

WASHINGTON APPLE EDUCATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**WASHINGTON APPLE EDUCATION FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Apple Education Foundation
Wenatchee, Washington

We have audited the accompanying financial statements of Washington Apple Education Foundation (a nonprofit organization) (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Washington Apple Education Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Apple Education Foundation as of December 31, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Yakima, Washington
April 7, 2020

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 510,785	\$ 390,487
Accounts Receivable	36,067	137,959
Prepaid Expenses	2,000	429
Total Current Assets	548,852	528,875
EQUIPMENT		
Office Equipment	44,670	46,670
Less: Accumulated Depreciation	(35,850)	(32,504)
Total Equipment	8,820	14,166
INVESTMENTS		
Investments	7,359,710	6,274,842
Total Investments	7,359,710	6,274,842
Total Assets	\$ 7,917,382	\$ 6,817,883
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,457	\$ 4,193
Grants and Scholarships Payable	117,718	107,552
Accrued Liabilities	8,145	4,468
Deferred Revenue	77,900	92,200
Total Current Liabilities	211,220	208,413
FUNDS HELD FOR OTHERS	3,613,746	3,161,962
NET ASSETS		
Without Donor Restrictions:		
Board Designated Endowment	11,590	11,590
Board Designated Scholarship	162,710	109,643
Reserve	225,000	225,000
Total Net Assets Without Donor Restrictions	399,300	346,233
With Donor Restrictions:		
Purpose Restrictions	3,670,816	3,078,975
Perpetual Restrictions	22,300	22,300
Total Net Assets With Donor Restrictions	3,693,116	3,101,275
Total Net Assets	4,092,416	3,447,508
Total Liabilities and Net Assets	\$ 7,917,382	\$ 6,817,883

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 203,263	\$ 1,192,205	\$ 1,395,468
Special Events	359,231	-	359,231
Net Investment Return	54,041	542,131	596,172
Other Income	692	-	692
Loss on Disposal	(278)	-	(278)
Net Assets Released from Restrictions	1,142,495	(1,142,495)	-
Total Support and Revenues	1,759,444	591,841	2,351,285
EXPENSES			
Scholarships	1,211,073	-	1,211,073
Farmworker and Industry Education	52,769	-	52,769
Beyond the Scholarship	124,363	-	124,363
Management and General	159,625	-	159,625
Fundraising	158,547	-	158,547
Total Expenses	1,706,377	-	1,706,377
CHANGES IN NET ASSETS	\$ 53,067	\$ 591,841	\$ 644,908

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 140,348	\$ 1,274,651	\$ 1,414,999
Special Events	344,591	-	344,591
Net Investment Return	(17,405)	(134,363)	(151,768)
Other Income	80	-	80
Net Assets Released from Restrictions	1,143,352	(1,143,352)	-
Total Support and Revenues	1,610,966	(3,064)	1,607,902
EXPENSES			
Scholarships	1,182,420	-	1,182,420
Farmworker and Industry Education	60,984	-	60,984
Beyond the Scholarship	148,394	-	148,394
Management and General	87,578	-	87,578
Fundraising	150,879	-	150,879
Total Expenses	1,630,255	-	1,630,255
CHANGES IN NET ASSETS	\$ (19,289)	\$ (3,064)	\$ (22,353)

