



# The Market Foundation

Financial Statements  
Years Ended March 31, 2020 and 2019

# **The Market Foundation**

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Financial Statements  
Years Ended March 31, 2020 and 2019

# The Market Foundation

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## **Independent Auditor's Report**

To the Board of Directors  
The Market Foundation  
Seattle, Washington

We have audited the accompanying financial statements of The Market Foundation, which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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; 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Market Foundation as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Prior-Period Financial Statements***

The financial statements of The Market Foundation as of and for the year ended March 31, 2019, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those financial statements in their report dated September 17, 2019.

*BDO USA, LLP*  
June 16, 2020

## Financial Statements

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**The Market Foundation**  
**Statements of Financial Position**

<i>March 31,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,008,746	\$ 793,037
Investments, unrestricted	881,224	1,050,745
Pledges receivable - MarketFront	6,000	45,614
Pledge receivable - use of facilities	57,401	57,401
Pledges receivable - other	168,872	283,730
Prepaid expenses and other current assets	8,315	6,507
<b>Total Current Assets</b>	<b>2,130,558</b>	<b>2,237,034</b>
<b>Long-Term Assets</b>		
Pledge receivable - use of facilities, net of current portion	248,086	305,487
Endowment investments	3,173,916	3,432,996
Investments, held as collateral	496,000	496,000
Property and equipment, net	569,737	616,429
<b>Total Long-Term Assets</b>	<b>4,487,739</b>	<b>4,850,912</b>
<b>Total Assets</b>	<b>\$ 6,618,297</b>	<b>\$ 7,087,946</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accrued expenses and accounts payable	\$ 49,328	\$ 42,548
Grants payable to agencies	1,213,689	915,000
Unearned special event revenue	93,540	124,725
<b>Total Current Liabilities</b>	<b>1,356,557</b>	<b>1,082,273</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,276,351	1,631,569
Board-designated	2,063,265	2,128,574
<b>Total without donor restrictions</b>	<b>3,339,616</b>	<b>3,760,143</b>
With donor restrictions	1,922,124	2,245,530
<b>Total Net Assets</b>	<b>5,261,740</b>	<b>6,005,673</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,618,297</b>	<b>\$ 7,087,946</b>

*See accompanying notes to financial statements.*

# The Market Foundation

## Statements of Activities

<i>Years Ended March 31,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Contributions	\$ 1,431,189	\$ 392,344	\$ 1,823,533	\$ 1,617,500	\$ 255,450	\$ 1,872,950
Special events - revenue (including in-kind of \$143,626 and \$155,277, respectively)	1,045,900	9,019	1,054,919	784,673	25,242	809,915
Special events - direct benefit to donors (including in-kind of \$67,113 and \$42,534, respectively)	(140,680)	-	(140,680)	(109,815)	-	(109,815)
In-kind services and contributions	201,079	-	201,079	93,879	-	93,879
	2,537,488	401,363	2,938,851	2,386,237	280,692	2,666,929
<b>Net Assets Released from Restrictions</b>	532,618	(532,618)	-	157,697	(157,697)	-
<b>Total Support and Revenue</b>	3,070,106	(131,255)	2,938,851	2,543,934	122,995	2,666,929
<b>Expenses</b>						
Programs supported	1,663,015	-	1,663,015	1,336,983	-	1,336,983
Special events	362,142	-	362,142	442,401	-	442,401
Fundraising	663,503	-	663,503	528,578	-	528,578
Administrative	343,723	-	343,723	294,002	-	294,002
<b>Total Expenses</b>	3,032,383	-	3,032,383	2,601,964	-	2,601,964
<b>Change in Net Assets Before Net Investment</b>						
Income	37,723	(131,255)	(93,532)	(58,030)	122,995	64,965
<b>Net Investment Income (Loss)</b>	(458,250)	(192,151)	(650,401)	19,883	(3,452)	16,431
<b>Change in Net Assets</b>	(420,527)	(323,406)	(743,933)	(38,147)	119,543	81,396
<b>Net Assets, beginning of year</b>	3,760,143	2,245,530	6,005,673	3,798,290	2,125,987	5,924,277
<b>Net Assets, end of year</b>	\$ 3,339,616	\$ 1,922,124	\$ 5,261,740	\$ 3,760,143	\$ 2,245,530	\$ 6,005,673

See accompanying notes to financial statements.



