Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary 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, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 20, 2024 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.

Eide Bailly LLP

Spokane, Washington
December 20, 2024

	2024	2023
Assets		
Cash and cash equivalents	$ 486,317	$ 313,708
Accounts receivable	1,200,091	937,987
Notes receivable	867,007	928,140
Prepaid expenses and other assets	20,440	26,200
Investments	233,835,477	195,879,830
Assets held under split interest agreements	8,265,224	6,513,892
Beneficial interests in charitable trusts held by others	2,383,673	2,521,100
Investments in affiliated entities	622,492	992,556
Cash surrender value of life insurance	3,336,321	3,166,136
Property and equipment, net	7,206,924	7,595,620
Right-of-use lease asset	543,717	715,524
Total assets	$ 258,767,683	$ 219,590,693

	2024	2023
Liabilities and Net Assets		
Accounts payable	$ 410,627	$ 136,035
Accrued expenses and other liabilites	571,595	502,838
Grants payable	336,443	362,620
Lease liability	676,574	874,181
Liabilities under split-interest agreements	3,590,182	2,972,516
Funds held for others	23,748,768	21,241,003
Total liabilities	29,334,189	26,089,193
Net Assets		
Without donor restrictions		
Discretionary	99,218,203	93,570,590
Designated	57,175,763	46,328,180
Area of interest	48,015,302	31,371,345
Scholarship	9,706,997	8,801,579
Administrative	5,786,119	4,301,687
Equipment	148,666	206,907
	220,051,050	184,580,288
With donor restrictions		
Future interests	7,058,715	6,062,476
Supporting organizations	2,323,729	2,858,736
	9,382,444	8,921,212
Total net assets	229,433,494	193,501,500
Total liabilities and net assets	$ 258,767,683	$ 219,590,693

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	$ 18,007,175	$ 80,250	$ 18,087,425
In-kind contributions	14,056,144	-	14,056,144
Net investment return	24,056,576	58,878	24,115,454
Other revenue	631,010	130,615	761,625
Change in value of split-interest agreements held by Innovia Foundation	-	1,133,666	1,133,666
Change in value of beneficial interests in assets held by others	-	(137,427)	(137,427)
Equity in earnings of unconsolidated affiliates	10,758	-	10,758
Loss on sale of property	-	(98,741)	(98,741)
Net assets released from restrictions	706,009	(706,009)	-
Change in amounts allocable to agency funds	(3,584,877)	-	(3,584,877)
Total revenue, support, and gains	53,882,795	461,232	54,344,027
Expenses			
Program services	17,147,421	-	17,147,421
Supporting services			
Management and general	943,262	-	943,262
Fundraising and development	321,350	-	321,350
Total supporting services	1,264,612	-	1,264,612
Total expenses	18,412,033	-	18,412,033
Change in Net Assets	35,470,762	461,232	35,931,994
Net Assets, Beginning of Year	184,580,288	8,921,212	193,501,500
Net Assets, End of Year	$ 220,051,050	$ 9,382,444	$ 229,433,494

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	$ 17,096,779	$ 130,624	$ 17,227,403
In-kind contributions	25,320,253	3,652,082	28,972,335
Net investment return	17,494,305	23,576	17,517,881
Other revenue	279,867	83,463	363,330
Change in value of split-interest agreements held by Innovia Foundation	-	1,033,493	1,033,493
Change in value of beneficial interests in assets held by others	-	28,637	28,637
Equity in earnings of unconsolidated affiliates	10,202	-	10,202
Gain on sale of real estate	-	(96,845)	(96,845)
Net assets released from restrictions	1,072,016	(1,072,016)	-
Change in amounts allocable to agency funds	(3,405,703)	-	(3,405,703)
Total revenue, support, and gains	57,867,719	3,783,014	61,650,733
Expenses			
Program services	11,907,494	-	11,907,494
Supporting services			
Management and general	1,127,959	-	1,127,959
Fundraising and development	353,521	-	353,521
Total supporting services	1,481,480	-	1,481,480
Total expenses	13,388,974	-	13,388,974
Change in Net Assets	44,478,745	3,783,014	48,261,759
Net Assets, Beginning of Year	140,101,543	5,138,198	145,239,741
Net Assets, End of Year	$ 184,580,288	$ 8,921,212	$ 193,501,500

