



Consolidated Financial Statements
June 30, 2020 and 2019

Innovia Foundation

Independent Auditor’s Report.....	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9
Supplementary Information	
Independent Auditor’s Report on Supplementary Information	23
Statement of Activities by Fund	24



Independent Auditor's Report

The Board of Directors
Innovia Foundation
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Innovia Foundation, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Innovia Foundation as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Spokane, Washington
November 11, 2020

Innovia Foundation
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 125,546	\$ 352,141
Accounts receivable	77,153	71,052
Prepaid expenses and other assets	6,525	16,612
Investments	135,610,486	126,450,329
Assets held under split interest agreements	4,963,827	5,035,636
Beneficial interests in charitable trusts held by others	1,415,162	1,580,067
Cash surrender value of life insurance	2,690,447	2,566,774
Property and equipment, net	315,244	1,769,898
Total assets	\$ 145,204,390	\$ 137,842,509
Liabilities and Net Assets		
Accounts payable	\$ 120,967	\$ 179,913
Accrued expenses and other liabilities	295,340	350,918
Grants payable	710,304	545,195
Paycheck protection program loan	201,770	-
Liabilities under split-interest agreements	2,543,129	2,682,621
Funds held for others	16,420,189	16,726,033
Total liabilities	20,291,699	20,484,680
Net Assets		
Without donor restrictions		
Discretionary	60,723,254	60,068,787
Designated	32,412,932	26,932,855
Area of interest	19,754,965	17,003,655
Scholarship	5,531,896	5,342,882
Administrative	2,175,350	2,191,543
Equipment	108,673	117,322
	120,707,070	111,657,044
With donor restrictions		
Future interests	3,835,860	3,933,082
Supporting organizations	369,761	1,767,703
	4,205,621	5,700,785
Total net assets	124,912,691	117,357,829
Total liabilities and net assets	\$ 145,204,390	\$ 137,842,509

Innovia Foundation
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 19,116,542	\$ -	\$ 19,116,542
Net investment return	474,264	1,662	475,926
Foundation assessments	1,454,460	-	1,454,460
Other revenue	24,829	19,079	43,908
In-kind contributions	8,441	-	8,441
Change in value of split-interest agreements held by Innovia Foundation	-	67,683	67,683
Distributions from and change in value of beneficial interests in assets held by others		(164,905)	(164,905)
Gain on sale of real estate	-	2,015,903	2,015,903
Net assets released from restrictions	3,434,586	(3,434,586)	-
Less amounts allocable to agency funds	(678,971)	-	(678,971)
Total revenue, support, and gains	23,834,151	(1,495,164)	22,338,987
Expenses			
Program services	13,731,612	-	13,731,612
Supporting services			
Management and general	868,409	-	868,409
Fundraising and development	184,104	-	184,104
Total supporting services	1,052,513	-	1,052,513
Total expenses	14,784,125	-	14,784,125
Change in Net Assets	9,050,026	(1,495,164)	7,554,862
Net Assets, Beginning of Year	111,657,044	5,700,785	117,357,829
Net Assets, End of Year	\$ 120,707,070	\$ 4,205,621	\$ 124,912,691

Innovia Foundation
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 9,807,155	\$ -	\$ 9,807,155
Net investment return	5,111,015	7,159	5,118,174
Foundation assessments	1,375,560	-	1,375,560
Other revenue	31,386	108,811	140,197
In-kind contributions	200	-	200
Change in value of split-interest agreements held by Innovia Foundation	-	100,679	100,679
Distributions from and change in value of beneficial interests in assets held by others	-	41,370	41,370
Net assets released from restrictions	406,008	(406,008)	-
Less amounts allocable to agency funds	(2,647,880)	-	(2,647,880)
Total revenue, support, and gains	14,083,444	(147,989)	13,935,455
Expenses			
Program services	8,985,507	-	8,985,507
Supporting services			
Management and general	786,990	-	786,990
Fundraising and development	137,659	-	137,659
Total supporting services	924,649	-	924,649
Total expenses	9,910,156	-	9,910,156
Change in Net Assets	4,173,288	(147,989)	4,025,299
Net Assets, Beginning of Year	107,483,756	5,848,774	113,332,530
Net Assets, End of Year	\$ 111,657,044	\$ 5,700,785	\$ 117,357,829

