Consolidated Financial Statements
June 30, 2022 and 2021

Innovia Foundation

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Independent Auditor's Report

The Board of Directors
Innovia Foundation
Spokane, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Innovia Foundation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Innovia Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Innovia Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Innovia Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innovia Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Innovia Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Spokane, Washington
November 29, 2022

	2022	2021
Assets		
Cash and cash equivalents	$ 53,161	$ 110,894
Accounts receivable	98,493	53,735
Note receivable	109,312	206,000
Prepaid expenses and other assets	5,760	7,290
Investments	156,998,960	176,698,491
Assets held under split interest agreements	4,966,254	6,188,673
Beneficial interests in charitable trusts held by others	2,492,463	1,823,762
Cash surrender value of life insurance	2,843,313	2,670,625
Property and equipment, net	359,608	80,746
Total assets	$ 167,927,324	$ 187,840,216
Liabilities and Net Assets		
Checks issued in excess of bank balance	$ 273,996	$ -
Accounts payable	57,970	98,940
Accrued expenses and other liabilites	378,235	282,821
Grants payable	493,026	136,734
Liabilities under split-interest agreements	2,458,371	3,082,150
Funds held for others	19,025,985	21,721,514
Total liabilities	22,687,583	25,322,159
Net Assets		
Without donor restrictions		
Discretionary	68,544,579	75,794,100
Designated	40,158,865	47,103,074
Area of interest	21,349,305	24,271,511
Scholarship	7,088,956	6,902,827
Administrative	2,900,230	3,065,519
Equipment	59,608	80,746
	140,101,543	157,217,777
With donor restrictions		
Future interests	5,000,346	4,930,285
Supporting organizations	137,852	369,995
	5,138,198	5,300,280
Total net assets	145,239,741	162,518,057
Total liabilities and net assets	$ 167,927,324	$ 187,840,216

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	$ 18,628,337	$ 939,796	$ 19,568,133
Net investment return	(24,446,007)	4,941	(24,441,066)
Foundation assessments	1,755,949	-	1,755,949
Other revenue	310,209	3,870	314,079
In-kind contributions	10,390	-	10,390
Change in value of split-interest agreements held by Innovia Foundation	-	(598,140)	(598,140)
Change in value of beneficial interests in assets held by others	-	(271,095)	(271,095)
Net assets released from restrictions	241,454	(241,454)	-
Change in amounts allocable to agency funds	1,815,655	-	1,815,655
Total revenue, support, and gains	(1,684,013)	(162,082)	(1,846,095)
Expenses			
Program services	14,468,889	-	14,468,889
Supporting services			
Management and general	707,513	-	707,513
Fundraising and development	255,819	-	255,819
Total supporting services	963,332	-	963,332
Total expenses	15,432,221	-	15,432,221
Change in Net Assets	(17,116,234)	(162,082)	(17,278,316)
Net Assets, Beginning of Year	157,217,777	5,300,280	162,518,057
Net Assets, End of Year	$ 140,101,543	$ 5,138,198	$ 145,239,741

	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)	-
Change in 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	$ 157,217,777	$ 5,300,280	$ 162,518,057

