



The Seattle Public Library Foundation

Financial Statements

For the Years Ended December 31, 2025 and 2024

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 24

Independent Auditor's Report

**To the Board of Directors
The Seattle Public Library Foundation
Seattle, Washington**

Opinion

We have audited the financial statements of The Seattle Public Library Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and 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 (GAAS). 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 for one year after the date that the financial statements are available to be issued.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

555 110th Ave NE
Suite 700
Bellevue, WA
98004

clarknuber.com

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 GAAS 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.

In performing an audit in accordance with GAAS, 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.

Clark Nuber P.C.

Certified Public Accountants
May 13, 2026

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 3,603,232	\$ 3,953,883
Promises to give, net	1,271,485	555,717
Other receivables	440	323
Prepaid expenses and other assets	20,198	31,969
Investments	108,366,412	95,241,475
Split interest agreement	383,543	423,154
Beneficial interest in assets held by Seattle Foundation	4,243,312	3,848,325
Equipment, net	<u>106</u>	<u>5,114</u>
Total Assets	<u>\$117,888,728</u>	<u>\$104,059,960</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 310,345	\$ 276,416
Grants payable to The Seattle Public Library	<u>2,294,186</u>	<u>1,788,530</u>
Total Liabilities	2,604,531	2,064,946
Net Assets:		
Without donor restrictions	39,380,840	34,273,988
With donor restrictions	<u>75,903,357</u>	<u>67,721,026</u>
Total Net Assets	<u>115,284,197</u>	<u>101,995,014</u>
Total Liabilities and Net Assets	<u>\$117,888,728</u>	<u>\$104,059,960</u>

See accompanying notes.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2025 and 2024**

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	\$ 4,508,031	\$ 2,381,626	\$ 6,889,657	\$ 5,595,007	\$ 2,179,024	\$ 7,774,031
In-kind contributions	12,234	349,067	361,301	4,819	645,195	650,014
Investment return, net	4,242,339	10,106,733	14,349,072	3,334,060	6,721,760	10,055,820
Total Support and Revenue Before Net Assets Released From Restrictions	8,762,604	12,837,426	21,600,030	8,933,886	9,545,979	18,479,865
Net Assets Released From Restrictions:						
Satisfaction of purpose restrictions	4,255,876	(4,255,876)		1,427,147	(1,427,147)	
Satisfaction of time restrictions	398,394	(398,394)		2,631,936	(2,631,936)	
Total Support and Revenue	13,416,874	8,183,156	21,600,030	12,992,969	5,486,896	18,479,865
Expenses:						
Grants made to The Seattle Public Library-						
Library programs and marketing	2,930,105		2,930,105	2,546,293		2,546,293
Collections and resources	2,185,235		2,185,235	1,975,799		1,975,799
Capital improvements	341,290		341,290	483,892		483,892
Other	150,861		150,861			
Library programs and marketing - In-kind	347,506		347,506	645,195		645,195
Collection and resources - In-kind	125		125	4,819		4,819
Total Grant Expenses	5,955,122		5,955,122	5,655,998		5,655,998
Other program expenses	778,864		778,864	810,606		810,606
Management and general	973,933		973,933	940,694		940,694
Fundraising	595,785		595,785	582,736		582,736
Total Expenses	8,303,704		8,303,704	7,990,034		7,990,034
Loss on uncollectible pledges	6,318	825	7,143			
Total Expenses and Losses	8,310,022	825	8,310,847	7,990,034		7,990,034
Change in Net Assets	5,106,852	8,182,331	13,289,183	5,002,935	5,486,896	10,489,831
Net assets, beginning of year	34,273,988	67,721,026	101,995,014	29,271,053	62,234,130	91,505,183
Net Assets, End of Year	\$ 39,380,840	\$ 75,903,357	\$ 115,284,197	\$ 34,273,988	\$ 67,721,026	\$ 101,995,014

See accompanying notes.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2025**