Innovia Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services						Total	Management and General	Fundraising and Development	Total
	Grant Competitive	Grant Non-Competitive	Philanthropic	Special Projects	Fund Management	Supporting Organizations				
Grants	\$ 2,135,209	\$ 9,031,980	\$ -	\$ -	\$ -	\$ -	\$ 11,167,189	\$ -	\$ -	\$ 11,167,189
Program expenditures	-	409,069	-	-	-	-	409,069	-	-	409,069
Salaries	220,022	117,758	217,855	252,589	43,598	-	851,822	286,723	115,948	1,254,493
Payroll taxes	16,655	8,914	16,491	19,121	3,300	-	64,481	21,705	8,777	94,963
Benefits	37,340	19,985	36,972	42,867	7,159	-	144,323	48,660	19,678	212,661
Consulting	-	-	-	-	-	-	-	141,662	-	141,662
Legal and accounting	-	-	-	-	-	-	-	123,591	-	123,591
Office supplies and expenses	11,783	6,307	11,668	13,527	2,335	-	45,620	15,357	6,210	67,187
Rent	13,702	7,333	13,567	15,730	2,715	-	53,047	17,855	7,220	78,122
Insurance - general	-	-	-	-	-	-	-	8,693	-	8,693
Insurance - life	-	-	258,166	-	-	-	258,166	-	-	258,166
Parking and travel	4,659	2,494	4,613	5,349	923	-	18,038	6,073	2,455	26,566
Repairs and maintenance	-	-	-	-	-	-	-	81,708	-	81,708
Donor relations	1,067	571	1,056	1,224	211	-	4,129	1,390	562	6,081
Public information	32,288	17,281	31,970	37,067	6,398	-	125,004	42,077	17,015	184,096
Professional development	5,334	2,855	5,281	6,123	1,057	-	20,650	6,949	2,811	30,410
Dues and subscriptions	3,492	1,869	3,458	4,009	692	-	13,520	4,550	1,840	19,910
Meetings	3,014	1,613	2,985	3,460	597	-	11,669	3,929	1,588	17,186
Bank fees	-	-	-	-	-	-	-	10,785	-	10,785
Assessments	-	-	-	-	1,462,769	3,740	1,466,509	-	-	1,466,509
Miscellaneous	-	-	9,956	-	-	5,491	15,447	12,409	-	27,856
Depreciation	-	-	-	-	-	4,082	4,082	34,293	-	38,375
Interest	-	-	-	-	43,662	-	43,662	-	-	43,662
	<u>2,484,565</u>	<u>9,628,029</u>	<u>614,038</u>	<u>401,066</u>	<u>1,575,416</u>	<u>13,313</u>	<u>14,716,427</u>	<u>868,409</u>	<u>184,104</u>	<u>15,768,940</u>
Less amounts allocated to agency funds	-	-	-	-	984,815	-	984,815	-	-	984,815
Total expenditures by function	<u>\$ 2,484,565</u>	<u>\$ 9,628,029</u>	<u>\$ 614,038</u>	<u>\$ 401,066</u>	<u>\$ 590,601</u>	<u>\$ 13,313</u>	<u>\$ 13,731,612</u>	<u>\$ 868,409</u>	<u>\$ 184,104</u>	<u>\$ 14,784,125</u>