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
BALANCE - DECEMBER 31, 2017	\$ 365,522	\$ 3,082,039	\$ 22,300	\$ 3,469,861
Changes in Net Assets	<u>(19,289)</u>	<u>(3,064)</u>	<u>-</u>	<u>(22,353)</u>
BALANCE - DECEMBER 31, 2018	346,233	3,078,975	22,300	3,447,508
Changes in Net Assets	<u>53,067</u>	<u>591,841</u>	<u>-</u>	<u>644,908</u>
BALANCE - DECEMBER 31, 2019	<u>\$ 399,300</u>	<u>\$ 3,670,816</u>	<u>\$ 22,300</u>	<u>\$ 4,092,416</u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services					Total Expenses
	Scholarships	Farmworker and Industry Education	Beyond the Scholarship	Management and General	Fundraising	
Payroll	\$ 53,001	\$ 7,497	\$ 56,046	\$ 53,354	\$ 50,444	\$ 220,342
Payroll Taxes and Benefits	10,123	1,432	10,705	10,191	9,635	42,086
Total	63,124	8,929	66,751	63,545	60,079	262,428
Scholarships	1,102,610	-	-	-	-	1,102,610
Other Grants	-	38,759	-	-	-	38,759
Student Assistance	-	939	46,200	-	-	47,139
Special Events	25,051	1,505	-	-	83,917	110,473
Development Expenses	5,850	54	-	-	4,126	10,030
Promotional Expenses	895	1,066	945	900	851	4,657
Recognition Expenses	3,642	117	-	39,870	154	43,783
Professional Fees	-	-	-	13,000	-	13,000
Occupancy	3,637	515	3,846	3,662	3,462	15,122
Insurance	971	137	1,027	977	924	4,036
Repairs and Maintenance	1,036	146	1,095	1,042	985	4,304
Office Supplies and Expenses	2,621	371	2,771	2,638	2,494	10,895
Printing	831	117	878	836	790	3,452
Professional Development	-	-	-	4,982	-	4,982
Travel and Mileage	805	114	850	809	765	3,343
Depreciation	-	-	-	5,068	-	5,068
Meeting Expenses	-	-	-	6,170	-	6,170
Bank Fees and Charges	-	-	-	3,999	-	3,999
Dues and Subscriptions	-	-	-	1,850	-	1,850
Taxes and Licenses	-	-	-	187	-	187
Volunteer Appreciation	-	-	-	5,134	-	5,134
Miscellaneous	-	-	-	4,956	-	4,956
Total	\$ 1,211,073	\$ 52,769	\$ 124,363	\$ 159,625	\$ 158,547	\$ 1,706,377

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services					Total Expenses
	Scholarships	Farmworker and Industry Education	Beyond the Scholarship	Management and General	Fundraising	
Payroll	\$ 45,184	\$ 7,377	\$ 74,847	\$ 35,908	\$ 53,742	\$ 217,058
Payroll Taxes and Benefits	7,778	1,270	12,883	6,181	9,250	37,362
Total	52,962	8,647	87,730	42,089	62,992	254,420
Scholarships	1,090,935	-	-	-	-	1,090,935
Other Grants	-	49,359	-	-	-	49,359
Student Assistance	-	-	45,482	-	-	45,482
Special Events	20,346	1,390	-	-	71,999	93,735
Development Expenses	6,139	93	-	-	4,819	11,051
Promotional Expenses	701	114	1,160	557	833	3,365
Recognition Expenses	2,871	-	-	-	168	3,039
Professional Fees	-	-	-	10,971	-	10,971
Occupancy	3,100	506	5,134	2,463	3,686	14,889
Insurance	564	92	936	449	672	2,713
Repairs and Maintenance	628	102	1,039	499	746	3,014
Office Supplies and Expenses	1,956	319	3,239	1,554	2,326	9,394
Printing	861	141	1,427	684	1,024	4,137
Professional Development	-	-	-	4,241	-	4,241
Travel and Mileage	1,357	221	2,247	1,078	1,614	6,517
Depreciation	-	-	-	4,992	-	4,992
Meeting Expenses	-	-	-	5,498	-	5,498
Bank Fees and Charges	-	-	-	2,963	-	2,963
Dues and Subscriptions	-	-	-	3,635	-	3,635
Taxes and Licenses	-	-	-	275	-	275
Volunteer Appreciation	-	-	-	2,777	-	2,777
Miscellaneous	-	-	-	2,853	-	2,853
Total	\$ 1,182,420	\$ 60,984	\$ 148,394	\$ 87,578	\$ 150,879	\$ 1,630,255

