

WASHINGTON APPLE EDUCATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

**WASHINGTON APPLE EDUCATION FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CHANGES IN NET ASSETS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10



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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Yakima, Washington
April 8, 2021

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 591,780	\$ 510,785
Accounts Receivable	31,025	36,067
Prepaid Expenses	-	2,000
Total Current Assets	622,805	548,852
EQUIPMENT		
Office Equipment	46,519	44,670
Accumulated Depreciation	(39,429)	(35,850)
Total Equipment	7,090	8,820
INVESTMENTS		
Investments	8,418,231	7,359,710
Total Investments	8,418,231	7,359,710
Total Assets	\$ 9,048,126	\$ 7,917,382
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,612	\$ 7,457
Grants and Scholarships Payable	107,850	117,718
Accrued Liabilities	11,857	8,145
Deferred Revenue	66,350	77,900
Total Current Liabilities	188,669	211,220
FUNDS HELD FOR OTHERS	3,936,151	3,613,746
NET ASSETS		
Without Donor Restrictions:		
Board Designated Endowment	11,590	11,590
Board Designated Scholarship	170,221	162,710
Reserve	300,000	225,000
Total Net Assets Without Donor Restrictions	481,811	399,300
With Donor Restrictions:		
Purpose Restrictions	4,419,195	3,670,816
Perpetual Restrictions	22,300	22,300
Total Net Assets With Donor Restrictions	4,441,495	3,693,116
Total Net Assets	4,923,306	4,092,416
Total Liabilities and Net Assets	\$ 9,048,126	\$ 7,917,382

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 218,558	\$ 1,266,768	\$ 1,485,326
Special Events	309,825	-	309,825
Net Investment Return	73,680	506,412	580,092
Net Assets Released from Restrictions	1,024,801	(1,024,801)	-
Total Support and Revenues	1,626,864	748,379	2,375,243
EXPENSES			
Scholarships	1,106,527	-	1,106,527
Farmworker and Industry Education	7,606	-	7,606
Beyond the Scholarship	176,104	-	176,104
Management and General	138,200	-	138,200
Fundraising	115,916	-	115,916
Total Expenses	1,544,353	-	1,544,353
CHANGES IN NET ASSETS	\$ 82,511	\$ 748,379	\$ 830,890

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
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</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	399,300	3,670,816	22,300	4,092,416
Changes in Net Assets	<u>82,511</u>	<u>748,379</u>	<u>-</u>	<u>830,890</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 481,811</u>	<u>\$ 4,419,195</u>	<u>\$ 22,300</u>	<u>\$ 4,923,306</u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services					Total Expenses
	Scholarships	Farmworker and Industry Education	Beyond the Scholarship	Management and General	Fundraising	
Payroll	\$ 59,716	\$ 2,312	\$ 100,889	\$ 73,334	\$ 42,031	\$ 278,282
Payroll Taxes and Benefits	13,222	512	22,337	16,236	9,306	61,613
Total	72,938	2,824	123,226	89,570	51,337	339,895
Scholarships	1,011,862	-	-	-	-	1,011,862
Other Grants	-	3,006	-	-	-	3,006
Student Assistance	-	-	34,277	-	-	34,277
Special Events	2,335	1,349	-	-	52,682	56,366
Development Expenses	5,054	-	-	-	4,058	9,112
Promotional Expenses	2,447	95	4,136	3,006	1,723	11,407
Recognition Expenses	3,331	-	-	-	90	3,421
Professional Fees	-	-	-	13,406	-	13,406
Occupancy	3,313	128	5,596	4,068	2,331	15,436
Insurance	912	35	1,541	1,120	642	4,250
Repairs and Maintenance	1,335	52	2,258	1,641	941	6,227
Office Supplies and Expenses	2,086	81	3,525	2,562	1,468	9,722
Printing	638	25	1,079	785	450	2,977
Professional Development	-	-	-	3,578	-	3,578
Travel and Mileage	276	11	466	339	194	1,286
Depreciation	-	-	-	3,579	-	3,579
Meeting Expenses	-	-	-	2,355	-	2,355
Bank Fees and Charges	-	-	-	4,875	-	4,875
Dues and Subscriptions	-	-	-	1,582	-	1,582
Taxes and Licenses	-	-	-	404	-	404
Volunteer Appreciation	-	-	-	2,404	-	2,404
Miscellaneous	-	-	-	2,926	-	2,926
Total	\$ 1,106,527	\$ 7,606	\$ 176,104	\$ 138,200	\$ 115,916	\$ 1,544,353

