

WASHINGTON APPLE EDUCATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**WASHINGTON APPLE EDUCATION FOUNDATION
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Apple Education Foundation
Wenatchee, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Washington Apple Education Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Washington Apple Education 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 the 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 Washington Apple Education Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington Apple Education 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 Washington Apple Education 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the statement of financial position and the statement of activities, but does not include the statements of changes in net assets, functional expenses, and cash flows and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Information Included in the Annual Report (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

CliftonLarsonAllen LLP

Yakima, Washington
May 16, 2023

WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 282,468	\$ 563,623
Accounts Receivable	20,450	79,750
Prepaid Expenses	456	456
Total Current Assets	<u>303,374</u>	<u>643,829</u>
EQUIPMENT		
Office Equipment	50,949	49,170
Accumulated Depreciation	<u>(45,455)</u>	<u>(42,382)</u>
Total Equipment	5,494	6,788
INVESTMENTS		
Investments	<u>7,842,403</u>	<u>9,402,276</u>
Total Investments	<u>7,842,403</u>	<u>9,402,276</u>
Total Assets	<u><u>\$ 8,151,271</u></u>	<u><u>\$ 10,052,893</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 56,983	\$ 6,375
Grants and Scholarships Payable	40,460	95,100
Accrued Liabilities	9,822	28,380
Deferred Revenue	<u>25,500</u>	<u>35,000</u>
Total Current Liabilities	132,765	164,855
FUNDS HELD FOR OTHERS	3,356,260	4,211,628
NET ASSETS		
Without Donor Restrictions:		
Board-Designated Endowment	11,590	11,590
Board-Designated Scholarship	150,085	332,502
Reserve	<u>300,000</u>	<u>300,000</u>
Total Net Assets Without Donor Restrictions	461,675	644,092
With Donor Restrictions:		
Purpose Restrictions	4,178,271	5,010,018
Perpetual Restrictions	<u>22,300</u>	<u>22,300</u>
Total Net Assets With Donor Restrictions	<u>4,200,571</u>	<u>5,032,318</u>
Total Net Assets	<u>4,662,246</u>	<u>5,676,410</u>
Total Liabilities and Net Assets	<u><u>\$ 8,151,271</u></u>	<u><u>\$ 10,052,893</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 180,006	\$ 1,019,303	\$ 1,199,309
Special Events	398,674	-	398,674
Other Income	918	-	918
Net Investment Loss	(107,033)	(774,129)	(881,162)
Net Assets Released from Restrictions	1,076,921	(1,076,921)	-
Total Support and Revenues	<u>1,549,486</u>	<u>(831,747)</u>	<u>717,739</u>
EXPENSES			
Scholarships	1,206,790	-	1,206,790
Farmworker and Industry Education	9,560	-	9,560
Beyond the Scholarship	131,572	-	131,572
Management and General	168,607	-	168,607
Fundraising	215,374	-	215,374
Total Expenses	<u>1,731,903</u>	<u>-</u>	<u>1,731,903</u>
CHANGES IN NET ASSETS	<u>\$ (182,417)</u>	<u>\$ (831,747)</u>	<u>\$ (1,014,164)</u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 340,800	\$ 1,215,083	\$ 1,555,883
Special Events	386,618	-	386,618
Net Investment Return	46,555	487,414	533,969
Net Assets Released from Restrictions	1,111,674	(1,111,674)	-
Total Support and Revenues	<u>1,885,647</u>	<u>590,823</u>	<u>2,476,470</u>
EXPENSES			
Scholarships	1,221,731	-	1,221,731
Farmworker and Industry Education	6,959	-	6,959
Beyond the Scholarship	181,710	-	181,710
Management and General	139,254	-	139,254
Fundraising	173,712	-	173,712
Total Expenses	<u>1,723,366</u>	<u>-</u>	<u>1,723,366</u>
CHANGES IN NET ASSETS	<u><u>\$ 162,281</u></u>	<u><u>\$ 590,823</u></u>	<u><u>\$ 753,104</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
BALANCE - DECEMBER 31, 2020	\$ 481,811	\$ 4,419,195	\$ 22,300	\$ 4,923,306
Changes in Net Assets	<u>162,281</u>	<u>590,823</u>	<u>-</u>	<u>753,104</u>
BALANCE - DECEMBER 31, 2021	644,092	5,010,018	22,300	5,676,410
Changes in Net Assets	<u>(182,417)</u>	<u>(831,747)</u>	<u>-</u>	<u>(1,014,164)</u>
BALANCE - DECEMBER 31, 2022	<u><u>\$ 461,675</u></u>	<u><u>\$ 4,178,271</u></u>	<u><u>\$ 22,300</u></u>	<u><u>\$ 4,662,246</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services					
	Scholarships	Farmworker and Industry Education	Beyond the Scholarship	Management and General	Fundraising	Total Expenses
Payroll	\$ 51,668	\$ 6,648	\$ 88,254	\$ 65,869	\$ 80,150	\$ 292,589
Payroll Taxes and Benefits	11,643	1,498	19,888	14,844	18,062	65,935
Total	63,311	8,146	108,142	80,713	98,212	358,524
Scholarships	1,093,921	-	-	-	-	1,093,921
Special Events	31,241	-	-	-	95,392	126,633
Professional Fees	-	-	-	44,966	-	44,966
Occupancy	2,888	372	4,933	3,681	4,480	16,354
Office Supplies and Expenses	2,557	329	4,368	3,260	3,967	14,481
Development Expenses	4,726	-	-	-	4,726	9,452
Repairs and Maintenance	1,544	199	2,637	1,968	2,394	8,742
Meetings	-	-	-	7,774	-	7,774
Insurance	1,285	165	2,195	1,638	1,993	7,276
Travel	1,132	146	1,934	1,444	1,757	6,413
Professional Development	-	-	-	5,773	-	5,773
Promotional Expenses	886	114	1,514	1,130	1,375	5,019
Other Grants	-	-	4,662	-	-	4,662
Volunteer Appreciation	-	-	-	4,299	-	4,299
Printing	695	89	1,187	886	1,078	3,935
Bank Fees and Charges	-	-	-	3,866	-	3,866
Depreciation	-	-	-	3,073	-	3,073
Recognition Expenses	2,604	-	-	-	-	2,604
Dues and Subscriptions	-	-	-	1,994	-	1,994
Taxes and Licenses	-	-	-	770	-	770
Miscellaneous	-	-	-	1,372	-	1,372
Total	<u>\$ 1,206,790</u>	<u>\$ 9,560</u>	<u>\$ 131,572</u>	<u>\$ 168,607</u>	<u>\$ 215,374</u>	<u>\$ 1,731,903</u>