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors and Events	\$ 1,857,283	\$ 1,699,901
Cash Paid to Suppliers, Employees, and Award Recipients	(1,700,073)	(1,602,601)
Interest and Dividends Received	89,405	66,402
Net Cash Provided by Operating Activities	246,615	163,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	319,050	1,253,786
Purchase of Investments	(445,367)	(1,165,361)
Net Cash Provided (Used) by Investing Activities	(126,317)	88,425
INCREASE IN CASH AND CASH EQUIVALENTS	120,298	252,127
Cash and Cash Equivalents - Beginning of Year	390,487	138,360
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 510,785	\$ 390,487
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 644,908	\$ (22,353)
Noncash Income and Expenses:		
Net Change in Unrealized and Realized (Gain) Loss of Investments	(506,767)	218,170
Loss on Disposal of Asset	278	-
Depreciation	5,068	4,992
Decrease (Increase) in Operating Assets:		
Accounts Receivable	101,892	(59,769)
Prepaid Expenses	(1,571)	970
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	3,264	(1,520)
Grants and Scholarships Payable	10,166	(8,790)
Accrued Liabilities	3,677	1,152
Deferred Revenue	(14,300)	30,850
Net Cash Provided by Operating Activities	\$ 246,615	\$ 163,702

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY

During the year ended December 31, 2019, the Foundation disposed of assets with a cost basis of \$2,000 and accumulated depreciation of \$1,722.

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Washington Apple Education Foundation (the Foundation) is a nonprofit organization incorporated in 1994. The Foundation is the charity of Washington's tree fruit industry. Its mission is to impact lives through access to educational opportunities. The Foundation fulfills its mission by establishing and administering scholarship funds, providing year-round support for scholarship recipients in the form of encouragement and career development, and assisting organizations in the community offering English as a Second Language programs to farmworker families.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, support and revenue are recognized when earned and expenses are recognized when goods or services are received, whether paid or not.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions – Bear no donor limitations. The use of these funds is determined by the Foundation's board of directors.

Net Assets With Donor Restrictions – Represent assets whose use by the Foundation is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the board of directors pursuant to those stipulations. When a restriction expires, purpose restricted net assets are reclassified to net assets without donor restrictions or perpetually restricted net assets and reported in the statement of activities as net assets released from restrictions. Perpetually restricted net assets represent assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the board of directors.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand and amounts on deposit in bank accounts and highly liquid investments with maturities of three months or less at the date of acquisition. Cash in money market accounts with brokers or in investment pools are considered to be investments.

Accounts Receivable

Accounts receivable represents amounts related to various fundraising efforts and are stated at net realizable value. Accounts receivable are unsecured and are considered fully collectible. Therefore, an allowance for doubtful accounts is not considered necessary at December 31, 2019 and 2018.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Office Equipment

Office equipment is stated at cost if purchased and at fair value at the date of contribution of assets donated to the Foundation. The Foundation capitalizes additions in excess of \$1,000 cost or fair value, if donated, and an estimated useful life of over one year. Assets are depreciated over their estimated useful lives ranging from three to seven years using the straight-line method. Depreciation expense for the years ended December 31, 2019 and 2018, was \$5,068 and \$4,992, respectively.

Investments

Investments in equity and fixed income securities with readily determinable market values are recorded at fair value. Investments in securities traded on organized securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter markets are valued at the last reported bid price. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Investments are made according to the investment policies adopted by the Foundation's board of directors. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside parties are contracted by the Foundation for the purpose of providing board education, investment management, evaluation of investment advisors, and compliance with investment policies.

The Foundation pools most of its funds in order to obtain greater investment leverage and more efficient administration. The allocation of income, realized and unrealized gains or losses from pooled investments, is calculated based on the average percentage share of each fund's balance in the pool.

Investments generally are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with the investment that changes in the near term could materially affect the Foundation's account balances and the amounts reported in the financial statements.

Donated Investments

Donated investments are recorded at market value on the date acquired and are typically converted to cash immediately thereafter.

Grants and Scholarships

Grants and scholarships are approved by the board of directors of the Foundation in accordance with their respective bylaws and guidelines. Typically, grants and distributions are recorded in the financial statements when approved. However, grants and scholarships approved by the board of directors that are payable upon the performance of specified conditions by the grantee are not reflected as grants and scholarships payable in the statement of financial position until such time as those conditions are satisfied.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held for Others

Accounting standards establish standards for transactions in which a nonprofit organization 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. Accordingly, the funds are included in the Foundation's assets with an offsetting liability. Activities related to these funds do not affect the changes in net assets on the statement of activities and the statement of changes in net assets. These funds are further described in Note 4.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions.