	Program	Management and General	Fundraising	Total
Grants to The Seattle Public Library	\$ 5,955,122	\$ -	\$ -	\$ 5,955,122
Salaries and benefits	397,503	598,243	276,625	1,272,371
Professional services	151,069	126,093	81,920	359,082
Fiscal sponsor program (Note 1)	149,848			149,848
IT services	42,383	41,581	26,496	110,460
Other	160	82,538	11,280	93,978
Printing	10,273	8,818	46,135	65,226
Bank fees	8	99	60,263	60,370
Cultivation and stewardship	6,994	20,058	31,811	58,863
Postage	6,877	8,908	27,585	43,370
Accounting fees		40,845		40,845
Supplies	840	840	29,872	31,552
Insurance	2,538	17,863		20,401
Staff development	5,456	13,726	135	19,317
Transportation	575	5,251	2,902	8,728
Memberships and sponsorships	3,011	2,741		5,752
Depreciation		5,008		5,008
Telephone	729	790	506	2,025
Legal fees	600	90	13	703
Equipment		441	242	683
Total Functional Expenses	<u>\$ 6,733,986</u>	<u>\$ 973,933</u>	<u>\$ 595,785</u>	<u>\$ 8,303,704</u>

See accompanying notes.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2024**

	Program	Management and General	Fundraising	Total
Grants to The Seattle Public Library	\$ 5,708,021	\$ -	\$ 4,819	\$ 5,712,840
Salaries and benefits	513,865	556,686	356,851	1,427,402
Accounting fees		37,150		37,150
Bank fees	34	2	54,020	54,056
Staff development	2,086	15,872		17,958
Equipment	36	1,291	451	1,778
Cultivation and stewardship	9,847	15,871	25,243	50,961
IT services	35,129	34,114	21,303	90,546
Legal fees		36,879	12	36,891
Insurance		17,807		17,807
Memberships and sponsorships	3,182	2,032	825	6,039
Postage	4,255	10,616	13,730	28,601
Printing	8,814	7,714	37,396	53,924
Professional services	177,799	115,388	51,993	345,180
Supplies	633	891	14,086	15,610
Telephone		325	325	650
Transportation	2,498	2,740	1,285	6,523
Depreciation		5,007		5,007
Other	405	80,309	397	81,111
Total Functional Expenses	<u>\$ 6,466,604</u>	<u>\$ 940,694</u>	<u>\$ 582,736</u>	<u>\$ 7,990,034</u>

See accompanying notes.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Operating Activities:		
Change in net assets	\$ 13,289,183	\$ 10,489,831
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash changes:		
Realized and unrealized gains on investments	(11,437,921)	(7,649,030)
Change in value of beneficial interest in assets held by Seattle Foundation	(548,837)	(144,824)
Change in value of split interest agreement	(25,389)	(27,631)
Change in present value discount on pledges	13,290	
Depreciation	5,008	5,007
In-kind contributions	(361,301)	(650,014)
In-kind contributions to The Seattle Public Library	347,631	650,014
Other in-kind expenditures	13,670	
Contributions received for endowment	(645,561)	(393,871)
Loss on uncollectible pledges	7,143	50
Changes in assets and liabilities:		
Promises to give, net	(306,201)	(96,634)
Other receivables	(117)	121,567
Prepaid expenses and other assets	11,771	(24,382)
Accounts payable and accrued liabilities	33,929	(4,591)
Grants payable to The Seattle Public Library	505,656	(184,282)
Net Cash Provided by Operating Activities	901,954	2,091,210
Investing Activities:		
Purchase of investments	(11,821,350)	(87,089,313)
Proceeds from sale of investments	10,288,184	86,288,070
Net Cash Used in Investing Activities	(1,533,166)	(801,243)
Financing Activities:		
Split interest agreements proceeds for endowment	65,000	65,000
Cash received for endowment contributions	215,561	333,217
Net Cash Provided by Financing Activities	280,561	398,217
Change in Cash and Cash Equivalents	(350,651)	1,688,184
Cash and cash equivalents, beginning of year	3,953,883	2,265,699
Cash and Cash Equivalents, End of Year	\$ 3,603,232	\$ 3,953,883

See accompanying notes.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Organization and Significant Accounting Policies

Organization - The Seattle Public Library Foundation (the Foundation) helps The Seattle Public Library (the Library) build its collection and resources, offer programs for patrons of all ages, and better serve the needs of the community. The Foundation secures and manages contributions from individuals, businesses, and foundations to support the Library above and beyond what public funding provides.

The Foundation is a not-for-profit corporation established in 1980 and is governed by a volunteer Board of Directors. A professional staff raises and administers gifts and ensures the effectiveness of funded programs.