	Program Services									
	Grant Competitive	Grant Non-Competitive	Philanthropic	Special Projects	Fund Management	Supporting Organizations	Total	Management and General	Fundraising and Development	Total
Grants	$ 1,352,624	$ 10,830,722	$ -	$ -	$ -	$ -	$ 12,183,346	$ -	$ -	$ 12,183,346
Program expenditures	-	1,264,841	-	1,571,184	-	-	2,836,025	-	-	2,836,025
Salaries	181,116	190,203	315,309	862,649	129,063	-	1,678,339	359,251	204,924	2,242,514
Payroll taxes	14,692	15,430	25,578	69,979	10,470	-	136,149	29,143	16,624	181,916
Benefits	29,533	31,015	51,415	140,666	21,045	-	273,674	58,581	33,415	365,670
Consulting	-	-	-	-	-	-	-	55,718	-	55,718
Legal and accounting	-	-	-	-	-	-	-	59,153	-	59,153
Office supplies and expenses	2,732	2,869	4,756	13,011	1,947	-	25,315	5,418	3,091	33,824
Rent	16,904	17,752	29,429	80,515	12,046	-	156,646	38,439	19,126	214,211
Insurance - general	-	-	-	-	-	-	-	16,124	-	16,124
Insurance - life	-	-	247,957	-	-	-	247,957	-	-	247,957
Parking and travel	4,685	4,920	8,156	22,313	3,338	-	43,412	9,292	5,300	58,004
Repairs and maintenance	-	26,992	-	-	-	-	26,992	60,737	-	87,729
Donor relations	584	613	1,017	2,782	416	-	5,412	1,159	661	7,232
Public information	19,109	20,068	33,267	91,015	13,617	-	177,076	37,903	21,621	236,600
Professional development	4,328	4,545	7,534	20,612	3,084	-	40,103	8,583	4,896	53,582
Dues and subscriptions	3,361	3,529	5,850	16,006	2,395	-	31,141	6,666	3,802	41,609
Meetings	6,973	7,323	12,140	33,214	4,969	-	64,619	13,832	7,890	86,341
Bank fees	-	-	-	-	-	-	-	112,632	-	112,632
Assessments	-	-	-	-		28,827	28,827	-	-	28,827
Miscellaneous	-	-	-	-	-	124,874	124,874	6,368	-	131,242
Depreciation	-	-	-	-	-	5,455	5,455	64,263	-	69,718
Interest	-	-	-	-	123,062	16,109	139,171	-	-	139,171
	1,636,641	12,420,822	742,408	2,923,946	325,452	175,265	18,224,533	943,262	321,350	19,489,145
Less amounts allocated to agency funds	-	1,077,112	-	-	-	-	1,077,112	-	-	1,077,112
Total expenditures by function	$ 1,636,641	$ 11,343,710	$ 742,408	$ 2,923,946	$ 325,452	$ 175,265	$ 17,147,421	$ 943,262	$ 321,350	$ 18,412,033

	Program Services									
	Grant Competitive	Grant Non-Competitive	Philanthropic	Special Projects	Fund Management	Supporting Organizations	Total	Management and General	Fundraising and Development	Total
Grants	$ 1,293,649	$ 7,769,352	$ -	$ -	$ -	$ -	$ 9,063,001	$ -	$ -	$ 9,063,001
Program expenditures	-	1,179,525	-	-	-	-	1,179,525	-	-	1,179,525
Salaries	178,144	186,284	273,895	718,678	108,776	-	1,465,777	329,719	226,727	2,022,223
Payroll taxes	13,958	14,596	21,460	56,310	8,523	-	114,847	25,834	17,764	158,445
Benefits	28,045	29,326	43,119	113,140	17,124	-	230,754	51,906	35,693	318,353
Consulting	-	-	-	-	-	-	-	160,002	-	160,002
Legal and accounting	-	-	-	-	-	-	-	49,227	-	49,227
Office supplies and expenses	8,108	8,479	12,466	32,713	4,951	-	66,717	15,010	10,320	92,047
Rent	22,688	23,401	34,223	87,349	12,676	-	180,337	39,111	26,155	245,603
Insurance - general	-	-	-	-	-	-	-	7,999	-	7,999
Insurance - life	-	-	250,865	-	-	-	250,865	-	-	250,865
Parking and travel	4,649	4,861	7,147	18,754	2,839	-	38,250	8,604	5,916	52,770
Repairs and maintenance	-	26,992	-	-	-	-	26,992	55,264	-	82,256
Donor relations	951	994	1,462	3,836	581	-	7,824	1,761	1,210	10,795
Public information	14,016	14,657	21,550	56,546	8,559	-	115,328	25,942	17,839	159,109
Professional development	3,660	3,828	5,628	14,767	2,235	-	30,118	6,775	4,659	41,552
Dues and subscriptions	3,048	3,187	4,686	12,297	1,861	-	25,079	5,643	3,879	34,601
Meetings	2,639	2,760	4,058	10,648	1,612	-	21,717	4,885	3,359	29,961
Bank fees	-	-	-	-	-	-	-	218,671	-	218,671
Assessments	-	-	-	-	-	1,416	1,416	-	-	1,416
Miscellaneous	-	-	-	-	-	134,261	134,261	58,204	-	192,465
Depreciation	-	-	-	-	-	31,288	31,288	63,405	-	94,693
Interest	-	-	-	-	101,803	12,280	114,083	-	-	114,083
	1,573,555	9,268,242	680,559	1,125,038	271,540	179,245	13,098,179	1,127,962	353,521	14,579,662
Less amounts allocated to agency funds	-	1,190,685	-	-	-	-	1,190,685	-	-	1,190,685
Total expenditures by function	$ 1,573,555	$ 8,077,557	$ 680,559	$ 1,125,038	$ 271,540	$ 179,245	$ 11,907,494	$ 1,127,962	$ 353,521	$ 13,388,977