**The Market Foundation**  
**Statement of Functional Expenses**

<i>Year Ended March 31, 2020</i>	Programs	Special Events	Fundraising	Administrative	Total
Grants to agencies and individuals	\$ 1,301,520	\$ -	\$ -	\$ -	\$ 1,301,520
Salaries, benefits, and payroll taxes	177,295	221,421	310,500	120,683	829,899
Food Access	110,949	-	-	-	110,949
Purchased services	9,312	59,713	13,993	27,829	110,847
Printing and design	339	10,366	75,432	1,287	87,424
Other	10,049	10,301	6,310	14,311	40,971
Accounting	-	-	-	40,026	40,026
Supplies	11,482	17,076	3,699	1,245	33,502
Event rental and food	-	30,420	858	639	31,917
Technology	827	-	19,899	7,474	28,200
Credit card processing fees	-	8,448	13,597	62	22,107
Postage and shipping	-	1,276	15,741	-	17,017
Continued education and staff appreciation	-	-	-	11,805	11,805
Public relations	-	175	11,423	-	11,598
Depreciation	-	-	-	46,692	46,692
Uncollectible pledges	-	-	-	46,483	46,483
<b>Total Expenses before In-Kind Expenses</b>	<b>1,621,773</b>	<b>359,196</b>	<b>471,452</b>	<b>318,536</b>	<b>2,770,957</b>
In-kind expenses	41,242	143,626	192,051	25,187	402,106
<b>Total Expenses</b>	<b>1,663,015</b>	<b>502,822</b>	<b>663,503</b>	<b>343,723</b>	<b>3,173,063</b>
Less: Direct benefit to donor	-	140,680	-	-	140,680
<b>Total Expenses Included in Expense</b>					
<b>Section on the Statements of Activities</b>	<b>\$ 1,663,015</b>	<b>\$ 362,142</b>	<b>\$ 663,503</b>	<b>\$ 343,723</b>	<b>\$ 3,032,383</b>

*See accompanying notes to financial statements.*

**The Market Foundation**  
**Statement of Functional Expenses**

<i>Year Ended March 31, 2019</i>	Programs	Special Events	Fundraising	Administrative	Total
Grants to agencies and individuals	\$ 993,740	\$ -	\$ -	\$ -	\$ 993,740
Salaries, benefits, and payroll taxes	145,892	245,433	286,200	87,734	765,259
Food Access	72,531	-	-	-	72,531
Purchased services	10,639	61,468	7,382	17,915	97,404
Printing and design	4,296	17,232	75,135	-	96,663
Other	12,980	6,436	1,985	12,542	33,943
Accounting	-	-	-	50,114	50,114
Supplies	11,567	13,318	248	1,803	26,936
Event rental and food	68	22,838	659	3,150	26,715
Technology	1,868	1,884	29,541	14,733	48,026
Credit card processing fees	-	8,244	17,304	-	25,548
Postage and shipping	-	1,469	13,324	35	14,828
Continued education and staff appreciation	9,251	-	-	6,102	15,353
Public relations	771	-	24,750	-	25,521
Construction	35,269	-	-	-	35,269
Depreciation	-	-	-	52,663	52,663
Uncollectible pledges	-	-	-	22,024	22,024
<b>Total Expenses Before In-Kind Expenses</b>	<b>1,298,872</b>	<b>378,322</b>	<b>456,528</b>	<b>268,815</b>	<b>2,402,537</b>
In-kind expenses	38,111	173,894	72,050	25,187	309,242
<b>Total Expenses</b>	<b>1,336,983</b>	<b>552,216</b>	<b>528,578</b>	<b>294,002</b>	<b>2,711,779</b>
Less: Direct benefit to donor	-	109,815	-	-	109,815
<b>Total Expenses Included in Expense</b>					
<b>Section on the Statements of Activities</b>	<b>\$ 1,336,983</b>	<b>\$ 442,401</b>	<b>\$ 528,578</b>	<b>\$ 294,002</b>	<b>\$ 2,601,964</b>