Since its founding, the Foundation has raised more than \$268 million for the Library to support:

- Building new and revitalized libraries in every neighborhood
- Programming for children, teens, and adults
- Books and materials, including support for special collections
- Services for those with special needs, such as the disabled, immigrants and refugees
- Technology resources for library patrons

Fiscal Sponsorship - The Foundation serves as fiscal sponsor for Library Support Network (LSN), a nonprofit organization created to strengthen public library support and advocacy efforts. Under the fiscal sponsorship agreement, the Foundation receives and holds contributions on behalf of LSN and records related activities as program revenue and expenses in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). During the year ended December 31, 2025 and 2024, the Foundation received contributions of \$191,407 and \$313,688, respectively, and made distributions to LSN totaling \$149,848 and \$0, respectively. These amounts consist of contributions received on behalf of LSN and a grant intended for LSN activities. The Foundation does not have an ownership interest in LSN, and the fiscal sponsorship relationship is expected to end in May 2027.

Basis of Presentation - The Foundation has presented its financial statements in accordance with U.S. GAAP. The Foundation has presented an unclassified statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

The Foundation classifies net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category include contributions without donor restrictions, investment earnings that are not donor-restricted, expenses associated with grants made to the Library, and the operating activities of the Foundation. The Board of Directors has also established a Board-designated endowment (quasi-endowment) which is included in this category.

Net Assets With Donor Restrictions - Net assets restricted by donors to be used for certain purposes or for future periods, including donor-restricted endowments whose corpus is intended to be held in perpetuity.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions and Grants Revenue Recognition - Contributions and grants from foundations and public and private funders are recognized as revenue in the period received, including unconditional promises to give. Conditional contributions and grants are recognized in the period in which donor-imposed conditions have been met. Donated goods and services are recognized at their fair value on the date received. Donated securities are recorded at their published fair value on the date received. It is the Foundation's policy to sell donated securities upon receipt.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking accounts, money market accounts, and highly liquid investments purchased with an original maturity of three months or less. The carrying amount of these assets approximates fair value due to the short maturity of the instruments. The Foundation maintains its cash and cash equivalents in accounts that exceed federally insured limits at times during the year. The Foundation has not experienced any losses in these accounts, and management does not believe it is exposed to a significant credit risk.

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Consistent with industry practice, the Foundation accounts for a grant received from the U.S. Federal Government as a conditional grant, with revenue recognized as qualifying expenditures are incurred.

Concentration of Credit Risk - Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and investment balances. The Foundation has established guidelines relative to diversification and maturities that seek to maintain safety and liquidity.

Promises to give as of December 31, 2025 and 2024 from four and two donors accounted for approximately 98% and 51% of the outstanding pledges receivable, respectively. There were no concentrations of contributions revenue as of December 31, 2025, and contributions from one donor accounted for 21% of contributions revenue for the year ended December 31, 2024.

Investments - Investments in all debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. Money market accounts held in the investment portfolio are reported at cost plus accrued interest. Beneficial interests in assets held by Seattle Foundation and in a split interest agreement are reported at fair value (Notes 5 and 6).

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of these investments will fluctuate in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Equipment - Equipment is recorded at cost, or in the instance of donated properties, at fair value as of the date of the gift. Generally, equipment purchases that exceed \$1,000 are capitalized as assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, typically five years. Accumulated depreciation totaled \$36,625 and \$31,617 as of December 31, 2025 and 2024, respectively.

Grants Payable to The Seattle Public Library - The Foundation makes annual gifts to the Library to support Library programs. The amount granted each year is approved by the Foundation's Board of Directors and is partially determined by the Foundation's endowment spending policy (Note 9). As of December 31, 2025 and 2024, there were \$2,294,186 and \$1,788,530 remaining payable in grants payable to the Library.

Donated Goods and Services - The Foundation receives donations of goods and services (in-kind), which are recorded at fair value on the date of receipt (Note 10). The Foundation recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated.