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ 35,931,994	$ 48,261,759
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	69,718	94,693
Realized and unrealized gain on investments	(17,647,037)	(12,041,586)
Loss on sale of property	98,741	96,845
Contributed assets	-	(28,936,241)
Contributions received under split interest agreements	(778,256)	(130,624)
Change in value of split-interest agreements held by Innovia	(435,660)	(1,033,493)
Change in beneficial interests in assets held by others	217,677	101,987
Change in cash surrender value of life insurance	(170,185)	(322,823)
Equity in earnings of unconsolidated affiliates	370,064	(10,202)
Changes in assets and liabilities		
Accounts receivable	(262,104)	(839,494)
Prepaid expenses and other assets	5,760	(20,440)
Operating lease assets and liabilities	(25,800)	158,657
Checks issued in excess of bank balance	-	(273,996)
Accounts payable	274,592	78,065
Accrued expenses and other liabilities	68,757	124,603
Grants payable	(26,177)	(130,406)
Funds held for others	2,507,765	2,215,018
Net Cash from Operating Activities	20,199,849	7,392,322
Cash Flows used for Investing Activities		
Purchases of property and equipment	(156,021)	(210,704)
Proceeds from sale of property	376,258	877,154
Principal payments from notes receivable	61,133	114,254
Proceeds from sale of investments	5,708,039	18,588,405
Purchases of investments	(26,016,649)	(26,500,884)
Net Cash used for Investing Activities	(20,027,240)	(7,131,775)
Net Change in Cash and Cash Equivalents	172,609	260,547
Cash and Cash Equivalents, Beginning of Year	313,708	53,161
Cash and Cash Equivalents, End of Year	$ 486,317	$ 313,708

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 BGC Supporting Organization/Inland Northwest Community Foundation, Innovia Ignite Foundation, and Hedley, LLC. 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:

<u>Discretionary</u> – 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).

<u>Designated</u> – 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 credit losses 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. Management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. At June 30, 2024 and 2023, no allowance was considered necessary.

Notes receivable represent amounts from collateralized obligations due under extended payment terms exceeding one year. The notes carry interest rates varying from 6% to 7.5%, with payments applied first to unpaid interest balances and any remainder to the principal balance. The Foundation evaluates collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for credit losses being provided if necessary. There was no allowance at June 30, 2024 and 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, 2024 and 2023.

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.

Investments in Affiliated Entities

The equity method of accounting is used when the Foundation has a 20% to 50% interest in other entities. Under the equity method, original investments are recorded at cost, or if donated, at fair value on the date of donation, and adjusted for the Foundation's share of undistributed earnings or losses of these entities.

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 fund administration services for donors located throughout the Inland Northwest. Revenue is recognized over time in the period the service is provided.

In-Kind Contributions

In-kind contributions include donated rent, property, and other in-kind contributions which are recorded at their respective fair values of the goods or services received (Note 11). In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

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 and money market accounts 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. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2024 and 2023 the Foundation had approximately $17,252,000 and $14,465,000, respectively, in excess of FDIC-insured limits. 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 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.

Adoption of Accounting Standards Codification Topic 326

As of July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13),* which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Foundation adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326. The adoption of the new standard did not materially impact the Foundation's financial statements.