Promotional Expenses

The Foundation expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2019 and 2018, were \$4,657 and \$3,365, respectively.

Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. The Foundation has also been classified as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Foundation receives certain revenues that are considered unrelated business taxable income. For the years ended December 31, 2019 and 2018, the Foundation recognized no income tax related to unrelated business taxable income.

The Foundation has not identified any uncertainty in income tax positions that would jeopardize the Foundation's status as a tax-exempt organization. The Foundation's tax returns are subject to review and examination by federal authorities.

Concentrations of Credit Risk

The Foundation maintains cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). At times, the balances in the accounts may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

Funds held in money market accounts and classified as investments on the statements of financial position are not insured by the FDIC.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from such costs. Costs are allocated to functional cost centers based upon the estimated time personnel devote to each cost center.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities-Revenue Recognition*, should be followed. For exchange transactions, ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), should be followed. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among nonprofit entities.

The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. The adoption of ASU No. 2018-08 and 2014-09 did not result in a significant impact the comparability of Foundation's historical revenue.

New Accounting Pronouncements Effective in Future Accounting Periods

In February 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020. Management will be evaluating the effects of this new standard.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, Washington Apple Education Foundation has evaluated events and transactions for potential recognition or disclosure through April 7, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020, through April 7, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.

NOTE 2 FAIR VALUE INVESTMENTS

The cost and fair market value of investments are as follows for the years ended December 31:

	2019		
	Cost	Investment Income (Loss)	Fair Market Value
Fixed Income	\$ 1,948,371	\$ 57,523	\$ 2,005,894
Equity	3,450,688	1,052,014	4,502,702
International Stock	808,368	42,746	851,114
Total	<u>\$ 6,207,427</u>	<u>\$ 1,152,283</u>	<u>\$ 7,359,710</u>
	2018		
	Cost	Investment Income (Loss)	Fair Market Value
Fixed Income	\$ 1,962,280	\$ (60,956)	\$ 1,901,324
Equity	3,355,357	198,953	3,554,310
International Stock	809,890	9,318	819,208
Total	<u>\$ 6,127,527</u>	<u>\$ 147,315</u>	<u>\$ 6,274,842</u>

As defined in FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 FAIR VALUE INVESTMENTS (CONTINUED)

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. Level 2 includes U.S. treasury and federal agency securities and corporate and municipal bonds.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The following tables present the fair value hierarchy for the balances of the assets of the Foundation measured at fair value on a recurring basis as of December 31:

	2019			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ 2,005,894	\$ -	\$ -	\$ 2,005,894
Equity	4,502,702	-	-	4,502,702
International Stock	851,114	-	-	851,114
Total	<u>\$ 7,359,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,359,710</u>
	2018			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 1,901,324	\$ -	\$ -	\$ 1,901,324
Equity	3,554,310	-	-	3,554,310
International Stock	819,208	-	-	819,208
Total	<u>\$ 6,274,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,274,842</u>

At December 31, 2019 and 2018, \$3,613,746 and \$3,161,962, respectively was included in Funds Held for Others.

Net investment return is reported on the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 BOARD DESIGNATED ASSETS

The board of directors has designated two funds within the Foundation's net assets without donor restrictions. The board designated endowment fund was created from the proceeds of the 2003 Tree Fruit Cookbook. The board designated scholarship fund was created to provide scholarship program support from net assets without donor restrictions. As of December 31 each year, 4% of the board designated scholarship fund balance may be made available in the following year's budget for scholarships, scholarship program promotion and management, or other activities designated by the board of directors. Net revenues without donor restrictions that are earned each year should be allocated to the board designated scholarship fund at year-end, unless the board of directors provides alternative direction by way of a formal motion.

