



Consolidated Financial Statements
June 30, 2021 and 2020

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
Single Audit Section	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	25
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs.....	29



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, 2021 and 2020 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2021 and 2020 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of Innovia Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Innovia Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovia Foundation's internal control over financial reporting and compliance.



Spokane, Washington
December 21, 2021

Innovia Foundation
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 110,894	\$ 125,546
Accounts receivable	53,735	77,153
Note receivable	206,000	-
Prepaid expenses and other assets	7,290	6,525
Investments	176,698,491	135,610,486
Assets held under split interest agreements	6,188,673	4,963,827
Beneficial interests in charitable trusts held by others	1,823,762	1,415,162
Cash surrender value of life insurance	2,670,625	2,690,447
Property and equipment, net	80,746	315,244
Total assets	\$ 187,840,216	\$ 145,204,390
Liabilities and Net Assets		
Accounts payable	\$ 98,940	\$ 120,967
Accrued expenses and other liabilities	282,821	295,340
Grants payable	136,734	710,304
Paycheck Protection Program loan	-	201,770
Liabilities under split-interest agreements	3,082,150	2,543,129
Funds held for others	21,721,514	16,420,189
Total liabilities	25,322,159	20,291,699
Net Assets		
Without donor restrictions		
Discretionary	75,794,100	60,723,254
Designated	47,103,074	32,412,932
Area of interest	24,271,511	19,754,965
Scholarship	6,902,827	5,531,896
Administrative	3,065,519	2,175,350
Equipment	80,746	108,673
	157,217,777	120,707,070
With donor restrictions		
Future interests	4,930,285	3,835,860
Supporting organizations	369,995	369,761
	5,300,280	4,205,621
Total net assets	162,518,057	124,912,691
Total liabilities and net assets	\$ 187,840,216	\$ 145,204,390

Innovia Foundation
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 24,137,257	\$ -	\$ 24,137,257
Contributions - CARES Act	25,549,548	-	25,549,548
Net investment return	34,583,738	2,402	34,586,140
Foundation assessments	1,534,424	-	1,534,424
Other revenue	714,968	2,801	717,769
Paycheck Protection Program loan forgiveness	201,770	-	201,770
In-kind contributions	13,690	-	13,690
Change in value of split-interest agreements held by Innovia Foundation	-	685,825	685,825
Change in value of beneficial interests in assets held by others	-	408,600	408,600
Gain on sale of real estate	-	52,150	52,150
Net assets released from restrictions	57,119	(57,119)	-
Less amounts allocable to agency funds	(6,124,112)	-	(6,124,112)
Total revenue, support, and gains	80,668,402	1,094,659	81,763,061
Expenses			
Program services	43,199,532	-	43,199,532
Supporting services			
Management and general	751,972	-	751,972
Fundraising and development	206,191	-	206,191
Total supporting services	958,163	-	958,163
Total expenses	44,157,695	-	44,157,695
Change in Net Assets	36,510,707	1,094,659	37,605,366
Net Assets, Beginning of Year	120,707,070	4,205,621	124,912,691
Net Assets, End of Year	<u>\$ 157,217,777</u>	<u>\$ 5,300,280</u>	<u>\$ 162,518,057</u>

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
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 Functional Expenses
Year Ended June 30, 2021

Program Services

	Grant Competitive	Grant Non-Competitive Non-CARES	Grant Non-Competitive CARES	Philanthropic	Special Projects	Fund Management	Supporting Organizations	Total	Management and General	Fundraising and Development	Total
Grants	\$ 1,410,140	\$ 13,160,094	\$ 25,296,210	\$ -	\$ -	\$ -	\$ -	\$ 39,866,444	\$ -	\$ -	\$ 39,866,444
Program expenditures	-	669,182	-	-	-	-	-	669,182	-	-	669,182
Salaries	176,262	248,917	185,094	174,473	161,676	42,136	-	988,558	287,518	133,314	1,409,390
Payroll taxes	14,111	34,745	-	13,967	12,943	3,373	-	79,139	23,017	10,672	112,828
Benefits	30,278	74,554	-	29,971	27,773	7,238	-	169,814	49,390	22,901	242,105
Consulting	-	-	1,960	-	-	-	-	1,960	66,353	-	68,313
Legal and accounting	-	-	16,174	-	-	-	-	16,174	84,814	-	100,988
Office supplies and expenses	7,266	15,473	2,420	7,193	6,665	1,737	-	40,754	11,855	5,495	58,104
Rent	10,608	15,848	10,273	10,501	9,731	2,536	-	59,497	17,304	8,024	84,825
Insurance - general	-	-	-	-	-	-	-	-	8,232	-	8,232
Insurance - life	-	-	-	290,182	-	-	-	290,182	-	-	290,182
Parking and travel	2,146	4,756	529	2,124	-	513	-	10,068	3,501	1,623	15,192
Repairs and maintenance	-	-	26,992	-	-	-	-	26,992	68,443	-	95,435
Donor relations	723	1,780	-	715	663	173	-	4,054	1,178	547	5,779
Public information	20,610	45,672	5,075	20,400	18,904	4,927	-	115,588	33,618	15,588	164,794
Professional development	4,442	9,844	1,094	4,397	4,075	1,062	-	24,914	7,245	3,360	35,519
Dues and subscriptions	3,685	8,167	907	3,648	3,380	881	-	20,668	6,011	2,787	29,466
Meetings	2,485	5,508	612	2,460	2,280	594	-	13,939	4,054	1,880	19,873
Bank fees	-	-	2,040	-	-	-	-	2,040	23,314	-	25,354
Assessments	-	-	-	-	-	1,550,546	3,740	1,554,286	-	-	1,554,286
Miscellaneous	-	-	800	-	-	-	2,220	3,020	19,193	-	22,213
Depreciation	-	-	-	-	-	-	4,082	4,082	36,932	-	41,014
Interest	-	-	-	-	-	60,964	-	60,964	-	-	60,964
	1,682,756	14,294,540	25,550,180	560,031	248,090	1,676,680	10,042	44,022,319	751,972	206,191	44,980,482
Less amounts allocated to agency funds	-	-	-	-	-	822,787	-	822,787	-	-	822,787
Total expenditures by function	\$ 1,682,756	\$ 14,294,540	\$ 25,550,180	\$ 560,031	\$ 248,090	\$ 853,893	\$ 10,042	\$ 43,199,532	\$ 751,972	\$ 206,191	\$ 44,157,695