Innovia Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Total	Management and General	Fundraising and Development	Total
	Grant Competitive	Grant Non-Competitive	Philanthropic	Special Projects	Fund Management	Supporting Organizations				
Grants	\$ 1,740,376	\$ 4,690,310	\$ -	\$ -	\$ -	\$ 85,000	\$ 6,515,686	\$ -	\$ -	\$ 6,515,686
Program expenditures	-	208,352	-	-	-	-	208,352	-	-	208,352
Salaries	174,451	70,740	162,787	203,735	35,643	-	647,356	289,942	87,469	1,024,767
Payroll taxes	13,256	5,375	12,370	15,481	2,708	-	49,190	22,033	6,647	77,870
Benefits	30,619	12,416	28,572	35,759	4,087	-	111,453	50,892	15,352	177,697
Consulting	-	-	-	-	-	-	-	81,599	-	81,599
Legal and accounting	-	-	-	-	-	4,022	4,022	114,531	-	118,553
Office supplies and expenses	6,987	2,833	6,520	8,159	1,428	-	25,927	12,272	3,503	41,702
Rent	11,922	4,834	11,125	13,923	2,436	-	44,240	19,815	5,978	70,033
Insurance - general	-	-	-	-	-	-	-	8,664	-	8,664
Insurance - life	-	-	432,134	-	-	-	432,134	-	-	432,134
Parking and travel	5,274	2,139	4,922	6,160	1,078	-	19,573	8,765	2,645	30,983
Repairs and maintenance	-	-	-	-	-	-	-	83,120	-	83,120
Donor relations	4,485	1,819	4,185	5,238	916	-	16,643	7,454	2,249	26,346
Public information	17,871	7,247	16,676	20,871	3,651	-	66,316	29,701	8,960	104,977
Professional development	5,269	2,137	4,917	6,154	1,077	-	19,554	8,757	2,642	30,953
Dues and subscriptions	2,861	1,160	2,670	3,342	585	-	10,618	4,755	1,435	16,808
Meetings	1,554	630	1,450	1,814	317	-	5,765	2,582	779	9,126
Bank fees	-	-	-	-	-	-	-	8,912	-	8,912
Assessments	-	-	-	-	1,350,070	21,047	1,371,117	-	-	1,371,117
Miscellaneous	-	-	6,350	-	-	3,857	10,207	9,370	-	19,577
Depreciation	-	-	-	-	-	4,082	4,082	23,826	-	27,908
Interest	-	-	-	-	38,647	-	38,647	-	-	38,647
	2,014,925	5,009,992	694,678	320,636	1,442,643	118,008	9,600,882	786,990	137,659	10,525,531
Less amounts allocated to agency funds	-	-	-	-	615,375	-	615,375	-	-	615,375
Total expenditures by function	\$ 2,014,925	\$ 5,009,992	\$ 694,678	\$ 320,636	\$ 827,268	\$ 118,008	\$ 8,985,507	\$ 786,990	\$ 137,659	\$ 9,910,156

Innovia Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 7,554,862	\$ 4,025,299
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	38,375	27,908
Realized and unrealized gain on investments	4,998,725	(5,019,471)
Gain on sale of real estate	(2,015,903)	-
Change in value of split-interest agreements held by Innovia	(67,683)	(100,679)
Change in beneficial interests in assets held by others	164,905	(41,370)
Change in cash surrender value of life insurance	(123,673)	(55,534)
Changes in assets and liabilities		
Accounts receivable	(6,101)	339,183
Prepaid expenses and other assets	10,087	16,331
Accounts payable	(58,946)	(28,779)
Accrued expenses and other liabilities	(55,578)	4,627
Grants payable	165,109	(4,115)
Funds held for others	(305,844)	2,032,505
Net Cash from Operating Activities	10,298,335	1,195,905
Cash Flows used for Investing Activities		
Purchases of equipment and equipment	(25,643)	(59,625)
Proceeds from sale of real estate	3,457,825	-
Proceeds from sale of investments	41,133,747	1,418,050
Purchases of investments	(55,292,629)	(2,584,877)
Net Cash used for Investing Activities	(10,726,700)	(1,226,452)
Cash Flows from Financing Activities		
Proceeds from paycheck protection program loan	201,770	-
Net Cash from Financing Activities	201,770	-
Net Change in Cash and Cash Equivalents	(226,595)	(30,547)
Cash and Cash Equivalents, Beginning of Year	352,141	382,688
Cash and Cash Equivalents, End of Year	\$ 125,546	\$ 352,141