*See accompanying notes to financial statements.*

**The Market Foundation**  
**Statements of Cash Flows**

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<i>Years Ended March 31,</i>	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (743,933)	\$ 81,396
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized losses on investments	774,855	125,189
Depreciation	46,692	52,663
Changes in operating assets and liabilities:		
Pledges receivable	211,873	44,502
Prepaid expenses and other current assets	(1,808)	27,950
Grants payable to agencies	298,689	68,000
Accounts payable - Pike Market Preservation and Development Authority	-	(29,357)
Accrued expenses and accounts payable	6,780	(6,513)
Unearned special event revenue	(31,185)	28,325
<b>Net Cash Flows from Operating Activities</b>	<b>561,963</b>	<b>392,155</b>
<b>Cash Flows for Investing Activities</b>		
Purchases of investments, net	(346,254)	(140,448)
<b>Net Change in Cash and Cash Equivalents</b>	<b>215,709</b>	<b>251,707</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>793,037</b>	<b>541,330</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,008,746</b>	<b>\$ 793,037</b>

*See accompanying notes to financial statements.*

# The Market Foundation

## Notes to Financial Statements

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### 1. Organization and Significant Accounting Policies

#### *Organization*

The Market Foundation (the “Foundation”) is a nonprofit organization that raises funds from private sources through solicitation and other means for the sustained support of human service agencies and providers based in the Pike Place Market (the “Market”) in Seattle, Washington. While the Foundation supports a variety of organizations, the primary “Legacy Partner” agencies currently served by the Foundation are as follows:

- Pike Market Medical Clinic (the “Clinic”)
- Pike Market Senior Center (the “Senior Center”)
- Pike Market Food Bank (the “Food Bank”)
- Pike Market Child Care and Preschool (the “Preschool”)
- Heritage House at the Market (“Heritage House”)

The Foundation also supports three food-related programs (Market Fresh Coupons, Pike Bucks, and Food Access programming). Support for the various organizations discussed above is generally, but not always, in the form of grants to these entities, with the exception of Food Access, which is run by the Foundation; its program expenses are included in these financial statements.

The Foundation also supports historic preservation projects in the Market area and improvements for the Market’s historic buildings, including the Pike Place Market Preservation and Development Authority (the “PDA”) and its capital campaign, the MarketFront Project (“MarketFront”).

The Market Community Safety Net Fund (“Safety Net”) is intended to assist clients of the Market’s human service agencies, residents of buildings owned by the PDA, and members of the merchant, Daystall, and farmer community who have experienced extraordinary hardship and are in need of assistance to regain their stability. Costs related to the Safety Net program are included with program expenses in these financial statements.

In late 2017, the Foundation opened the Market Commons (the “Commons”), located in the new MarketFront. The Commons is a welcoming and inclusive neighborhood center that provides community resources as well as programs and activities in the Market. The Commons expands delivery of social services - both in the scope of services currently offered and in the number of people served by partner agencies. Costs related to the Commons are included with program expenses in these financial statements.

#### *Use of Estimates*

Preparation of the 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 the estimated amounts.

#### *Financial Statement Presentation*

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions are recorded depending on the existence and/or nature of any donor restrictions.

# The Market Foundation

## Notes to Financial Statements

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### ***Board-Designated Net Assets***

Board-designated net assets consist of funds that are designated either for a specific program or purpose or to be included as part of the endowment by the Board of Directors. Funds included in the endowment are held separately from the Foundation's operating funds and are invested in accordance with the endowment as discussed in Note 7. Board-designated net assets consist of the following:

<i>March 31,</i>	<b>2020</b>	<b>2019</b>
Quasi-endowment	\$ 1,943,303	\$ 2,010,232
Food Access Program	74,380	92,759
Safety Net	45,582	25,583
<b>Total Board-Designated Net Assets</b>	<b>\$ 2,063,265</b>	<b>\$ 2,128,574</b>

### ***Net Assets with Donor Restrictions***

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as time restrictions are met.

Net assets with donor restrictions are as follows:

<i>March 31,</i>	<b>2020</b>	<b>2019</b>
<b>Net Assets with Purpose or Time Restrictions</b>		
Safety Net	\$ 101,398	\$ -
Market Commons - Community Impact	95,548	96,098
Market Commons - Special Projects	94,311	109,086
Market Commons - Construction	82,500	91,812
Others	12,267	12,829
Donated use of facilities (restricted for time)	305,487	362,888
Playground	-	150,053
<b>Total Net Assets with Purpose or Time Restrictions</b>	<b>691,511</b>	<b>822,766</b>
<b>Net Assets with Endowment Restrictions (see Note 7)</b>		
Perpetual endowment restrictions	839,429	839,429
Unappropriated endowment earnings	391,184	583,335
<b>Total Net Assets with Endowment Restrictions</b>	<b>1,230,613</b>	<b>1,422,764</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 1,922,124</b>	<b>\$ 2,245,530</b>

Of the net assets restricted in perpetuity, \$86,564 represents restricted contributions to the Preschool, which are held by the Foundation, as of March 31, 2020 and 2019.