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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors and Events	\$ 1,800,193	\$ 1,857,283
Cash Paid to Suppliers, Employees, and Award Recipients	(1,561,325)	(1,700,073)
Interest and Dividends Received	80,557	89,405
Net Cash Provided by Operating Activities	319,425	246,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,095,521	319,050
Purchase of Investments	(1,332,102)	(445,367)
Purchase of Office Equipment	(1,849)	-
Net Cash Used by Investing Activities	(238,430)	(126,317)
INCREASE IN CASH AND CASH EQUIVALENTS	80,995	120,298
Cash and Cash Equivalents - Beginning of Year	510,785	390,487
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 591,780	\$ 510,785
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 830,890	\$ 644,908
Noncash Income and Expenses:		
Net Change in Unrealized and Realized		
Gain on Investments	(499,535)	(506,767)
Loss on Disposal of Asset	-	278
Depreciation	3,579	5,068
Decrease (Increase) in Operating Assets:		
Accounts Receivable	5,042	101,892
Prepaid Expenses	2,000	(1,571)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,845)	3,264
Grants and Scholarships Payable	(9,868)	10,166
Accrued Liabilities	3,712	3,677
Deferred Revenue	(11,550)	(14,300)
Net Cash Provided by Operating Activities	\$ 319,425	\$ 246,615

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.

Funds held for others had the following investment activity at December 31:

	2020	2019
Net Investment Return	\$ 474,182	\$ 584,587
Scholarships Paid	(151,777)	(132,802)
Net Change in Funds Held for Others	\$ 322,405	\$ 451,785

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, and providing year-round support for scholarship recipients in the form of encouragement and career development.

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, 2020 and 2019.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition, Contributions

The Foundation records unconditional contributions in accordance with the requirements of accounting principles generally accepted in the United States of America for nonprofit entities. The Foundation recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Foundation is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

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, 2020 and 2019, was \$3,579 and \$5,068, 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.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019, were \$11,407 and \$4,657, 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, 2020 and 2019, 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.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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, 2021. Management will be evaluating the effects of this new standard.

Risks and Uncertainties

The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. While the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing, management believes the Foundation is taking appropriate actions to mitigate the negative impact through certain measures such as applying for and receiving the Paycheck Protection Program loan.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 8, 2021, the date the financial statements were available to be issued.

Subsequent to year-end the Foundation received a Second Draw PPP Loan of \$62,400 as part of the Paycheck Protection Program. These funds must be used in accordance with the program requirements. Additionally, some or all of the funds may be forgiven based on compliance with program requirements and approval by the U.S. Small Business Administration.

NOTE 2 FAIR VALUE INVESTMENTS

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

	2020		
	Cost	Investment Income	Fair Market Value
Fixed Income	\$ 1,943,782	\$ 122,112	\$ 2,065,894
Equity	3,793,402	1,741,039	5,534,441
International Stock	761,178	56,718	817,896
Total	<u>\$ 6,498,362</u>	<u>\$ 1,919,869</u>	<u>\$ 8,418,231</u>
	2019		
	Cost	Investment Income	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>

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, 2020 AND 2019

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:

	2020			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 2,065,894	\$ -	\$ -	\$ 2,065,894
Equity	5,534,441	-	-	5,534,441
International Stock	817,896	-	-	817,896
Total	\$ 8,418,231	\$ -	\$ -	\$ 8,418,231
	2019			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 2,005,894	\$ -	\$ -	\$ 2,005,894
Equity	4,502,702	-	-	4,502,702
International Stock	851,114	-	-	851,114
Total	\$ 7,359,710	\$ -	\$ -	\$ 7,359,710

At December 31, 2020 and 2019, \$3,936,151 and \$3,613,746, respectively, was included in Funds Held for Others. These amounts are included in the investment balances above.

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, 2020 AND 2019**

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 \$3,936,151 and \$3,613,746 as of December 31, 2020 and 2019, respectively, and distributions during those years were \$151,777 and \$132,802, respectively.

NOTE 5 PAYCHECK PROTECTION PROGRAM

On April 14, 2020, the Foundation received proceeds in the amount of \$48,900 to fund payroll, rent, and utilities through the Paycheck Protection Program (the "PPP Loan").