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Innovia Foundation (the Foundation) incorporated in 1974 under the laws of the State of Washington as a non-profit corporation. As the community foundation for Eastern Washington and North Idaho, the Foundation partners with people who want to make the world better by connecting donor generosity to our region's most pressing causes and collaborating with community partners to drive community transformation. The Foundation's mission is to ignite generosity that transforms lives and communities. The vision is to create vibrant and sustainable communities where every person has the opportunity to thrive. The Foundation's support comes primarily from individual donor contributions and grants.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the accounts of The Henry Treede Supporting Organization/Inland Northwest Community Foundation, The TAD Supporting Organization/Inland Northwest Community Foundation, and The BGC Supporting Organization/Inland Northwest Community Foundation. The supporting organizations make grants to outside organizations. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Foundation."

Fund Types

The Foundation has various funds, organized over a variety of fund types and are classified per management based upon the characteristics of the fund. While the fund attributes may have one or more of the following: specified area of interest, annual spending limitation, donor restrictions, or may be associated with a donor who recommends grant distributions, all are subject to a legal variance power. Under this power, the Foundation, in its sole discretion, has the right to withhold, withdraw, or demand the immediate return of any funds if, in the Foundation's reasonable judgment, the provider is not in compliance with the reporting obligations or cannot use the funds for the intended purpose. The fund types are as follows:

Discretionary – The amounts of the principal balance of this fund represent contributions made to the Foundation without any restriction and may be used for any purpose in accordance with the Articles of Incorporation and By-Laws. In addition, this fund includes donor-advised funds, whereby the donor may recommend specific grants for consideration. The policy of the Foundation is to make grants for charitable purposes based upon a reasonable percentage of the fund's fair market values, and also from contributions made specifically for current distribution (pass-through funds).

Designated – Funds designated by the donors for support of specific charitable organizations. A donor-advised fund allows donors to recommend grant making to any charitable organization, while a designated fund identifies a single organization that is supported through the donor's lifetime and beyond through the application of the Foundation's spending policy, which determines the amount of the annual grant. If the beneficiary organization ceases to exist, loses its tax-exempt status or changes its mission, the Foundation's variance power allows the monies to be re-directed to support an organization with a similar mission.

Area of Interest – Funds designated by donors who want to focus grants toward a specific field of interest or specific geographic area but who do not want to take an active role in grant making. This type of fund allows the donor to identify and support a charitable purpose such as strong and connected neighborhoods, or a category of interest such as arts or a geographic area.

Scholarship – Funds designated by donors who may specify that grants be used for scholarship purposes.

Administrative – To assist the Foundation in its development, certain organizations and individuals have donated funds to defray administrative costs and an administrative endowment fund has been created. The principal of the fund has been invested and the income there from will be used for administrative purposes.

Equipment – Funds reflects the amount of the office equipment and leasehold improvements owned by the Foundation and these are net of depreciation and contracts payable on equipment.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for various services. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2020 and 2019, no allowance was considered necessary.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying value of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020 and 2019.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The Foundation acts as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Foundation as the beneficiary of the trust, assets are recorded and placed in trust at fair value, with an equal and offsetting liability until such time that distributions are received from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The discount rate used to calculate the present value ranges from 4% to 5%. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. The Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. The discount rate used to calculate present value ranges from 4% to 5%. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Investments

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

Funds Held for Others

In accordance with U.S. GAAP, when a not-for-profit organization, such as a community foundation, accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor, the community foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. These funds, identified as agency funds, are included in the Foundation's assets with an offsetting liability on the consolidated statements of financial position. The liability is valued at the fair value of the agency funds, estimated by the Foundation. Activities related to the agency funds do not affect the change in net assets of the Foundation.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

The Foundation's contribution documents grant it variance power that in effect gives the Foundation control over all grant disbursements. Consequently, all contributions are classified as net assets without donor restrictions if they are available to the Foundation with no restriction as to when the funds are available for expenditure.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Foundation assessments revenue consists of administrative fees to provide investment management services for donors located throughout the Inland Northwest. Revenue is recognized over time in the period the service is provided.