Fair Value Measurements and Valuation Techniques - In accordance with U.S. GAAP, a three-tiered hierarchy of input levels is used for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities;

Level 2 - Fair values are based on observable inputs that include: Quoted market prices for similar assets and liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets; or

Level 3 - Fair values are calculated based on pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Functional Allocation of Expenses - The costs of providing the various programs and activities of the Foundation are summarized on a functional basis. Accordingly, certain costs have been allocated among programs and services benefited on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on studies of time and effort spent. Other expenses are allocated based generally on the direct resources used or required by the applicable function or activity. These allocation methods include time and effort expended of targeted staff for the specific function or activity, actual expenditures incurred during the function or activity such as travel costs, catering costs, materials generation (printing, assembly, mailing costs), and other external vendor costs are allocated based on content and the nature of the particular program, if applicable, or operating expense incurred.

Federal Income Tax - The Internal Revenue Service has recognized the Foundation as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and is not a private foundation.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain prior-year amounts in the notes related to classifications within restricted net assets have been reclassified to conform to the current-year presentation. These reclassifications had no impact on total net assets or change in net assets for any period presented.

Subsequent Events - The Foundation has evaluated subsequent events with respect to the financial statements for the year ended December 31, 2025 through May 13, 2026, the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give were as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Promises to give expected in less than one year	\$ 1,138,005	\$ 62,197
Promises to give expected in one to five years	<u>185,930</u>	<u>532,680</u>
	1,323,935	594,877
Allowance for uncollectible promises to give	(25,000)	(25,000)
Present value discount (0.27% to 0.31%)	<u>(27,450)</u>	<u>(14,160)</u>
Promises to Give, Net	<u>\$ 1,271,485</u>	<u>\$ 555,717</u>

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 3 - Investments

The Foundation considers its beneficial interests and a split interest agreement to be components of its total investments (Note 4). Investments were presented in the statements of financial position as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Investments	\$ 108,366,412	\$ 95,241,475
Beneficial interest in assets held by Seattle Foundation	4,243,312	3,848,325
Split interest agreement	<u>383,543</u>	<u>423,154</u>
Total Investments	<u>\$112,993,267</u>	<u>\$ 99,512,954</u>

Investment return is reported net of investment fees and expenses in the statements of activities and changes in net assets and consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 2,588,916	\$ 2,264,597
Realized gain	635,033	25,409,637
Unrealized gain (loss)	10,802,888	(17,760,607)
Change in value of beneficial interest in Seattle Foundation	548,837	357,928
Change in value of split interest agreement	25,389	27,631
Investment fees and expenses	<u>(251,991)</u>	<u>(243,366)</u>
Investment Return, Net	<u>\$ 14,349,072</u>	<u>\$ 10,055,820</u>

Note 4 - Fair Value Measurements

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis. There have been no changes in the methodologies used as of December 31, 2025 and 2024.

Mutual Funds - Exchange traded index and mutual funds are valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held at year end.

Stocks - Valued at quoted market prices in active markets.

Exchange Traded Index - Valued at quoted market prices in active markets for identical assets.

Real Estate Investment Trust - Consist primarily of investments in funds that are valued using the NAV provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. These investments are traded on private markets that are not active.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 4 - Continued

Beneficial Interest in Assets Held by Seattle Foundation - The Foundation is the beneficiary of an affiliated agency fund held with Seattle Foundation (Note 5). The Foundation does not have a direct claim to any individual assets within the affiliated agency fund but rather at the aggregate level of the assets within the fund. Since the affiliated agency fund is comprised of many different investments with varying levels of observable inputs, the valuation of the entire portfolio cannot directly be corroborated by the Foundation with observable market data. Thus, the Foundation's beneficial interest in this fund is reported at Level 3.

Split Interest Agreement - The split interest agreement (Note 6) is valued using a discounted cash flow model based on the present value of the estimated future benefits to be received, which is a Level 3 input.

Fair values of investments measured on a recurring basis were as follows as of December 31, 2025:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 27,940,763	\$ -	\$ -	\$ 27,940,763
Stocks	47,172,483			47,172,483
Exchange-traded funds	26,745,075			26,745,075
Split interest agreement			383,543	383,543
Beneficial interest in assets held by Seattle Foundation			4,243,312	4,243,312
Total Investments at Fair Value	101,858,321		4,626,855	106,485,176
Investments measured at NAV				6,508,091
Total Investments at December 31, 2025	\$ 101,858,321	\$ -	\$ 5,010,398	\$ 112,993,267