NOTE 4 FUNDS HELD FOR OTHERS

The funds held for others consist of the Auvil Fund. The Auvil Fund (the Fund) was set up at the Foundation in accordance with the wills of Lillie and Grady Auvil, on behalf of horticultural departments of Wenatchee Valley College and Washington State University. The Fund is held in perpetuity, in accordance with the wills. Income earned is distributed at least annually at a rate of 4% of the prior year Fund balance, for the purpose of scholarships and research at Wenatchee Valley College and Washington State University. A 5% administrative fee for scholarships paid from the Fund is also distributed to the Foundation. The total Fund balance was \$3,613,746 and \$3,161,962 as of December 31, 2019 and 2018, respectively, and distributions during those years were \$132,802 and \$145,581, respectively.

NOTE 5 ENDOWMENT FUNDS

The Foundation's endowment funds consist of funds established to provide ongoing support for farmworker education and operations. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Washington State Uniform Prudent Management of Institutional Funds Act

The Foundation follows the principles outlined in the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's policies require the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with purpose donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Washington State Uniform Prudent Management of Institutional Funds Act (Continued)

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

- (I) The duration and preservation of the endowment fund
- (II) The purposes of the Foundation and the endowment fund
- (III) General economic conditions
- (IV) The possible effect of inflation or deflation
- (V) The expected total return from income and the appreciation of investments
- (VI) Other resources of the Foundation
- (VII) The investment policy of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the total amount of gifts made to the endowment by the donor. There were no deficiencies of this nature as of December 31, 2019 and 2018.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved primarily through current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes quality when making bond and equity selections to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that, over time, will provide a real rate of return equal to the spending rate while assuming a reasonable level of investment risk.

Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Composition of the Foundation's endowment at December 31 was as follows:

	2019			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Board Designated Endowment Funds	\$ 11,590	\$ -	\$ -	\$ 11,590
Donor Restricted Endowment Funds	-	20,909	22,300	43,209
Total	<u>\$ 11,590</u>	<u>\$ 20,909</u>	<u>\$ 22,300</u>	<u>\$ 54,799</u>

	2018			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Board Designated Endowment Funds	\$ 11,590	\$ -	\$ -	\$ 11,590
Donor Restricted Endowment Funds	-	14,934	22,300	37,234
Total	<u>\$ 11,590</u>	<u>\$ 14,934</u>	<u>\$ 22,300</u>	<u>\$ 48,824</u>

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

	2019			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Net Endowment Assets - December 31, 2018	\$ 11,590	\$ 14,934	\$ 22,300	\$ 48,824
Endowment Investment Return:				
Interest and Dividends, Net of Fees	-	991	-	991
Realized and Unrealized Gain	-	5,984	-	5,984
Scholarships	-	(1,000)	-	(1,000)
Net Endowment Assets - December 31, 2019	<u>\$ 11,590</u>	<u>\$ 20,909</u>	<u>\$ 22,300</u>	<u>\$ 54,799</u>

	2018			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Net Endowment Assets - December 31, 2017	\$ 11,590	\$ 16,791	\$ 22,300	\$ 50,681
Endowment Investment Return:				
Interest and Dividends Net of Fees	-	977	-	977
Realized and Unrealized Gain	-	(2,834)	-	(2,834)
Net Endowment Assets - December 31, 2018	<u>\$ 11,590</u>	<u>\$ 14,934</u>	<u>\$ 22,300</u>	<u>\$ 48,824</u>

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 SPECIAL EVENTS

Revenue and expenses from special events for December 31 were as follows:

2019						
Golf						
	Tournament and Auction	Hort Show Raffle	Hort Show Auction	Scholarship Luncheon	Year of the Apple	Total
Revenues	\$ 205,875	\$ 25,025	\$ 23,710	\$ 83,621	\$ 21,000	\$ 359,231
Direct Expenses	50,982	910	6,975	50,101	1,505	110,473
Net Proceeds	154,893	24,115	16,735	33,520	19,495	248,758
Allocated Expenses	27,551	3,349	3,173	11,191	2,810	48,074
Net Proceeds After Allocated Expenses	\$ 127,342	\$ 20,766	\$ 13,562	\$ 22,329	\$ 16,685	\$ 200,684
2018						
Golf						
	Tournament and Auction	Hort Show Raffle	Hort Show Auction	Scholarship Luncheon	Year of the Apple	Total
Revenues	\$ 203,185	\$ 12,775	\$ 29,636	\$ 77,995	\$ 21,000	\$ 344,591
Direct Expenses	44,011	924	6,718	40,692	1,390	93,735
Net Proceeds	159,174	11,851	22,918	37,303	19,610	250,856
Allocated Expenses	33,897	2,131	4,944	13,012	3,503	57,487
Net Proceeds After Allocated Expenses	\$ 125,277	\$ 9,720	\$ 17,974	\$ 24,291	\$ 16,107	\$ 193,369