Functional Allocation of Expenses

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

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, benefits, taxes, professional services, office expenses, and others, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation and supporting organizations are organized as Washington State nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction, and have been determined not to be private foundations. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that each entity is not subject to unrelated business tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Change in Accounting Principle

As of July 1, 2019, the Foundation adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Foundation has adopted Topic 606 using the modified retrospective approach. The adoption of this standard had no significant effect on the June 30, 2019 financial statements.

Subsequent Events

We have evaluated subsequent events through November 11, 2020, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 125,546	\$ 352,141
Accounts receivable	77,153	52,575
Investments - non-endowment cash and money market	11,689,467	9,975,918
Endowment spending-rate distributions and appropriations	5,725,494	5,621,010
	\$ 17,617,660	\$ 16,001,644

The Foundation's endowment funds are subject to an annual spending rate of 4 percent. Although the Foundation does not intend to spend from the endowment funds (other than amounts appropriated for annual grantmaking and fee assessments as part of the Board's annual approval and appropriation), these amounts could be made available if necessary.

As part of a liquidity management plan, the Foundation invests cash in short-term investments, CD's and money market funds. Occasionally, the Board designates a portion of any operating surplus to its endowed operating reserve which was \$265,968 and \$220,661 as of June 30, 2020 and 2019, respectively and is included in Administrative fund net assets on the statements of financial position.

Note 3 - Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds and equity securities with readily determinable fair values based on daily redemption values. The Foundation invests in public partnerships and pooled investment funds. Those assets and corporate and government obligations (fixed income) are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, at June 30, 2020:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment portfolio				
Cash and money market funds (at cost)	\$ 13,812,780	\$ -	\$ -	\$ -
Equity mutual funds	113,336,512	113,336,512	-	-
Fixed income	1,864,011	-	1,864,011	-
Public partnerships	1,532,790	-	1,532,790	-
Pooled investments funds	5,064,393	-	5,064,393	-
	<u>\$ 135,610,486</u>	<u>\$ 113,336,512</u>	<u>\$ 8,461,194</u>	<u>\$ -</u>
Assets held under split-interest agreements				
Cash and money market funds (at cost)	\$ 150,680	\$ -	\$ -	\$ -
Equity mutual funds	4,813,147	4,813,147	-	-
	<u>\$ 4,963,827</u>	<u>\$ 4,813,147</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	<u>\$ 1,415,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415,162</u>
Liabilities				
Funds held for others	<u>\$ 16,420,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,420,189</u>

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, at June 30, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment portfolio				
Cash and money market funds (at cost)	\$ 10,706,924	\$ -	\$ -	\$ -
Equity mutual funds	107,240,423	107,240,423	-	-
Fixed income	1,997,821	-	1,997,821	-
Public partnerships	1,492,772	-	1,492,772	-
Pooled investments funds	5,012,389	-	5,012,389	-
	<u>\$ 126,450,329</u>	<u>\$ 107,240,423</u>	<u>\$ 8,502,982</u>	<u>\$ -</u>
Assets held under split-interest agreements				
Cash and money market funds (at cost)	\$ 24,589	\$ -	\$ -	\$ -
Equity mutual funds	5,011,047	5,011,047	-	-
	<u>\$ 5,035,636</u>	<u>\$ 5,011,047</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	\$ 1,580,067	\$ -	\$ -	\$ 1,580,067
Liabilities				
Funds held for others	\$ 16,726,033	\$ -	\$ -	\$ 16,726,033

The following is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2019	\$ 1,580,067	\$ 16,726,033
Purchases/contributions of investments	-	488,702
Investment return, net	(164,905)	190,268
Distributions	-	(984,814)
Balance at June 30, 2020	<u>\$ 1,415,162</u>	<u>\$ 16,420,189</u>