See accompanying Notes to Financial Statements.

**WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services					
	Scholarships	Farmworker and Industry Education	Beyond the Scholarship	Management and General	Fundraising	Total Expenses
Payroll	\$ 56,956	\$ 1,249	\$ 107,149	\$ 70,021	\$ 51,963	\$ 287,338
Payroll Taxes and Benefits	12,372	271	23,273	15,209	11,286	62,411
Total	69,328	1,520	130,422	85,230	63,249	349,749
Scholarships	1,099,194	-	-	-	-	1,099,194
Special Events	31,818	1,315	-	-	97,037	130,170
Student Assistance	-	-	32,990	-	-	32,990
Professional Fees	-	-	-	16,676	-	16,676
Occupancy	3,239	71	6,092	3,981	2,954	16,337
Office Supplies and Expenses	2,187	48	4,113	2,688	1,995	11,031
Development Expenses	5,238	-	-	-	4,359	9,597
Meeting Expenses	-	-	-	7,347	-	7,347
Recognition Expenses	6,423	-	-	-	192	6,615
Bank Fees and Charges	-	-	-	6,161	-	6,161
Repairs and Maintenance	1,160	25	2,181	1,426	1,058	5,850
Insurance	1,054	23	1,983	1,296	962	5,318
Promotional Expenses	986	22	1,854	1,212	899	4,973
Volunteer Appreciation	-	-	-	3,945	-	3,945
Other Grants	-	3,911	-	-	-	3,911
Depreciation	-	-	-	2,953	-	2,953
Printing	582	13	1,094	715	531	2,935
Travel and Mileage	522	11	981	641	476	2,631
Dues and Subscriptions	-	-	-	1,712	-	1,712
Professional Development	-	-	-	767	-	767
Taxes and Licenses	-	-	-	302	-	302
Miscellaneous	-	-	-	2,202	-	2,202
Total	<u>\$ 1,221,731</u>	<u>\$ 6,959</u>	<u>\$ 181,710</u>	<u>\$ 139,254</u>	<u>\$ 173,712</u>	<u>\$ 1,723,366</u>