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 4 - Continued

Fair values of investments measured on a recurring basis were as follows as of December 31, 2024:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 26,580,428	\$ -	\$ -	\$ 26,580,428
Stocks	41,291,457			41,291,457
Exchange-traded funds	21,234,948			21,234,948
Split interest agreement			423,154	423,154
Beneficial interest in assets held by Seattle Foundation			3,848,325	3,848,325
Total Investments at Fair Value	89,106,833		4,271,479	93,378,312
Investments measured at NAV				6,134,642
Total Investments at December 31, 2024	\$ 89,106,833	\$ -	\$ 4,271,479	\$ 99,512,954

The following table presents information for private equities held by the Foundation for which fair value was measured using the NAV per share and summarized significant terms as of December 31, were:

Asset Class	2025 Fair Value	2024 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Ares REIT	\$ 1,972,703	\$ 1,767,290	\$ -	Expected to be monthly (not guaranteed, subject to board approval)	Shares not held for at least one year will be redeemed at 95% of that month's transaction price. Overall limit on net redemptions equal to 2% per month and 5% per quarter of aggregate NAV.
Hines REIT	1,979,581	1,882,279		Monthly	No restrictions
Nuveen REIT	2,555,807	2,393,259		Expected to be monthly (not guaranteed, subject to board approval)	No restrictions
	\$ 6,508,091	\$ 6,042,828			

Real Estate Investment Trust (REIT) - Funds that invest in income-producing commercial real estate and real estate-related assets across multiple property types and geographies. Intended for current income and long-term capital appreciation through exposure to multiple sponsors, strategies, property types and global markets.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 4 - Continued

A reconciliation of the beginning and ending balances for fair value measurement made using significant unobservable inputs (Level 3) was as follows for the years ended December 31:

	Beneficial Interest in Assets Held by Seattle Foundation	Split Interest Agreement	Total
Fair value, January 1, 2024	\$ 3,703,502	\$ 460,523	\$ 4,164,025
Change in value	298,036	27,631	325,667
Distributions received	<u>(153,213)</u>	<u>(65,000)</u>	<u>(218,213)</u>
Fair Value, December 31, 2024	3,848,325	423,154	4,271,479
Change in value	544,566	25,389	569,955
Distributions received	<u>(149,579)</u>	<u>(65,000)</u>	<u>(214,579)</u>
Fair Value, December 31, 2025	<u>\$ 4,243,312</u>	<u>\$ 383,543</u>	<u>\$ 4,626,855</u>

Note 5 - Beneficial Interest in Assets Held by Seattle Foundation

The Foundation holds funds at Seattle Foundation from which the Foundation may receive annual payouts. The Foundation's beneficial interest in these funds is recorded as an asset in the statements of financial position. However, the timing and amounts of payouts are determined by the policies of Seattle Foundation and are not controlled by the Foundation. The Foundation's interest in the gains and losses of the fund assets, less distributions, is recognized and included in investment earnings in the statements of activities and changes in net assets.

Note 6 - Split Interest Agreement

During the year ended December 31, 2015, the Foundation became a beneficiary of a charitable lead annuity trust (the Trust) to establish an endowment fund administered by a financial institution. The Trust provides for estimated annual payments to the Foundation's endowment of \$65,000 over the Trust's term of eighteen years. The Foundation's beneficial interest in this charitable lead annuity trust is recorded at the net present value (discounted at 6.0%) of the future distributions on the consolidated statement of financial position and is included as a component of net assets with donor restrictions.

The Foundation's interest in the gains of the Trust are included in investment earnings in the statements of activities and changes in net assets and totaled \$25,389 and \$27,631 for the years ended December 31, 2025 and 2024, respectively. The Foundation's outstanding interest in the trust, at net present value, totals \$383,543 and \$423,154 as of December 31, 2025 and 2024, respectively, and is recorded in the statements of financial position.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 7 - Net Assets Without Donor Restrictions

Net assets without donor restrictions were available for the following purposes as of December 31:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 24,001,611	\$ 20,560,186
Board-designated-		
General quasi-endowment	8,838,000	8,838,000
Accumulated earnings on quasi-endowments	5,941,229	4,275,802
The Seattle Room and Center for Local History quasi-endowment	<u>600,000</u>	<u>600,000</u>
Total board-designated	<u>15,379,229</u>	<u>13,713,802</u>
Total Net Assets Without Donor Restrictions	<u>\$ 39,380,840</u>	<u>\$ 34,273,988</u>

Board-Designated for Quasi-Endowment - The Foundation’s Board of Directors has created a quasi-endowment with funds that are not anticipated to be needed for a minimum of three years based on ongoing cash flow analysis, when it is desired to invest otherwise spendable assets to produce future spendable income. Also designated by the Board of Directors are the accumulated earnings on the quasi-endowment. While the Board of Directors retains the right to expend the principal amount of the designated quasi-endowment at any time, the intention is to maintain the principal for at least ten years.