The following is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2018	\$ 1,538,697	\$ 14,693,528
Purchases/contributions of investments	-	1,912,316
Investment return, net	41,370	735,564
Distributions	-	(615,375)
Balance at June 30, 2019	<u>\$ 1,580,067</u>	<u>\$ 16,726,033</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 66,078	\$ 1,508,001
Buildings and improvements	159,203	159,203
Furniture and fixtures	196,143	210,394
	<u>421,424</u>	<u>1,877,598</u>
Less accumulated depreciation	<u>106,180</u>	<u>107,700</u>
	<u>\$ 315,244</u>	<u>\$ 1,769,898</u>

During the year ended June 30, 2020, land with a cost of \$1,441,923 was sold for net proceeds of \$3,457,826, resulting in a gain of \$2,015,902. As part of the sale, purpose restrictions of a supporting organization were satisfied, and therefore the related net assets of the sale were released to net assets without donor restrictions in the statement of activities.

Note 5 - Paycheck Protection Program (PPP) Loan

The Foundation was granted a \$201,770 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded the loan as a note payable and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain qualifying expenses. No contribution revenue has been recorded for the year ended June 30, 2020. Subsequent to year end, the entire loan was forgiven and therefore will be recorded as revenue for the year ending June 30, 2021.

Note 6 - Leases

Office and storage space and equipment is leased under various operating leases expiring at various dates through 2025.

Future minimum lease payments are as follows:

Years Ending June 30,	Amounts
2021	\$ 81,241
2022	83,689
2023	86,137
2024	4,485
2025	1,251
Thereafter	313
Total minimum lease payments	\$ 257,116

Rent expense for the years ended June 30, 2020 and 2019 totaled \$78,122 and \$70,033, respectively.

Note 7 - Endowment

The Foundation's endowments (the Endowment) consist of funds established for a variety of purposes. Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. However, because of the Foundation's variance power as described in Note 1, all endowments are classified as net assets without donor restrictions.

The Board of Directors has interpreted the 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 donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered 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
- The investment policies of the Foundation

As of June 30, 2020 and 2019, endowment net asset composition by type of fund is as follows:

	<u>2020</u>	<u>2019</u>
Discretionary	\$ 60,723,254	\$ 60,068,787
Designated	32,412,932	26,932,855
Area of interest	19,754,965	17,003,655
Scholarship	<u>5,531,896</u>	<u>5,342,882</u>
	<u>\$ 118,423,047</u>	<u>\$ 109,348,179</u>

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 funds with original gift values of \$3,071,350, fair values of \$2,239,081, and deficiencies of \$832,269 were reported in endowment net assets.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the investment committee, is applied to the average fair value of the Endowment investments for the prior 13 quarters to determine the spending amount for the upcoming year. During June 30, 2020 and 2019, the spending rate maximum was 4 percent. In establishing this policy, the investment committee considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 109,348,179	\$ 105,341,931
Investment return, net	79,064	4,128,815
Contributions	22,834,161	7,843,286
Reclassification from non-endowment funds	-	288,000
Service fees	(1,454,460)	(1,375,560)
Amounts appropriated for grant expenditure	<u>(12,383,897)</u>	<u>(6,878,293)</u>
Endowment net assets, end of year	<u>\$ 118,423,047</u>	<u>\$ 109,348,179</u>

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to Expenditure for Specified Purpose		
Supporting organizations	\$ 369,761	\$ 1,767,703
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	1,415,162	1,580,067
Assets held under split-interest agreements	2,420,698	2,353,015
	\$ 4,205,621	\$ 5,700,785

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during the year ended June 30, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Supporting organizations	\$ 3,434,586	\$ 406,008

Note 9 - Employee Benefit Plans

Defined Contribution Plan

The Foundation sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 may voluntarily contribute a portion of earnings to the Plan, up to the maximum contribution allowed by the IRS. Contributions are determined by the Board of Directors and are calculated as a percentage of salaries. For the years ending June 30, 2020 and 2019, the Foundation retirement expense totaled \$107,674 and \$91,352, respectively.

Deferred Compensation Agreement

In 2009, the Foundation entered into a non-qualified deferred compensation plan with an employee. Under the terms of the agreement, the employee was allowed to defer a portion of their annual salary for future payout, with interest, on a schedule specified in the agreement. The Foundation has made payments under this plan to the former employee amounting to \$46,516 for both the years ending June 30, 2020 and 2019. This agreement ended June 30, 2017 and will be paid out over five years.