	Program Services									
	Grant Competitive	Grant Non-Competitive	Philanthropic	Special Projects	Fund Management	Supporting Organizations	Total	Management and General	Fundraising and Development	Total
Grants	$ 1,170,567	$ 9,539,796	$ -	$ -	$ -	$ -	$ 10,710,363	$ -	$ -	$ 10,710,363
Program expenditures	-	1,057,385	-	-	-	-	1,057,385	-	-	1,057,385
Salaries	154,091	140,628	174,842	374,864	84,569	-	928,994	298,281	170,687	1,397,962
Payroll taxes	12,620	11,518	14,320	30,702	6,926	-	76,086	24,430	13,980	114,496
Benefits	24,729	22,569	28,059	60,160	13,572	-	149,089	47,869	27,393	224,351
Consulting	-	-	-	-	-	-	-	52,411	-	52,411
Legal and accounting	-	-	-	-	-	-	-	49,210	-	49,210
Office supplies and expenses	5,730	5,230	6,502	13,941	3,145	-	34,548	11,092	6,348	51,988
Rent	8,333	7,605	9,455	20,272	4,573	-	50,238	16,131	9,231	75,600
Insurance - general	-	-	-	-	-	-	-	7,969	-	7,969
Insurance - life	-	-	264,235	-	-	-	264,235	-	-	264,235
Parking and travel	2,438	2,225	2,766	5,931	1,338	-	14,698	4,719	2,701	22,118
Repairs and maintenance	-	26,992	-	-	-	-	26,992	49,671	-	76,663
Donor relations	600	548	681	1,461	330	-	3,620	1,162	665	5,447
Public information	15,717	14,343	17,833	38,234	8,626	-	94,753	30,242	17,409	142,404
Professional development	1,321	1,205	1,499	3,213	725	-	7,963	2,556	1,463	11,982
Dues and subscriptions	3,945	3,600	4,476	9,596	2,165	-	23,782	7,635	4,369	35,786
Meetings	1,420	1,296	1,612	3,455	780	-	8,563	2,750	1,573	12,886
Bank fees	-	-	-	-	-	-	-	50,071	-	50,071
Assessments	-	-	-	-	1,802,985	3,700	1,806,685	-	-	1,806,685
Miscellaneous	-	-	-	-	-	9,522	9,522	13,556	-	23,078
Depreciation	-	-	-	-	-	-	-	37,758	-	37,758
Interest	-	-	-	-	81,247	-	81,247	-	-	81,247
	1,401,511	10,834,940	526,280	561,829	2,010,981	13,222	15,348,763	707,513	255,819	16,312,095
Less amounts allocated to agency funds	-	-	-	-	879,874	-	879,874	-	-	879,874
Total expenditures by function	$ 1,401,511	$ 10,834,940	$ 526,280	$ 561,829	$ 1,131,107	$ 13,222	$ 14,468,889	$ 707,513	$ 255,819	$ 15,432,221

	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

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (17,278,316)	$ 37,605,366
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	37,758	41,014
Realized and unrealized loss (gain) on investments	34,405,943	(30,383,321)
Paycheck Protection Program loan forgiveness	-	(201,770)
Gain on sale of real estate	-	(52,150)
Contributions received under split interest agreements	(939,796)	-
Change in value of split-interest agreements held by Innovia	598,640	(685,825)
Change in beneficial interests in assets held by others	271,095	(408,600)
Change in cash surrender value of life insurance	(172,688)	19,822
Changes in assets and liabilities		
Accounts receivable	(44,758)	23,418
Prepaid expenses and other assets	1,530	(765)
Checks issued in excess of bank balance	273,996	-
Accounts payable	(40,970)	(22,027)
Accrued expenses and other liabilities	95,414	(12,519)
Grants payable	356,292	(573,570)
Funds held for others	(2,695,529)	5,301,325
Net Cash from Operating Activities	14,868,611	10,650,398
Cash Flows used for Investing Activities		
Purchases of property and equipment	(316,620)	(10,366)
Proceeds from sale of real estate	-	50,000
Principal payments from note receivable	96,688	-
Proceeds from sale of investments	17,080,023	109,861,899
Purchases of investments	(31,786,435)	(120,566,583)
Net Cash used for Investing Activities	(14,926,344)	(10,665,050)
Net Change in Cash and Cash Equivalents	(57,733)	(14,652)
Cash and Cash Equivalents, Beginning of Year	110,894	125,546
Cash and Cash Equivalents, End of Year	$ 53,161	$ 110,894
Supplemental Disclosure of Non-cash Investing and Financing Ativity		
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, The BGC Supporting Organization/Inland Northwest Community Foundation, and Innovia Ignite 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, 2022 and 2021, 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, 2022 and 2021.

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 consolidated statement of activities. The consolidated 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

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 November 29, 2022, 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:

	2022	2021
Cash and cash equivalents	$ 53,161	$ 110,894
Accounts receivable	98,493	27,809
Notes receivable	109,312	-
Investments - non-endowment cash and money market	15,698,963	14,877,401
Endowment spending-rate distributions and appropriations	7,597,589	6,207,240
	$ 23,557,518	$ 21,223,344

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 $453,161 and $330,847 as of June 30, 2022 and 2021, 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 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, 2022:

		Fair Value Measurements at Report Date Using		
	Total	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)	$ 18,204,754	$ -	$ -	$ -
Equity mutual funds	106,583,493	106,583,493	-	-
Fixed income	28,688,822	27,823,821	865,001	-
Public partnerships	3,521,891	-	3,521,891	-
	$ 156,998,960	$ 134,407,314	$ 4,386,892	$ -
Assets held under split-interest agreements				
Cash and money market funds (at cost)	$ 140,404	$ -	$ -	$ -
Equity mutual funds	4,825,850	4,825,850	-	-
	$ 4,966,254	$ 4,825,850	$ -	$ -
Beneficial interests in Charitable trusts held by others	$ 2,492,463	$ -	$ -	$ 2,492,463
Liabilities				
Funds held for others	$ 19,025,985	$ -	$ -	$ 19,025,985

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, at June 30, 2021:

		Fair Value Measurements at Report Date Using		
	Total	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	120,202,381	120,202,381	-	-
Fixed income	32,090,943	30,464,841	1,626,102	-
Public partnerships	1,535,821	-	1,535,821	-
Pooled investments funds	5,512,961	-	5,512,961	-
	$ 176,698,491	$ 150,667,222	$ 8,674,884	$ -
Assets held under split-interest agreements				
Cash and money market funds (at cost)	$ 75,055	$ -	$ -	$ -
Equity mutual funds	6,113,618	6,113,618	-	-
	$ 6,188,673	$ 6,113,618	$ -	$ -
Beneficial interests in				
Charitable trusts held by others	$ 1,823,762	$ -	$ -	$ 1,823,762
Liabilities				
Funds held for others	$ 21,721,514	$ -	$ -	$ 21,721,514

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, 2022:

	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2021	$ 1,823,762	$ 21,721,514
Purchases/contributions of investments	-	1,300,694
Investment return, net	668,701	(3,116,349)
Distributions	-	(879,874)
Balance at June 30, 2022	$ 2,492,463	$ 19,025,985

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	$ 1,823,762	$ 21,721,514

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2022 and 2021:

	2022	2021
Land	$ 75,000	$ -
Buildings and improvements	225,000	-
Furniture and fixtures	223,129	206,509
	523,129	206,509
Less accumulated depreciation	163,521	125,763
	$ 359,608	$ 80,746

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. 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 consolidated statement of activities.

Note 5 - Paycheck Protection Program (PPP) Loan

In 2021, the Foundation was granted a $201,770 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and 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

The Foundation leases certain office facilities and equipment at various terms under long-term operating lease agreements. Subsequent to year end, the Foundation entered into new lease agreements for office facilities beginning in September 2022. The leases expire at various dates through 2027.

Future minimum lease payments are as follows:

Years Ending June 30,	Amounts
2023	$ 204,143
2024	228,671
2025	234,921
2026	244,813
2027	232,287
Total minimum lease payments	$ 1,144,835

Rent expense for the years ended June 30, 2022 and 2021 totaled $77,700 and $84,825, 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, 2022 and 2021, 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, 2022 and 2021, endowment net asset composition by type of fund is as follows:

	2022	2021
Discretionary	$ 68,544,579	$ 75,794,100
Designated	40,158,865	47,103,074
Area of interest	21,349,305	24,271,511
Scholarship	7,088,956	6,902,827
	$ 137,141,705	$ 154,071,512

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, 2022 funds with original gift values of $85,087,502, fair values of $78,624,042, and deficiencies of $6,463,460 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, 2022 and 2021, 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, 2022 and 2021are as follows:

	2022	2021
Endowment net assets, beginning of year	$ 154,071,512	$ 118,423,047
Investment return, net	(16,370,665)	29,503,643
Contributions	22,686,056	22,515,827
Service fees	(1,806,685)	(1,534,424)
Amounts appropriated for grant expenditure	(21,438,513)	(14,836,581)
Endowment net assets, end of year	$ 137,141,705	$ 154,071,512

Note 8 - Net Assets with Donor Restrictions

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

	2022	2021
Subject to Expenditure for Specified Purpose		
Supporting organizations	$ 137,852	$ 369,995
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	2,492,463	1,823,762
Assets held under split-interest agreements	2,507,883	3,106,523
	$ 5,138,198	$ 5,300,280

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, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions		
Supporting organizations	$ 241,454	$ 57,119

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, 2022 and 2021, the Foundation retirement expense totaled $108,544 and $118,981, 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 for the years ending June 30, 2022 and 2021. 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, 2022 and 2021, members of the Foundation's Board of Directors contributed a total of $68,121 and $179,771, respectively.