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 consolidated 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

We have evaluated subsequent events through December 20, 2024, 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:

	2024	2023
Cash and cash equivalents	$ 486,317	$ 313,708
Accounts receivable	1,200,091	937,987
Notes receivable	222,073	65,668
Investments - non-endowment cash and money market	20,676,234	18,729,215
Endowment spending-rate distributions and appropriations	9,411,042	7,897,287
	$ 31,995,757	$ 27,943,865

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 $820,276 and $477,001 as of June 30, 2024 and 2023, 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. Real estate consists of physical assets. These investments are not redeemable. Instead, distributions are received through the liquidation of the underlying assets. 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, 2024:

		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)	$ 26,560,080	$ -	$ -	$ -
Equity mutual funds	170,885,767	170,885,767	-	-
Fixed income	34,923,801	25,974,647	8,949,154	-
Real estate funds	45,236	45,236	-	-
Public partnerships	1,420,593	-	1,420,593	-
	$ 233,835,477	$ 196,905,650	$ 10,369,747	$ -
Assets held under split-interest agreements				
Cash and money market funds (at cost)	$ 193,100	$ -	$ -	$ -
Real Estate	1,136,000	-	-	1,136,000
Equity mutual funds	6,936,124	6,936,124	-	-
	$ 8,265,224	$ 6,936,124	$ -	$ 1,136,000
Beneficial interests in				
Charitable trusts held by others	$ 2,383,673	$ -	$ -	$ 2,383,673
Liabilities				
Funds held for others	$ 23,748,768	$ -	$ -	$ 23,748,768

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, at June 30, 2023:

		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)	$ 23,552,898	$ -	$ -	$ -
Equity mutual funds	137,079,271	137,079,271	-	-
Fixed income	31,591,691	23,589,638	8,002,053	-
Real estate funds	49,846	49,846	-	-
Public partnerships	3,606,124	-	3,606,124	-
	$195,879,830	$160,718,755	$ 11,608,177	$ -
Assets held under split-interest agreements				
Cash and money market funds (at cost)	$ 146,485	$ -	$ -	$ -
Equity mutual funds	6,367,407	6,367,407	-	-
	$ 6,513,892	$ 6,367,407	$ -	$ -
Beneficial interests in Charitable trusts held by others	$ 2,521,100	$ -	$ -	$ 2,521,100
Liabilities				
Funds held for others	$ 21,241,003	$ -	$ -	$ 21,241,003

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, 2024:

	Real Estate Held in Split-Interests	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2023	$ -	$ 2,521,100	$ 21,241,003
Purchases/contributions of investments	1,136,000	-	629,097
Investment return, net	-	(137,427)	2,855,780
Distributions	-	-	(977,112)
Balance at June 30, 2024	$ 1,136,000	$ 2,383,673	$ 23,748,768

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, 2023:

	Interest in Charitable Trusts	Funds Held for Others
Balance at June 30, 2022	$ 2,492,463	$ 19,025,985
Purchases/contributions of investments	-	1,288,507
Investment return, net	28,637	2,067,549
Distributions	-	(1,141,038)
Balance at June 30, 2023	$ 2,521,100	$ 21,241,003

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2024 and 2023:

	2024	2023
Land	$ 2,562,300	$ 1,254,800
Buildings and improvements	4,532,700	6,165,200
Furniture and fixtures	338,461	332,440
	7,433,461	7,752,440
Less accumulated depreciation	226,537	156,820
	$ 7,206,924	$ 7,595,620

Note 5 - Line of Credit

The Foundation has a $250,000 revolving line of credit with Spokane Teachers Credit Union. Borrowings under the line bear interest at the Wall Street Journal's prime rate. Accrued interest and principal are due at maturity (April 10, 2025). There was no balance outstanding on the line as of June 30, 2024 and 2023.

Note 6 - Leases

The Foundation leases certain office facilities and equipment at various terms under long-term and short-term operating lease agreements. The leases expire at various dates through 2027.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Foundation has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Foundation has applied the risk-free rate option to the building class of assets.