NOTE 7 RETIREMENT PLAN

The Foundation adopted a SIMPLE IRA retirement plan on August 13, 2004. Eligible employees may contribute to the plan by requesting amounts be withheld from their salary and remitted to the plan by the Foundation. The Foundation matches employee contributions up to 3% of their compensation. Employer contributions were \$6,561 and \$5,270 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 OPERATING LEASE

The Foundation rents its office space under a one-year operating lease with monthly payments of \$1,235 through December 31, 2018. On January 1, 2019, the monthly payment increased to \$1,260 through August 31, 2020. The annual rent for the years ended December 31, 2019 and 2018, was \$15,122 and \$14,889, respectively.

The Foundation leases office equipment with monthly payments of \$144, expiring in February 2023. The annual lease expense for the years ended December 31, 2019 and 2018, was \$1,733.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 OPERATING LEASE (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 11,815
2021	1,733
2022	1,733
2023	289
Total	<u>\$ 15,570</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following uses:

	<u>2019</u>	<u>2018</u>
Purpose and Time Restrictions - Scholarship Funds	\$ 3,649,907	\$ 3,064,041
Purpose and Time Restrictions - Endowment, Scholarship Funds	<u>20,909</u>	<u>14,934</u>
Total Purpose and Time Restrictions	3,670,816	3,078,975
Perpetual in Nature:		
Farmworker Endowment	13,250	13,250
WAEF Endowment	<u>9,050</u>	<u>9,050</u>
Total Perpetual in Nature	<u>22,300</u>	<u>22,300</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,693,116</u>	<u>\$ 3,101,275</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Purpose and Time Restrictions - Scholarship Funds	\$ 1,141,495	1,143,233
Purpose and Time Restrictions - Endowment, Scholarship Funds	<u>1,000</u>	<u>119</u>
Total	<u>\$ 1,142,495</u>	<u>\$ 1,143,352</u>

NOTE 10 RELATED PARTY TRANSACTIONS

During 2019 and 2018, approximately \$214,000 and \$84,000 was contributed to the Foundation by board members and the related companies that they work for. These amounts represent approximately 15% and 6% of all contributions for the years ended December 31, 2019 and 2018, respectively.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 11 LIQUIDITY AND AVAILABILITY

The Foundation receives approximately 75% of its annual contributions with donor restrictions primarily for the use of direct scholarships. A portion of these donations are to establish scholarship funds that will exist for several years or in perpetuity.

Operating needs of the Foundation, including funds for the management and organization of the scholarship program, are funded primarily by annual events. Such annual events include the golf tournaments located in Wenatchee and Yakima, the scholarship luncheon event, and annual raffle and auction. Operational and program support for students “beyond the scholarship” occur through donations, event surplus, and a 5% administrative charge to all scholarships.

The foundation manages its cash available to meet annual expenses according to the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that operating commitments and obligations made to ensure sound management of endowment and quasi-endowment funds will continue to be met.

The Foundation’s Scholarship Committee meets in April to award annual scholarships. At that time, the Foundation is able to estimate the amount of cash required to make scholarship payments and operational needs for the current year. If funds are needed to meet these commitments, assets will be withdrawn from the Foundation’s invested funds held at Vanguard and transferred to the primary bank account.

The table below presents financial assets available for general expenditures within one year at December 31:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 510,785	\$ 390,487
Accounts Receivable	36,067	137,959
Investments	7,359,710	6,274,842
Total Financial Assets	7,906,562	6,803,288
Less Amounts Not Available to be Used Within One Year:		
Investments Held for Others	(3,613,746)	(3,161,962)
Restricted Investments	(3,519,621)	(2,918,272)
Total Amounts Not Available to be Used Within One Year:	(7,133,367)	(6,080,234)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 773,195	\$ 723,054