The Foundation’s Board of Directors has also created a quasi-endowment designated to be used for The Seattle Room and Center for Local History, with funds that are not anticipated to be needed for a minimum of three years based on ongoing cash flow analysis. The funds are invested to produce spendable income to be used to support the designated purpose of The Seattle Room and Center for Local History.

The two quasi-endowment funds both follow the same investment and spending policy utilized for the Foundation’s Endowment fund (Note 9). The Board has a policy of appropriating for distribution each year 4.25% of the quasi-endowment funds’ average fair value as of June 30 of each year, using values over the prior twelve quarters.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following as of December 31:

	<u>2025</u>	<u>2024</u>
Subject to the passage of time or expenditure for specified purpose-		
Accumulated unspent earnings:		
Collections and resources	\$ 21,787,468	\$ 17,522,580
Library programs	12,046,533	9,057,905
General endowments	<u>2,124,724</u>	<u>1,687,427</u>
Total accumulated unspent earnings	35,958,725	28,267,912
Other purpose restrictions-		
Children's program	2,445,497	2,131,454
Library programs	1,679,673	1,818,420
Time restricted gifts	515,100	869,828
Capital improvements	<u>28,925</u>	<u>28,925</u>
Total subject to the passage of time or expenditure for specified purpose	40,627,920	33,116,539
Split interest agreement (Note 6)	383,543	460,523
Endowment corpus pledges	560,654	130,654
Endowment corpus	<u>34,331,240</u>	<u>34,013,310</u>
Total Net Assets With Donor Restrictions	<u>\$ 75,903,357</u>	<u>\$ 67,721,026</u>

Net assets with donor restrictions subject to expenditures for specified purposes include accumulated earnings on donor restricted endowment corpus.

Note 9 - Endowment

The Foundation's endowments consist of forty funds established to support a variety of areas of the Library. Its endowments include thirty-nine donor restricted endowment funds and two funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Foundation operates in accordance with the Washington State Prudent Management of Institutional Funds Act (PMIFA). The Board of Directors of the Foundation has reviewed PMIFA and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 9 - Continued

As a result of this interpretation, when reviewing its donor-restricted endowment funds, 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 initial and subsequent gift amounts donated to the fund and (b) any accumulations of the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted PMIFA to permit spending from deficient funds in accordance with prudent measures required under the law.

In accordance with PMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for both donor-restricted endowment assets and quasi-endowment assets designed to provide reasonable spending in support of the Library while maintaining the purchasing power of the endowments over the long term. To achieve these objectives, endowment assets are invested in a well-diversified, balanced portfolio intended to capture the broad market return. As a result, the portfolio assumes moderate investment risk consistent with the broad market.

Strategies Employed for Achieving Objectives - The Foundation utilizes a total return strategy, with investment returns achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the Foundation seeks to balance current spending with maintenance of purchasing power over the long term, the asset allocation of the portfolio favors equity investments, but within an overall balanced portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has a policy of appropriating for distribution each year up to 4.50% of the endowment fund's average fair value over the prior twelve quarters. This is calculated as of June 30 preceding the calendar year in which the distribution is planned. The spending rate was established in conjunction with the endowment's target asset allocation and its long-term expected investment return to achieve the endowment's investment objectives, and is reviewed annually for appropriateness given anticipated spending, market conditions, and other impacting factors considered by Foundation management and the Board.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 9 - Continued