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
	2,484,565	9,628,029	614,038	401,066	1,575,416	13,313	14,716,427	868,409	184,104	15,768,940
Less amounts allocated to agency funds	-	-	-	-	984,815	-	984,815	-	-	984,815
Total expenditures by function	\$ 2,484,565	\$ 9,628,029	\$ 614,038	\$ 401,066	\$ 590,601	\$ 13,313	\$ 13,731,612	\$ 868,409	\$ 184,104	\$ 14,784,125

Innovia Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 37,605,366	\$ 7,554,862
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	41,014	38,375
Realized and unrealized gain on investments	(30,383,321)	4,998,725
Paycheck Protection Program loan forgiveness	(201,770)	-
Gain on sale of real estate	(52,150)	(2,015,903)
Change in value of split-interest agreements held by Innovia	(685,825)	(67,683)
Change in beneficial interests in assets held by others	(408,600)	164,905
Change in cash surrender value of life insurance	19,822	(123,673)
Changes in assets and liabilities		
Accounts receivable	23,418	(6,101)
Prepaid expenses and other assets	(765)	10,087
Accounts payable	(22,027)	(58,946)
Accrued expenses and other liabilities	(12,519)	(55,578)
Grants payable	(573,570)	165,109
Funds held for others	5,301,325	(305,844)
	10,650,398	10,298,335
Net Cash from Operating Activities		
Cash Flows used for Investing Activities		
Purchases of property and equipment	(10,366)	(25,643)
Proceeds from sale of real estate	50,000	3,457,825
Proceeds from sale of investments	109,861,899	41,133,747
Purchases of investments	(120,566,583)	(55,292,629)
	(10,665,050)	(10,726,700)
Net Cash used for Investing Activities		
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	-	201,770
	-	201,770
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	(14,652)	(226,595)
Cash and Cash Equivalents, Beginning of Year	125,546	352,141
Cash and Cash Equivalents, End of Year	\$ 110,894	\$ 125,546
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Note receivable issued for proceeds from sale of real estate	\$ 206,000	\$ -

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, 2021 and 2020, no allowance was considered necessary.

Note receivable consists of interest-bearing amounts due related to the sale of property. The note bears interest at 3% per annum. Interest only payments are due monthly until note maturity in March 2023.

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 values 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 years ended June 30, 2021 and 2020.

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.

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.

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.

COVID-19 Considerations

During 2020 and 2021, the world-wide coronavirus pandemic impacted national and global economies. The Foundation is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Foundation is not known.

Subsequent Events

We have evaluated subsequent events through December 21, 2021, 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:

	2021	2020
Cash and cash equivalents	\$ 110,894	\$ 125,546
Accounts receivable	27,809	77,153
Investments - non-endowment cash and money market	14,877,401	11,689,467
Endowment spending-rate distributions and appropriations	6,207,240	5,725,494
	\$ 21,223,344	\$ 17,617,660

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 \$330,847 and \$265,968 as of June 30, 2021 and 2020, 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, 2021:

	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)	\$ 17,356,385	\$ -	\$ -	\$ -
Equity mutual funds	150,667,222	150,667,222	-	-
Fixed income	1,626,102	-	1,626,102	-
Public partnerships	1,535,821	-	1,535,821	-
Pooled investments funds	5,512,961	-	5,512,961	-
	<u>\$ 176,698,491</u>	<u>\$ 150,667,222</u>	<u>\$ 8,674,884</u>	<u>\$ -</u>
Assets held under split-interest agreements				
Cash and money market funds (at cost)	\$ 75,055	\$ -	\$ -	\$ -
Equity mutual funds	6,113,618	6,113,618	-	-
	<u>\$ 6,188,673</u>	<u>\$ 6,113,618</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in				
Charitable trusts held by others	<u>\$ 1,823,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,823,762</u>
Liabilities				
Funds held for others	<u>\$ 21,721,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,721,514</u>

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	\$ 1,415,162	\$ -	\$ -	\$ 1,415,162
Liabilities				
Funds held for others	\$ 16,420,189	\$ -	\$ -	\$ 16,420,189

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, 2021:

	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2020	\$ 1,415,162	\$ 16,420,189
Purchases/contributions of investments	-	1,470,923
Investment return, net	408,600	4,653,189
Distributions	-	(822,787)
Balance at June 30, 2021	<u>\$ 1,823,762</u>	<u>\$ 21,721,514</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, 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>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ -	\$ 66,078
Buildings and improvements	-	159,203
Furniture and fixtures	206,509	196,143
	206,509	421,424
Less accumulated depreciation	125,763	106,180
	<u>\$ 80,746</u>	<u>\$ 315,244</u>

During the year ended June 30, 2021, land and a building with a net book value of \$225,281 was sold for proceeds of \$50,000 cash and a note receivable of \$206,000, resulting in a gain of \$52,150. 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 \$2,015,903. As part of the sales, purpose restrictions of a supporting organization were satisfied, and therefore the related net assets of the sales 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 has elected to account for the funding as a conditional contribution by applying ASC 958-605, Not-for-Profit – Revenue Recognition. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation recognized the full amount of \$201,770 as loan forgiveness income for the year ended 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
2022	\$ 84,491
2023	86,939
2024	4,884
2025	1,362
2026	341
Total minimum lease payments	\$ 178,017

Rent expense for the years ended June 30, 2021 and 2020 totaled \$84,825 and \$78,122, 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, 2021 and 2020, 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, 2021 and 2020, endowment net asset composition by type of fund is as follows:

	2021	2020
Discretionary	\$ 75,794,100	\$ 60,723,254
Designated	47,103,074	32,412,932
Area of interest	24,271,511	19,754,965
Scholarship	6,902,827	5,531,896
	\$ 154,071,512	\$ 118,423,047

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, 2021 funds with original gift values of \$1,398,051, fair values of \$684,644, and deficiencies of \$713,407 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, 2021 and 2020, 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 118,423,047	\$ 109,348,179
Investment return, net	29,503,643	79,064
Contributions	22,515,827	22,834,161
Service fees	(1,534,424)	(1,454,460)
Amounts appropriated for grant expenditure	<u>(14,836,581)</u>	<u>(12,383,897)</u>
Endowment net assets, end of year	<u>\$ 154,071,512</u>	<u>\$ 118,423,047</u>

Note 8 - Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Supporting organizations	\$ 369,995	\$ 369,761
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	1,823,762	1,415,162
Assets held under split-interest agreements	<u>3,106,523</u>	<u>2,420,698</u>
	<u>\$ 5,300,280</u>	<u>\$ 4,205,621</u>

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Supporting organizations	<u>\$ 57,119</u>	<u>\$ 3,434,586</u>

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, 2021 and 2020, the Foundation retirement expense totaled \$118,981 and \$107,674, 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 \$25,944 and \$46,516 for the years ending June 30, 2021 and 2020, respectively. This agreement ended June 30, 2017 and was 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, 2021 and 2020, members of the Foundation's Board of Directors contributed a total of \$179,771 and \$207,265, respectively.



Awards Reports in Accordance with
Uniform Guidance
June 30, 2021

Innovia Foundation



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Innovia Foundation
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Innovia Foundation (the Foundation) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Spokane, Washington
December 21, 2021



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Innovia Foundation
Spokane, Washington

Report on Compliance for the Major Federal Program

We have audited Innovia Foundation’s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation’s major federal program for the year ended June 30, 2021. The Foundation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the Foundation’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Spokane, Washington
December 21, 2021

Innovia Foundation
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Treasury:			
<u>Pass-Through Programs</u>			
Greater Spokane, Inc. COVID-19 Coronavirus Relief Funds	21.019	N/A	\$ 23,262,113
Spokane Valley Chamber of Commerce COVID-19 Coronavirus Relief Funds	21.019	N/A	<u>2,287,435</u>
Subtotal Federal Assistance Listing Number 21.019			<u>25,549,548</u>
Total Department of Treasury			<u><u>\$ 25,549,548</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Innovia Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Innovia Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Foundation has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Assistance Listing Number</u>
COVID-19 Coronavirus Relief Funds	21.019
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Findings – Financial Statement Audit

There were no findings relating to the financial statement audit.

Section III -Findings and Questioned Costs – Major Federal Award Program Audit

No findings noted.