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NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

Investments in the RAB endowment account consist of the following at December 31, 2023:

Fund Name	Fair Value	Cost
FTSE Social Index	\$ 1,006,887	\$ 850,704
Real Estate Index Admiral	333,977	239,431
Total Bond Mkt Index Inst	1,051,778	1,199,385
ESG Intl Stock ETF	<u>992,753</u>	<u>858,391</u>
Total	<u>\$ 3,385,395</u>	<u>\$ 3,147,911</u>

Investments in the creative residency endowment account consist of the following at December 31, 2023:

Fund Name	Fair Value	Cost
Real Estate Index Admiral	\$ 89,366	\$ 85,191
Tot Intl Stock Ix Inst	234,974	210,532
Total Bond Mkt Index Inst	273,641	314,815
Total Stock Mkt Idx Inst	<u>245,374</u>	<u>163,192</u>
Total	<u>\$ 843,355</u>	<u>\$ 773,730</u>

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NOTE 8 – CREDIT AND MARKET RISKS ARISING FROM CASH DEPOSITS AND INVESTMENTS

The cash deposits and investments are managed by an internal committee appointed by the Board. The Organization maintains the investments and endowment accounts with Vanguard, who has custodial responsibilities.

Credit Risk

The Organization may maintain demand deposits and savings accounts at financial institutions. At times certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and demand deposit accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss of the Organization. However, the Organization has not experienced losses on these accounts in the past, and the Board believes the risk of loss, if any, to be minimal.

Market Risk

The Organization's investments are exposed to market risks. Therefore, the Organization's investments may be subject to significant fluctuations in fair value such as the impact of COVID-19 pandemic. As a result, the investment balances reported on the Organization's financial statements may not be reflective of the portfolio's value during subsequent periods.

NOTE 9 – CONSERVATION EASEMENTS

The Organization sold a 10-acre property to an individual previously and owns conservation rights to it. During the year, the 10-acre property was intended to be sold and legal proceedings were necessary to ensure that the conservation rights remain. The Organization spent \$43,719 during 2023 and an additional \$17,300 was paid in 2024, with a remainder of \$2,560 to be paid for surveying. The parties have reached an agreement and no further costs will be incurred for these proceedings. The Organization is not aware of any future liability associated with these rights.

NOTE 10 – NON-CASH DONATIONS TO OTHER NONPROFIT ORGANIZATIONS

The Wildlife Refuge is leasing some buildings and land owned by The Organization at a nominal rate. The Organization is not in the business of leasing any property and has made an exception as Wildlife Refuge's mission aligns with the Organization's. As there is no market for this leased property a nominal amount is charged. The lease was set to expire on December 31, 2022, but as part of the new lease, the term was extended by one year. The new lease was also for a smaller leased property.

The Organization entered into a ground lease agreement with the Bainbridge Island Fire Department on March 2, 2022 to lease a 20' x 20' portion of the property to erect, operate and maintain a Forest Technology Systems Remote Automatic Weather Station (RAWS). The Organization acknowledges the operation of the RAWS will provide benefit to the community and is waiving any and all rental charges.

THE BLOEDEL RESERVE
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NOTE 10 – NON-CASH DONATIONS TO OTHER NONPROFIT ORGANIZATIONS (Continued)

The Board of Trustees approved a proposal to permit the Puget Sound Restoration Fund to farm native shellfish on parts of The Bloedel Reserve's beach. The Organization is not aware of future liability associated with this activity. No rent is charged, and their lease will end January 1, 2029.

NOTE 11 – ENDOWMENT

Richard A. Brown Endowment for the Director

An endowment was established in 2009, the Richard A. Brown Endowment for the Director, in honor of Richard Brown (RAB), who retired after being the Executive Director of the Bloedel Reserve for 32 years. The goal was to create a \$2.5 million-dollar endowment that can provide an annual pay-out of approximately \$125,000. The revenue will be used to support the salary of the Organization's Executive Director, and it will help cover the financial gap between the Organization's annual operating expenses and revenues. A matching gift of \$1.25 million dollar came from the Founders' daughter and son-in-law. They donated \$250,000 per year from 2009 through 2013. The Organization and its board members matched it to create a \$2.5 million-dollar endowment. The Organization exceeded their goal and raised a total of \$2,626,755, net of total write-off of \$20,850. The Organization's Finance Committee administers the endowment account.

The Organization's endowment consists of donor-restricted funds established for supporting the salary and benefits of the Organization's Executive Director. Endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Investment income and losses increase or reduce net assets with donor restrictions until they are approved for expenditures.

RAB endowment net assets composition as of December 31, 2023:

Amounts required to be invested in perpetuity	\$	2,626,755
Unappropriated endowment earnings		758,639
Total	\$	<u>3,385,394</u>

THE BLOEDEL RESERVE
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – ENDOWMENT (Continued)

Changes in RAB endowment net assets as of December 31, 2023:

Endowment net assets, beginning of year	\$	3,055,362
Investment income (net of fees of \$7,887)		76,041
Realized loss		(5,038)
Unrealized gain		408,420
Appropriation for salary and benefits-Executive Director		(149,390)
Total	\$	<u>3,385,394</u>

Creative Residency Endowment Fund

The Creative Residency Endowment Fund (CR) was approved and created in 2018 to provide cash flow to support the operations of the Creative Residency program. An investment policy was created in December 2018 to set forth the investment objectives and risk parameters, distribution policies, and investment guidelines for managing the portfolio assets similar to the RAB endowment as described above. The board's interpretation of relevant law, UPMIFA, as it applies to this endowment is noted above under the RAB endowment.

Endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Investment income and losses increase or reduce net assets with donor restrictions until they are approved for expenditures.

CR endowment Net Assets Composition as of December 31, 2023:

Amounts required to be invested in perpetuity	\$	716,054
Cumulative investment return (net)-		
Purpose Restricted by Donor		<u>127,301</u>
Total	\$	<u>843,355</u>

THE BLOEDEL RESERVE
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NOTE 11 – ENDOWMENT (Continued)

Changes in CR endowment Net Assets as of December 31, 2023:

Endowment net assets, beginning of year	\$	759,126
Contributions		5,000
Withdrawals		(29,119)
Investment income (net of fees of \$1,984)		21,091
Realized gain		6,443
Unrealized gain		80,814
Endowment net assets, end of year	<u>\$</u>	<u>843,355</u>
 Total endowment net assets, end of year	 <u>\$</u>	 <u>4,228,749</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the results produced by a moderately aggressive balanced fund assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To meet its needs, the investment strategy of the Organization is to emphasize total return in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distributions the interest and dividends net of fees. In addition, the Board may approve for distribution a portion of any unrealized market gain and at the same time allow the fund to grow at some appropriate rate.

Interpretation of Relevant Law

The State of Washington enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on May 11, 2009. The Board of Directors has interpreted UPMIFA as requiring the preservation of 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

THE BLOEDEL RESERVE
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NOTE 11 – ENDOWMENT (Continued)

In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor-restricted fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of The Bloedel Reserve

NOTE 12 – GOVERNING BOARD DESIGNATIONS AND APPROPRIATIONS

There were no board designated funds from net assets without donor restrictions as of December 31, 2023.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Vanguard main investment account, which was established by the board as an operating fund, may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In accordance with the donor's restrictions, the board had established a spending policy where the Executive Director's compensation can be drawn from the RAB endowment investment account.

The following reflects Bloedel's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts already appropriated from the donor-restricted endowment to fund the Executive Director's compensation within one year of the balance sheet date has been subtracted as available.

THE BLOEDEL RESERVE
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NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Financial assets at year-end	\$ 28,260,523
Less those unavailable for general expenditures within one year, due to:	
Cash and equivalents restricted for capital and programs expenditures	(1,949,689)
Donor restricted pledges for capital projects and programs	(40,000)
Vanguard creative residency - Endowment	(716,054)
Vanguard investment - RAB Endowment	(2,626,755)
Various liabilities	<u>(279,406)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 22,648,619</u>

NOTE 14 – UNDERWATER ENDOWMENT

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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Bloedel to retain as a fund of perpetual duration.

Furthermore, as part of the change to net asset classification in accordance with ASU 2016-14, the amendments change how endowments that have a current fair value less than the original gift amount (or amount required to be retained by donor or by law), known as “underwater” endowments, are classified; rather than reducing unrestricted net assets for amounts by which endowment funds are underwater, those amounts are reported within net assets with donor restrictions. As of December 31, 2023, the RAB endowment and CR endowment were not underwater as shown below.

Bloedel’s spending policy is to permit distribution to the extent that such distribution does not exceed a level that would erode the Fund’s real assets over time. A review of the spending assumptions will be done annually to determine if the spending policy should be changed.

THE BLOEDEL RESERVE
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NOTE 14 – UNDERWATER ENDOWMENT (Continued)

Determination of underwater - RAB endowment:

Aggregate Fair Value	Aggregate Original Gift Amounts	Amount of Underwater
December 31, 2023	December 31, 2023	December 31, 2023
\$ <u>3,385,395</u>	\$ <u>2,626,755</u>	\$ <u></u>

Determination of underwater - CR endowment:

Aggregate Fair Value	Aggregate Original Gift Amounts	Amount of Underwater
December 31, 2023	December 31, 2023	December 31, 2023
\$ <u>843,354</u>	\$ <u>716,045</u>	\$ <u></u>

The Vanguard main investment account is not a true endowment, even though it is labeled as an endowment on the investment account. Therefore, there is no disclosure requirement.

NOTE 15 – NET ASSETS

Subsequent to issuance of the financial statements as of and for the year ended December 31, 2022, the Organization determined prior year releases from net assets with donor restrictions was understated. A reevaluation of guidance in Accounting Standards Update 2016-14 determined both land and depreciable improvements should be released whereas the annual releases in prior years included only depreciable improvements. As a result, beginning net assets with donor restrictions have been decreased and net assets without donor restrictions have been increased in the amount of \$1,307,936.

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets, beginning as previously classified	\$ 23,660,955	\$ 6,417,627	\$ 30,078,582
Reclassification	<u>1,307,936</u>	<u>(1,307,936)</u>	
Net assets, beginning as reclassified	<u>\$ 24,968,891</u>	<u>\$ 5,109,691</u>	<u>\$ 30,078,582</u>

THE BLOEDEL RESERVE
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NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 30, 2024, the date on which the financial statements were available to be issued.