# The Market Foundation

## Notes to Financial Statements

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### *Cash and Cash Equivalents*

Cash and cash equivalents include cash in banks and money market funds with original maturities of three months or less. On occasion, the Foundation has amounts deposited with financial institutions in excess of federally insured limits.

### *Pledges Receivable*

Pledges receivable consist of unconditional promises to give and are recognized when the pledge is made at the amount expected to be collected. Long-term pledges are recognized at fair value (at the time of donation) and are measured at the present value of the estimated cash flows. In arriving at fair value, the promises to give are discounted using an estimated market rate, which includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. All pledges at March 31, 2020 and 2019, are expected to be collected within one year.

### *Pledges Receivable - MarketFront*

Pledges receivable - MarketFront represent pledges raised by the Foundation for the MarketFront project that have not been collected. Like other pledges receivable, these pledges represent unconditional promises to give and are recognized when the pledge is made at the amount expected to be collected. Long-term pledges are recognized at fair value (at the time of the donation) and are measured at the present value of the estimated cash flows. In arriving at fair value, the promises to give are discounted using an estimated market rate, which includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. All pledges at March 31, 2020 and 2019, are expected to be collected within one year.

### *Pledge Receivable - Use of Facilities*

As discussed in the in-kind contributions section below, this pledge for the use of facilities in future years is from the PDA.

### *Property and Equipment*

Equipment purchases greater than \$5,000 are capitalized and are recorded at cost or, in the case of donated equipment, at estimated fair value at the time of donation. Depreciation of equipment is provided for over the estimated useful lives of the assets (generally three to five years) on a straight-line basis. Depreciation expense for the years ended March 31, 2020 and 2019, was \$46,692 and \$52,663, respectively. Property and equipment consist of the following:

<i>March 31,</i>	<b>2020</b>	<b>2019</b>
Market Commons	\$ 455,274	\$ 455,274
MarketFront charms/hoofprints	182,139	182,139
Furniture and fixtures	73,722	73,722
Equipment	32,339	32,339
Website	31,900	31,900
Leasehold improvements	7,816	7,816
	<b>783,190</b>	<b>783,190</b>
Less: Accumulated depreciation	<b>(213,453)</b>	<b>(166,761)</b>
	<b>\$ 569,737</b>	<b>\$ 616,429</b>

# The Market Foundation

## Notes to Financial Statements

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### ***Contribution Revenue***

The Foundation receives contributions from a variety of sources, including some grants from private and family foundations. Revenue is recognized when the pledge is made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Related-party contributions from the PDA are disclosed at Note 6.

On occasion, the Foundation may receive a conditional promise to give contingent on certain criteria being met. Upon completion of such criteria, the Foundation will recognize the pledge in the financial statements. There were no such pledges outstanding at March 31, 2020 or 2019.

### ***Special Event Revenue***

Throughout the year, the Foundation hosts many fundraising events. Funds collected in advance of events taking place are deferred until the event occurs.

### ***In-Kind Contributions***

The Foundation has a service agreement with the PDA. Under the terms of the service agreement, the PDA, which manages the Market activities, lets the Foundation occupy, without charge, certain premises located in the Market. The PDA has agreed to donate facilities for future years, and the donated use of facilities for future years is recognized as a receivable and as a net asset with donor restrictions. The receivable is amortized over lease terms (see next paragraph).

A 2018 agreement with the PDA provides for the use of certain facilities by the Foundation within the Market free of charge through December 31, 2022. In 2018, this in-kind contribution was recognized at its fair value of \$125,933. The receivable balance was \$69,262 and \$94,449 at March 31, 2020 and 2019, respectively, and is being amortized on the straight-line basis over the remaining period of the agreement. At March 31, 2020, the current and noncurrent amounts were \$25,187 and \$44,075, respectively. At March 31, 2019, the current and noncurrent amounts were \$25,187 and \$69,262, respectively. Fair value was determined based on comparable prices per square foot of commercial space leased by the PDA. In-kind rent expense for each of the years ended March 31, 2020 and 2019, was \$25,187.