On December 10, 2020 the SBA processed the Foundation's PPP Loan forgiveness application and notified Washington Trust Bank the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Foundation was legally released from the debt and the loan forgiveness has been recorded as a contribution without donor restriction, and is included in Contributions reported on the statement of activities for the year ended December 31, 2020.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar threshold and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 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.

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, 2020 and 2019.

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 investment income as well as capital appreciation. 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.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

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.

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

	2020			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Board Designated Endowment Funds	\$ 11,590	\$ -	\$ -	\$ 11,590
Donor Restricted Endowment Funds	-	27,163	22,300	49,463
Total	\$ 11,590	\$ 27,163	\$ 22,300	\$ 61,053
	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	\$ 11,590	\$ 20,909	\$ 22,300	\$ 54,799

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

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

	2020			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Net Endowment Assets - December 31, 2019	\$ 11,590	\$ 20,909	\$ 22,300	\$ 54,799
Endowment Investment Return:				
Interest and Dividends, Net of Fees	-	886	-	886
Realized and Unrealized Gain	-	5,368	-	5,368
Net Endowment Assets - December 31, 2020	<u>\$ 11,590</u>	<u>\$ 27,163</u>	<u>\$ 22,300</u>	<u>\$ 61,053</u>
	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>

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 SPECIAL EVENTS

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

	2020					
	Golf					
	Tournament and Auction	Hort Show Raffle	Hort Show Auction	Scholarship Luncheon	Year of the Apple	Total
Revenues	\$ 180,625	\$ -	\$ 28,050	\$ 80,150	\$ 21,000	\$ 309,825
Direct Expenses	45,690	845	2,319	6,163	3,610	58,627
Net Proceeds	134,935	(845)	25,731	73,987	17,390	251,198
Allocated Expenses	33,399	-	5,187	14,820	3,883	57,289
Net Proceeds						
After Allocated Expenses	<u>\$ 101,536</u>	<u>\$ (845)</u>	<u>\$ 20,544</u>	<u>\$ 59,167</u>	<u>\$ 13,507</u>	<u>\$ 193,909</u>
	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	<u>\$ 127,342</u>	<u>\$ 20,766</u>	<u>\$ 13,562</u>	<u>\$ 22,329</u>	<u>\$ 16,685</u>	<u>\$ 200,684</u>

NOTE 8 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 \$8,070 and \$6,561 for the years ended December 31, 2020 and 2019, respectively.

NOTE 9 OPERATING LEASE

The Foundation rents its office space under a one-year operating lease with monthly payments of \$1,260 through August 31, 2020. On September 1, 2020, the annual rent increased to \$1,366 per month. The annual rent for the years ended December 31, 2020 and 2019, was \$15,436 and \$15,122, 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, 2020 and 2019, was \$1,733.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 9 OPERATING LEASE (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 12,422
2022	1,733
2023	289
Total	<u>\$ 14,444</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019, are available for the following uses:

	<u>2020</u>	<u>2019</u>
Purpose and Time Restrictions - Scholarship Funds	\$ 4,392,032	\$ 3,649,907
Purpose and Time Restrictions - Endowment, Scholarship Funds	<u>27,163</u>	<u>20,909</u>
Total Purpose and Time Restrictions	4,419,195	3,670,816
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>\$ 4,441,495</u>	<u>\$ 3,693,116</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
Purpose and Time Restrictions - Scholarship Funds	\$ 1,024,801	\$ 1,141,495
Purpose and Time Restrictions - Endowment, Scholarship Funds	<u>-</u>	<u>1,000</u>
Total	<u>\$ 1,024,801</u>	<u>\$ 1,142,495</u>

NOTE 11 RELATED PARTY TRANSACTIONS

During 2020 and 2019, approximately \$197,000 and \$214,000 was contributed to the Foundation by board members and the related companies that they work for. These amounts represent approximately 13% and 15% of all contributions for the years ended December 31, 2020 and 2019, respectively.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 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:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 591,780	\$ 510,785
Accounts Receivable	31,025	36,067
Investments	8,418,231	7,359,710
Total Financial Assets	9,041,036	7,906,562
Less Amounts Not Available to be Used Within One Year:		
Investments Held for Others	(3,936,151)	(3,613,746)
Restricted Investments	(4,191,287)	(3,519,621)
Total Amounts Not Available to be Used Within One Year:	(8,127,438)	(7,133,367)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 913,598	\$ 773,195