The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Operating lease cost	$ 197,987	$ 245,190
Short-term lease cost	16,794	10,651
	$ 214,781	$ 255,841

The following table summarizes the supplemental cash flow information for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities		
Operating cash flows from operating lease	$ 223,787	$ 126,331
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$ -	$ 853,918

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ended June 30, 2024 and 2023:

	2024	2023
Weighted-average remaining lease term:	2.92 years	3.92 years
Weighted-average discount rate:	3.39%	3.39%

The future minimum lease payments under a noncancelable operating lease with terms greater than one year are listed below as of June 30, 2024:

Years Ending June 30,	
2025	$ 233,559
2026	244,472
2027	232,287
Total lease payments	710,318
Less interest	(33,744)
Present value of minimum lease payments	$ 676,574

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, 2024 and 2023, 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, 2024 and 2023, endowment net asset composition by type of fund is as follows:

	2024	2023
Discretionary	$ 99,218,203	$ 93,570,590
Designated	57,175,763	46,328,180
Area of interest	48,015,302	31,371,345
Scholarship	9,706,997	8,801,579
	$ 214,116,265	$ 180,071,694

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, 2024 funds with original gift values of $1,820,901, fair values of $1,081,177, and deficiencies of $739,724 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, 2024 and 2023, 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, 2024 and 2023, are as follows:

	2024	2023
Endowment net assets, beginning of year	$ 180,071,694	$ 137,141,705
Investment return, net	19,464,152	13,772,208
Contributions	29,155,498	39,706,596
Service fees	(2,022,033)	(1,852,178)
Amounts appropriated for program expense	(1,055,393)	-
Amounts appropriated for grant expenditure	(11,497,653)	(8,696,637)
Endowment net assets, end of year	$ 214,116,265	$ 180,071,694

Note 8 - Net Assets with Donor Restrictions

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

	2024	2023
Subject to Expenditure for Specified Purpose		
Supporting organizations	$ 2,323,729	$ 2,858,736
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	2,383,673	2,521,100
Assets held under split-interest agreements	4,675,042	3,541,376
	$ 9,382,444	$ 8,921,212

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, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions		
Supporting organizations	$ 706,009	$ 1,072,016

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, 2024 and 2023, the Foundation retirement expense totaled $173,116 and $143,311, respectively.

Deferred Compensation Agreement

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, 2024 and 2023, members of the Foundation's Board of Directors contributed a total of $184,675 and $66,271, respectively.

Note 11 - In-Kind Contributions

For the years ended June 30, 2024 and 2023, in-kind contributions recognized within the statements of activities included the following:

	2024	2023
Marketable securities	$ 14,037,648	$ 18,926,805
Investments in affiliated entities	-	5,732,354
Promissory notes receivable	-	933,082
Goods and services	18,496	-
Real estate	-	3,344,000
Rent	-	36,094
	$ 14,056,144	$ 28,972,335

The Foundation received donations of various marketable securities, which are valued with the average high and low quoted selling price on date of donation.

The Foundation received donations of investments in various limited liability companies, which are valued based on opinions of value.

Contributed goods and services are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution.

During the year ended June 30, 2023, the Foundation received a donation of eleven parcels of real estate and promissory notes receivable as part of a contribution from an estate. The real estate was valued using independent appraisal reports for each parcel. The promissory notes were valued using the respective note’s carrying value.

Contributed office rents are recognized at fair value based on current rental rates.

Awards Reports in Accordance with Uniform Guidance
June 30, 2024

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*

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 (*Government Auditing Standards*), the financial statements of Innovia Foundation, which comprise Innovia Foundation's statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innovia Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Innovia Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Innovia 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 or significant deficiencies may exist that have not been identified.

InnoReport on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innovia 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.

Eide Bailly LLP

Spokane, Washington
December 20, 2024

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
Innovia Foundation
Spokane, Washington

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Innovia Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Innovia Foundation's major federal program for the year ended June 30, 2024. Innovia Foundation's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Innovia 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, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Innovia Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Innovia Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Innovia Foundation's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Innovia Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Innovia Foundation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Innovia Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Innovia Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Innovia Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Eide Bailly LLP

Spokane, Washington
December 20, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Treasury				
Passed Through Spokane County				
COVID-19 American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds	21.027	91-0941053	$ 329,963	$ -
Passed Through City of Spokane				
COVID-19 American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds	21.027	91-6001280	1,097,782	25,000
Passed Through City of Spokane Valley				
COVID-19 American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds	21.027	91-0941053	129,990	20,000
Total Department of Treasury			1,557,735	45,000
U.S. Department of Education				
Fund for the Improvement of Postsecondary	84.116Z	N/A	85,618	-
Total Department of Education			85,618	-
Total Federal Financial Assistance			$ 1,643,353	$ 45,000

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 program of the federal government for the year ended June 30, 2024. 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 Innovia Foundation, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows (if applicable) (A) 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.

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 2 CFR 200.516 (a):	No

Identification of major programs:

Name of Federal Program	Federal Assistance Listing Number
COVID-19 American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

There were no findings relating to the financial statement audit.

Section III – Findings and Questions Costs – Major Federal Award Program Audit

No findings noted.