In April 2017, the Foundation signed a lease for the Commons space with the PDA through April 30, 2027. Monthly minimum rent is \$1,250 per month (which is below the determined fair market value); however, the Foundation is able to receive rent credits up to the amount of minimum rent based on the volume of community or neighborhood meetings and activities held. As the Foundation met the minimum amount of community and neighborhood activities required to fulfill its minimum rent commitment, no rent was paid during the years ended March 31, 2020 or 2019. Management anticipates no payments for rent will be made throughout the duration of the lease based on the levels of activities at the Commons that are expected to take place throughout the lease term. As such, an in-kind contribution was recognized at the full amount of the space's fair value of \$330,194 during the year ended March 31, 2018. The receivable balance is \$236,225 and \$268,439 at March 31, 2020 and 2019, respectively, and is being amortized on the straight-line basis over the remaining period of the lease. At March 31, 2020, the current and noncurrent amounts were \$32,214 and \$204,011, respectively. At March 31, 2019, the current and noncurrent amounts were \$32,214 and \$236,225, respectively.

# The Market Foundation

## Notes to Financial Statements

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Fair value was determined based on comparable prices per square foot of commercial space leased by the PDA. In-kind rent expense for the years ended March 31, 2020 and 2019, was \$32,214 and \$34,899, respectively.

The Foundation receives other in-kind contributions, such as items used in fundraising activities, printing services, and advertising. The estimated fair value of these items is allocated among fundraising and administrative expenses in the period in which they are used. The value of in-kind contributions (received from the PDA and other organizations) included in the financial statements were \$344,705 and \$404,433 for the years ended March 31, 2020, and 2019, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs and fundraising events. The value of this contributed time is not reflected in these statements, as it does not meet the reporting requirements for accounting purposes.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services they benefit. Expenses such as Legacy Partner grants to agencies, grants from Rachel's Reserve or Billie's Bank and individuals within the Safety Net structure, and costs associated with the functionality and staffing of the Commons and Food Access programs are allocated based on the benefitting program. Expenses like salaries, benefits and payroll taxes, supplies, purchased services, printing and design, and other expenses are allocated to administration and fundraising based on actual or estimated amounts of time and effort. Additionally, special event expenses are allocated based on actual or estimated amounts of time and effort of producing these events.

### ***Income Taxes***

The Foundation is exempt from income taxes to the extent provided under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

### ***Recent Accounting Pronouncement Adopted***

During the year ended March 31, 2020, the Foundation adopted the provisions of Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the year ended March 31, 2020. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Foundation in periods beginning after December 15, 2018. The Foundation adopted this update during the year ended March 31, 2020, under the modified prospective basis. The adoption of this ASU did not impact revenues in the financial statements.



# The Market Foundation

## Notes to Financial Statements

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### *Subsequent Events*

The Foundation has evaluated all subsequent events through the date these financial statements were available to be issued, which was June 16, 2020.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Foundation’s results of future operations, financial position, and liquidity in fiscal year 2021.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Foundation continues to examine the impact that the CARES Act may have on its business. Currently, the Foundation is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

On April 14, 2020, the Foundation received funding under the SBA’s Paycheck Protection Program totaling \$127,300. The proceeds from the note will be used to retain current staff. The note payable incurs interest at 1% and is unsecured. The principal of the note is forgivable if the proceeds are spent on qualifying costs during the 8-week period following the date the note is issued. Qualified costs are considered as 75% of the loan amount on payroll costs, and 25% on non-payroll costs including rent and utilities. Interest payments are deferred for the first six months of the note period and are not forgivable. Should any portion of the principal of the note not meet the forgiveness provisions, the principal and interest will be repayable monthly over an 18-month amortization period starting November 2020, through maturity in April 2022.

# The Market Foundation

## Notes to Financial Statements

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### 2. Liquidity and Availability of Financial Assets

The Foundation regularly monitors liquidity required to meet its operating needs sufficient to cover 90 days of general expenditures, which include administrative and fundraising expenses, grant commitments, and other contractual obligations. Financial assets in excess of daily cash requirements are invested in a money market account and other short-term investments.