In 2017, the Foundation entered into a non-qualified deferred compensation plan with an employee. This agreement allows the employee to defer a portion of their annual salary into a separate retirement account up to the annual elective deferral limit. This account is owned by the employee and is not a liability of the Foundation.

Note 10 - Related Party Transactions

During the years ended June 30, 2020 and 2019, members of the Foundation's Board of Directors contributed a total of \$207,265 and \$496,030, respectively.

Note 11 - Subsequent Events

The United States and global markets experienced significant volatilities in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these volatilities. The Foundation's financial statements do not include adjustments to fair value that have resulted from these volatilities.



Supplementary Information
June 30, 2020

Innovia Foundation



Independent Auditor's Report on Supplementary Information

The Board of Directors
Innovia Foundation
Spokane, Washington

We have audited the financial statements of Innovia Foundation as of and for the year ended June 30, 2020, and our report thereon dated November 11, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 24 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Spokane, Washington
November 11, 2020

Innovia Foundation
Statement of Activities by Fund
Year Ended June 30, 2020

	Without Donor Restrictions					With Donor Restrictions		Eliminations	Total	
	Administrative Fund	Discretionary Fund	Area of Interest Fund	Designated Fund	Scholarship Fund	Equipment Fund	Future Interests			Supporting Organizations
Revenue, Support, and Gains										
Contributions	\$ 1,152,400	\$ 7,989,053	\$ 7,412,694	\$ 7,385,967	\$ 535,149	\$ -	\$ -	\$ -	\$ (5,358,721)	\$ 19,116,542
Net investment return	204,932	184,530	55,309	13,948	15,545	-	-	1,662	-	475,926
Foundation assessments	1,454,460	-	-	-	-	-	-	-	-	1,454,460
Other revenue	767	736	20,833	24	2,469	-	-	19,079	-	43,908
In-kind contributions	573	-	7,868	-	-	-	-	-	-	8,441
Change in value of split-interest agreements held by Innovia Foundation	-	-	-	-	-	-	67,683	-	-	67,683
Distributions from and change in value of beneficial interests in assets held by others	-	-	-	-	-	-	(164,905)	-	-	(164,905)
Gain on sale of real estate	-	-	-	-	-	-	-	2,015,903	-	2,015,903
Net assets released from restrictions and transfers	(25,643)	(75,661)	173,510	(97,850)	-	25,644	-	-	-	-
Less amounts allocable to agency funds	-	-	-	(678,971)	-	-	-	-	-	(678,971)
Total revenue, support, and gains	2,787,489	8,098,658	7,670,214	6,623,118	553,163	25,644	(97,222)	2,036,644	(5,358,721)	22,338,987
Expenses and Losses										
Program services	1,937,924	7,420,732	4,801,439	1,143,041	358,098	-	-	3,429,099	(5,358,721)	13,731,612
Supporting services										
Management and general	717,915	19,552	85,666	-	6,051	34,293	-	4,932	-	868,409
Fundraising and development	147,842	3,908	31,799	-	-	-	-	555	-	184,104
Total supporting services	865,757	23,460	117,465	-	6,051	34,293	-	5,487	-	1,052,513
Total expenses	2,803,681	7,444,192	4,918,904	1,143,041	364,149	34,293	-	3,434,586	(5,358,721)	14,784,125
Change in Net Assets	(16,192)	654,466	2,751,310	5,480,077	189,014	(8,649)	(97,222)	(1,397,942)	-	7,554,862
Net Assets, Beginning of Year	2,191,542	60,068,788	17,003,655	26,932,855	5,342,882	117,322	3,933,082	1,767,703	-	117,357,829
Net Assets, End of Year	\$ 2,175,350	\$ 60,723,254	\$ 19,754,965	\$ 32,412,932	\$ 5,531,896	\$ 108,673	\$ 3,835,860	\$ 369,761	\$ -	\$ 124,912,691