Endowment net assets consist of the following as of December 31:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
		Accumulated Earnings	Endowment Corpus	2025 Total
Donor-restricted endowment funds-				
Endowments for collections and resources	\$ -	\$ 21,787,468	\$ 17,413,897	\$ 39,201,365
Endowments for library programs		12,046,533	15,041,039	27,087,572
General endowments		2,124,724	1,876,304	4,001,028
		<u>35,958,725</u>	<u>34,331,240</u>	<u>70,289,965</u>
Total donor-restricted endowments				
Board-designated quasi-endowment funds-				
The Seattle Room and Center for Local History	1,676,840			1,676,840
General board-designated quasi-endowments	13,702,389			13,702,389
	<u>15,379,229</u>			<u>15,379,229</u>
Total board-designated endowments				
	<u>15,379,229</u>			<u>15,379,229</u>
Total Endowment Funds, December 31, 2025	<u>\$ 15,379,229</u>	<u>\$ 35,958,725</u>	<u>\$ 34,331,240</u>	<u>\$ 85,669,194</u>

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 PMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2025 and 2024.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 9 - Continued

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
		Accumulated Earnings	Endowment Corpus	2024 Total
Donor-restricted endowment funds-				
Endowments for collections and resources	\$ -	\$ 17,522,580	\$ 17,404,897	\$ 34,927,477
Endowments for library programs		9,057,905	14,955,893	24,013,798
General endowments		1,687,427	1,820,543	3,507,970
		<u>28,267,912</u>	<u>34,181,333</u>	<u>62,449,245</u>
Total donor-restricted endowments				
Board-designated quasi-endowment funds-				
The Seattle Room and Center for Local History	1,472,040			1,472,040
General board-designated quasi-endowments	12,241,762			12,241,762
	<u>13,713,802</u>			<u>13,713,802</u>
Total board-designated endowments				
	<u>13,713,802</u>			<u>13,713,802</u>
Total Endowment Funds, December 31, 2024	<u>\$ 13,713,802</u>	<u>\$ 28,267,912</u>	<u>\$ 34,181,333</u>	<u>\$ 76,163,047</u>

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 9 - Continued

Changes to endowment net assets were as follows for the year ended December 31:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction Accumulated Earnings	Endowment Corpus	Total
Endowment net assets, January 1, 2024	\$ 11,523,785	\$ 23,935,642	\$ 33,722,462	\$ 69,181,889
Endowment investment return, net	1,364,417	6,653,616		8,018,033
Contributions			458,871	458,871
Designations	1,260,000			1,260,000
Appropriation of endowment for expenditure	(434,400)	(2,321,346)		(2,755,746)
Endowment Net Assets, December 31, 2024	13,713,802	28,267,912	34,181,333	76,163,047
Endowment investment return, net	2,130,227	10,081,344		12,211,571
Contributions/pledge receipts			149,907	149,907
Appropriation of endowment for expenditure	(464,800)	(2,390,531)		(2,855,331)
Endowment Net Assets, December 31, 2025	\$ 15,379,229	\$ 35,958,725	\$ 34,331,240	\$ 85,669,194

Note 10 - Donated Goods and Services

Donated goods and services (in-kind) consist of the following for the years ended December 31:

	2025	2024
Print and radio	\$ 240,937	\$ 645,844
Museum pass program	116,656	
Supplies		194
Hotel	1,436	
Catering costs	2,147	
Books	125	
Seattle room		1,476
Speaker		2,500
Total Donated Goods and Services	\$ 361,301	\$ 650,014

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 10 - Continued

The City of Seattle owns the Central Library. The Foundation occupies a portion of the Central Library office space rent free. The estimated fair value of the donated facilities is immaterial for the years ended December 31, 2025 and 2024 and is not reflected in the statements of activities and changes in net assets.

Museums in the greater Seattle area donate admission passes to the Library for distribution to patrons at no cost. Library cardholders may request passes through the Library's website, at which time the museum donates the pass and the Library issues it to the patron. Upon issuance, the Foundation recognizes in-kind contribution revenue and expense at the estimated fair value of the admission. Fair value is based on each museum's published average admission price, discounted by 50% to reflect an estimate of passes not used. Museum passes issued totaled \$116,656 and \$0 for the years ended 2025 and 2024, respectively. Consistent with the Foundation's charter and the Master Agreement (Note 12), contributions are recognized by the Foundation unless specifically designated otherwise by the donor.

In-kind contributions not entirely granted to the Library in a given year are recorded as contributions with donor restrictions to be used for future grants or as management and general, and fundraising expenses. In-kind expenses totaled \$347,631 and \$650,014 for the years ended December 31, 2025 and 2024, respectively.