The Foundation manages its financial assets available to meet general expenditures by 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 Foundation operates with a balanced budget and plans to cover program and general operating expenses through monthly cost reimbursements, collections of cash receipts on pledged contributions, support from the PDA, and ongoing fundraising efforts that include three planned fundraising events, as well as other smaller events throughout the year. All smaller unplanned events are evaluated by using a set of criteria to ensure that the event will meet the Foundation's values before committing to participation.

In addition, the Executive Director, Accountant, and Fiscal Administrator meet on a regular basis to discuss the outstanding balance of assets held with donor restrictions, to ensure that these funds are being used timely and in accordance with associated donor restrictions.

The following table reflects the Foundation's financial assets as of March 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated net assets, as described in Note 1. In the event that the need arises to utilize board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

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**The Market Foundation**  
**Notes to Financial Statements**

<i>March 31,</i>	<b>2020</b>	<b>2019</b>
<b>Financial Assets at Year-end</b>		
Cash and cash equivalents	\$ 1,008,746	\$ 793,037
Investments	4,551,140	4,979,741
Pledges receivable	174,872	329,344
<b>Total Financial Assets</b>	<b>5,734,758</b>	<b>6,102,122</b>
Board-designated net assets	(2,063,265)	(2,128,574)
Net assets with donor restrictions, not for day-to-day operations	(562,994)	(963,105)
Endowment investments, held in perpetuity	(839,429)	(839,429)
Investments held as collateral	(496,000)	(496,000)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures within One Year</b>	<b>\$ 1,773,070</b>	<b>\$ 1,675,014</b>

Amounts not available to meet general expenditures within one year also include net assets with donor restrictions for purposes that are not directly associated with day-to-day operations and/or programs operated by the Foundation.

### 3. Investments

Investments are reported at their fair value using Level 1 inputs (quoted prices in active markets for identical assets) in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investments consist of the following:

<i>Years Ended March 31,</i>	<b>2020</b>	<b>2019</b>
<b>Money Market</b>	<b>\$ 61,641</b>	<b>\$ 34,441</b>
<b>Mutual Funds</b>		
Bond	1,269,821	1,108,480
Large cap	947,023	1,065,668
Foreign	777,421	875,180
Mid cap	588,573	715,488
Small/micro cap	406,757	566,865
Emerging markets	293,918	357,457
Global real estate	205,986	256,162
<b>Total Investments</b>	<b>\$ 4,551,140</b>	<b>\$ 4,979,741</b>

**The Market Foundation**  
**Notes to Financial Statements**

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Investments are reported in the statements of financial position as follows:

<i>March 31,</i>	<b>2020</b>	<b>2019</b>
Investments, unrestricted	\$ 881,224	\$ 1,050,745
Endowment investments	3,173,916	3,432,996
Investments, held as collateral	496,000	496,000
<b>Total Investments</b>	<b>\$ 4,551,140</b>	<b>\$ 4,979,741</b>

Investments held as collateral and endowment investments are described in further detail in Notes 4 and 7, respectively.

Net investment income (loss) consists of the following:

<i>Years Ended March 31,</i>	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 163,552	\$ 186,600
Fees	(39,098)	(44,980)
<b>Interest and Dividends, net</b>	<b>124,454</b>	<b>141,620</b>
Net realized and unrealized losses	(774,855)	(125,189)
<b>Net Investment Income (Loss)</b>	<b>\$ (650,401)</b>	<b>\$ 16,431</b>

#### **4. Investments Held as Collateral**

During 2012, the Preschool (a nonprofit organization) received a loan from the City of Seattle (the "City") in the amount of \$451,000 with the understanding that the Preschool will continue to serve low income families and provide education services to children from such families. As part of the loan agreement, if the Preschool ceases to provide such services, the funds are to be returned to the City. The terms of this loan continue until the loan is due in 2027, at which point it is expected that the City will forgive the loan. In addition to the terms of the agreement, collateral is required to be provided, and \$496,000 has been set aside by the Foundation to meet the collateral requirement. At the expiration of the agreement, such funds will be released and will be unrestricted investments.

The Foundation considers the likelihood that the Preschool will default on the loan to the City to be remote and, therefore, has not recognized an obligation under this collateral agreement.

**The Market Foundation**  
**Notes to Financial Statements**

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**5. Grants Payable to Agencies**

The Foundation makes periodic disbursements to agencies within the Market, as well as individuals (through the Food Access and Safety Net programs). At times, the disbursements to agencies are determined to be payable in the current fiscal year but are paid subsequent to year-end. The amounts to be disbursed to agencies consist of the following:

<i>March 31,</i>	2020	2019
Pike Market Medical Clinic	\$ 330,000	\$ 325,000
Pike Market Child Care and Preschool - Playground	278,689	-
Pike Market Child Care and Preschool	230,000	225,000
Pike Market Senior Center	220,000	215,000
Pike Market Food Bank	110,000	105,000
Heritage House	45,000	45,000
<b>Total Grants Payable to Agencies</b>	<b>\$ 1,213,689</b>	<b>\$ 915,000</b>

The amounts granted to agencies in the Market and individuals supported by Foundation programs are included in the statements of functional expenses (as program expenses) as follows:

<i>Years Ended March 31,</i>	2020	2019
Pike Market Medical Clinic	\$ 330,000	\$ 325,000
Pike Market Child Care and Preschool - Playground	292,481	-
Pike Market Child Care and Preschool	230,000	235,011
Pike Market Senior Center	220,000	215,000
Pike Market Food Bank	110,000	105,000
Safety Net	74,039	65,063
Heritage House	45,000	45,000
Pike Place Secret Garden	-	3,666
<b>Total Grants Paid to Agencies and Individuals</b>	<b>\$ 1,301,520</b>	<b>\$ 993,740</b>

**6. Related Parties**

The Foundation occasionally receives funds and in-kind contributions from the PDA unrelated to the use of facilities as discussed in Note 1. The total amount of cash contributions that the Foundation received from the PDA amounted to \$246,893 and \$239,386 for the years ended March 31, 2020 and 2019, respectively.

**Note 7. Endowment**

The Foundation's endowment consists of two individual funds: a fund established for a donor-restricted endowment fund and a fund designated by the Board of Directors ("quasi-endowment"). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# The Market Foundation

## Notes to Financial Statements

### *Interpretation of Relevant Law*

The Finance Committee of the Foundation has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift, as of the date of the gift of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with perpetual endowment restrictions (a) the original value of gifts donated to the perpetual endowment and (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted is 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 Foundation’s Finance Committee 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
- The investment policies of the Foundation

Endowment net assets consisted of the following as of March 31:

<i>March 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Donor-restricted endowment	\$ -	\$ 391,184	\$ 839,429	\$ 1,230,613
Board-designated quasi-endowment	1,943,303	-	-	1,943,303
<b>Total Funds</b>	<b>\$ 1,943,303</b>	<b>\$ 391,184</b>	<b>\$ 839,429</b>	<b>\$ 3,173,916</b>

<i>March 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Donor-restricted endowment	\$ -	\$ 583,335	\$ 839,429	\$ 1,422,764
Board-designated quasi-endowment	2,010,232	-	-	2,010,232
<b>Total Funds</b>	<b>\$ 2,010,232</b>	<b>\$ 583,335</b>	<b>\$ 839,429</b>	<b>\$ 3,432,996</b>

# The Market Foundation

## Notes to Financial Statements

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Changes to endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
<b>Endowment Net Assets, March 31, 2018</b>	\$ 2,013,273	\$ 586,787	\$ 839,429	\$ 3,439,489
Interest and dividends, net of fees	51,182	36,591	-	87,773
Net realized and unrealized losses	(54,223)	(40,043)	-	(94,266)
<b>Endowment Net Assets, March 31, 2019</b>	2,010,232	583,335	839,429	3,432,996
Contributions	249,296	-	-	249,296
Interest and dividends, net of fees	49,790	36,915	-	86,705
Net realized and unrealized losses	(366,015)	(229,066)	-	(595,081)
<b>Endowment Net Assets, March 31, 2020</b>	\$ 1,943,303	\$ 391,184	\$ 839,429	\$ 3,173,916

### ***Return Objectives and Risk Parameters***

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce over time an average rate of return of approximately 7.2% annually. Actual returns in any given year may vary from this amount.

### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### ***Spending Policy and How the Investment Objectives Relate to the Spending Policy***

The Foundation has a discretionary policy of appropriating funds for distribution. In establishing this policy, the Foundation has considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current discretionary spending policy to allow its endowment to grow annually, as the Foundation has historically determined not to spend any of the endowment funds and there has been no additional need for such funding. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, 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 in perpetuity. No deficiencies of this nature were incurred, and none are reported in these financial statements.