Note 11 - Liquidity and Availability of Financial Assets

Liquidity - As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due within the coming year. The Foundation generally maintains a cash balance of at least \$2.2 million. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments, including money market accounts, highly liquid investments purchased with an original maturity of three months or less, and other highly liquid short-term investments maturing generally in twelve months or less.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024**

Note 11 - Continued

Availability of Financial Assets - Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,603,232	\$ 3,953,883
Promises to give, net	1,271,485	555,717
Other receivables	440	323
Investments	108,366,412	95,241,475
Distributions from beneficial interests in assets held by others expected within one year	<u>14,719</u>	<u>15,066</u>
 Total financial assets, excluding split interest agreements and beneficial interest in assets held by others	 113,256,288	 99,766,464
Less-		
Board-designated endowment funds	(15,379,229)	(13,713,802)
Donor-restricted endowment funds	(70,850,619)	(62,579,899)
Add back unrestricted portion of endowment appropriations	43,900	38,700
Donor-restricted for specific programs or time	<u>(4,669,195)</u>	<u>(4,848,627)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 22,401,145</u>	 <u>\$ 18,662,836</u>

Cash and cash equivalents consist of checking accounts, money market accounts, and highly liquid investments purchased with an original maturity of three months or less. Investments are held in publicly traded securities that are convertible to cash in the normal market trading cycle.

The Foundation also has a beneficial interest in assets held by Seattle Foundation. Because these assets are held and managed by third parties, the Foundation's beneficial interest in the assets is not included in the table above. However, the contractual payments expected to be received from the Seattle Foundation within the next year has been included as a financial asset.

The Foundation's endowments consist of donor-restricted endowments and funds designated by the Foundation's Board of Directors as quasi-endowments. All endowments are subject to the Foundation's current annual spending rate of 4.50% as described in Note 9. Income and the related distribution from the general endowment is available for general expenditures. The Board-designated quasi-endowment could be made available if necessary; however, there are no current plans to spend other than amounts appropriated for general expenditure as part of the annual Board approval and appropriation.

THE SEATTLE PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2025 and 2024

Note 12 - Master Agreement

The Foundation and the Library have a Master Agreement (the Agreement) that defines the relationship between the two separate organizations. Several administrative operations functions were impacted as a result of the formalization work, including formalizing a lease (discussed further below), and establishing a direct employment relationship between the Foundation and its staff, all of whom had been employed previously by the Library with the Foundation reimbursing the Library for all employment-related costs prior to the Agreement being established. In addition, the Agreement included implementation of the Foundation's own employee benefit plan(s), as well as office infrastructure systems and processes including payroll, telephones, email, and others, to allow for independent operations from the Library to appropriately reflect the two legally separate organizations.

The initial term of the Agreement is twenty-five years, and the Agreement automatically extends for additional consecutive periods of ten years. Under the provisions of the Agreement, both the initial term and consecutive extended terms may be terminated by either the Foundation or the Library by written notice given to the other party not later than twelve months prior to the then-current termination date.

The Agreement includes a three-year lease beginning January 1, 2017 and ending December 31, 2019. After the initial term, the lease automatically renews for consecutive periods of five years up to a twenty-five-year period, including the initial term of the lease. Either the Foundation or the Library may terminate this lease by giving the other party written notice not less than twelve months in advance of the next upcoming renewal term. The lease automatically renewed for five years on January 1, 2025.

Note 13 - Retirement Plan

The Foundation has a Professional Employer Organization (PEO) relationship with an entity. The benefits under the PEO agreement are consistent with those under the prior PEO agreement, including the option to participate in the PEO's 401(k) employee benefit retirement plan (the Plan) covering all employees who meet the eligibility requirements of working a minimum of 30 hours per week. Participating employees may make voluntary contributions up to the maximum allowed by law, and the Foundation makes matching contributions of 50% of the employee's contributions up to a maximum match of 3%. In addition, the Foundation contributes 3% per employee under the Safe Harbor rules that apply to 401(k) plans. Both the matching contributions and the Safe Harbor contributions, along with the employee's contributions, vest immediately to the employees. The Foundation's matching and Safe Harbor contributions totaled \$58,516 and \$65,875 for the years ended December 31, 2025 and 2024, respectively.