See accompanying Notes to Financial Statements.

WASHINGTON APPLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Donors and Events	\$ 1,658,201	\$ 1,893,776
Cash Paid to Suppliers, Employees, and Award Recipients	(1,760,920)	(1,744,683)
Interest and Dividends Received	83,069	102,394
Net Cash Provided (Used) by Operating Activities	<u>(19,650)</u>	<u>251,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	30,000	667,159
Purchase of Investments	(289,726)	(944,152)
Purchase of Office Equipment	(1,779)	(2,651)
Net Cash Used by Investing Activities	<u>(261,505)</u>	<u>(279,644)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(281,155)	(28,157)
Cash and Cash Equivalents - Beginning of Year	<u>563,623</u>	<u>591,780</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 282,468</u></u>	<u><u>\$ 563,623</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (1,014,164)	\$ 753,104
Noncash Income and Expenses:		
Net Change in Unrealized and Realized		
Loss (Gain) on Investments	964,231	(431,575)
Depreciation	3,073	2,953
Decrease (Increase) in Operating Assets:		
Accounts Receivable	59,300	(48,725)
Prepaid Expenses	-	(456)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	50,608	3,763
Grants and Scholarships Payable	(54,640)	(12,750)
Accrued Liabilities	(18,558)	16,523
Deferred Revenue	(9,500)	(31,350)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (19,650)</u></u>	<u><u>\$ 251,487</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Funds Held for Others had the Following Investment Activity at December 31:		
Net Investment (Loss) Return	\$ (678,480)	\$ 440,795
Scholarships Paid	(176,888)	(165,318)
Net Change in Funds Held for Others	<u><u>\$ (855,368)</u></u>	<u><u>\$ 275,477</u></u>

See accompanying Notes to Financial Statements.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and 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, 2022 and 2021, was \$3,073 and \$2,953, 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.

**WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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.

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, 2022 and 2021, were \$5,019 and \$4,973, respectively.

Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC); 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 IRC.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

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.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840 (see Note 9).

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

The Foundation did not have any leasing arrangements as of December 31, 2022 that exceeded capitalization threshold of \$1,000. As a result of the adoption of the new lease accounting guidance, the Foundation did not recognize any right-of-use asset or lease liability, and there was no impact to the Foundation's net assets as of December 31, 2022.

Subsequent Events

In preparing these financial statements, Washington Apple Education Foundation has evaluated events and transactions for potential recognition or disclosure through May 16, 2023, the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE INVESTMENTS

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

	2022		
	Cost	Investment Income (Loss)	Fair Market Value
Fixed Income	\$ 2,358,504	\$ (323,839)	\$ 2,034,665
Equity	3,787,744	1,200,811	4,988,555
International Stock	947,263	(128,080)	819,183
Total	<u>\$ 7,093,511</u>	<u>\$ 748,892</u>	<u>\$ 7,842,403</u>
	2021		
	Cost	Investment Income	Fair Market Value
Fixed Income	\$ 2,335,577	\$ 32,133	\$ 2,367,710
Equity	3,678,901	2,414,898	6,093,799
International Stock	935,277	5,490	940,767
Total	<u>\$ 6,949,755</u>	<u>\$ 2,452,521</u>	<u>\$ 9,402,276</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
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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:

2022				
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 2,034,665	\$ -	\$ -	\$ 2,034,665
Equity	4,988,555	-	-	4,988,555
International Stock	819,183	-	-	819,183
Total	<u>\$ 7,842,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,842,403</u>
2021				
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 2,367,710	\$ -	\$ -	\$ 2,367,710
Equity	6,093,799	-	-	6,093,799
International Stock	940,767	-	-	940,767
Total	<u>\$ 9,402,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,402,276</u>

At December 31, 2022 and 2021, \$3,356,260 and \$4,211,628, 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
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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 \$3,356,260 and \$4,211,628 as of December 31, 2022 and 2021, respectively, and distributions during those years were \$176,888 and \$165,318, respectively.

NOTE 5 PAYCHECK PROTECTION PROGRAM

On February 3, 2021, the Foundation received proceeds in the amount of \$62,400 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan).

On October 8, 2021 the SBA processed the Foundation's PPP Loan forgiveness application related to the second PPP Loan. The SBA notified Washington Trust Bank the respective PPP Loan qualified for full forgiveness, and 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 of \$62,400 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, 2021.

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
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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, 2022 and 2021.

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
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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:

2022				
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 11,590	\$ -	\$ -	\$ 11,590
Donor-Restricted Endowment Funds	-	23,732	22,300	46,032
Total	<u>\$ 11,590</u>	<u>\$ 23,732</u>	<u>\$ 22,300</u>	<u>\$ 57,622</u>

2021				
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 11,590	\$ -	\$ -	\$ 11,590
Donor-Restricted Endowment Funds	-	32,889	22,300	55,189
Total	<u>\$ 11,590</u>	<u>\$ 32,889</u>	<u>\$ 22,300</u>	<u>\$ 66,779</u>

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

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

	2022			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Net Endowment Assets - December 31, 2021	\$ 11,590	\$ 32,889	\$ 22,300	\$ 66,779
Endowment Investment Return:				
Interest and Dividends, Net of Fees	-	854	-	854
Realized and Unrealized Loss	-	(10,011)	-	(10,011)
Net Endowment Assets - December 31, 2022	<u>\$ 11,590</u>	<u>\$ 23,732</u>	<u>\$ 22,300</u>	<u>\$ 57,622</u>
	2021			
	Without Donor Restrictions	Purpose Restrictions	Perpetual Restrictions	Total
Net Endowment Assets - December 31, 2020	\$ 11,590	\$ 27,163	\$ 22,300	\$ 61,053
Endowment Investment Return:				
Interest and Dividends Net of Fees	-	1,092	-	1,092
Realized and Unrealized Gain	-	4,634	-	4,634
Net Endowment Assets - December 31, 2021	<u>\$ 11,590</u>	<u>\$ 32,889</u>	<u>\$ 22,300</u>	<u>\$ 66,779</u>

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 SPECIAL EVENTS

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

2022							
	Golf Tournament and Auction	Hort Show Raffle	Hort Show Auction	Scholarship Luncheon	Year of the Apple	License Plate	Total
Revenues	\$ 217,363	\$ 24,050	\$ 21,924	\$ 83,300	\$ 21,011	\$ 31,026	\$ 398,674
Direct Expenses	56,309	659	4,702	62,482	2,728	2,272	129,152
Net Proceeds	161,054	23,391	17,222	20,818	18,283	28,754	269,522
Allocated Expenses	42,810	4,737	4,318	16,406	4,138	6,111	78,520
Net Proceeds After Allocated Expenses	<u>\$ 118,244</u>	<u>\$ 18,654</u>	<u>\$ 12,904</u>	<u>\$ 4,412</u>	<u>\$ 14,145</u>	<u>\$ 22,643</u>	<u>\$ 191,002</u>

2021							
	Golf Tournament and Auction	Hort Show Raffle	Hort Show Auction	Scholarship Luncheon	Year of the Apple	License Plate	Total
Revenues	\$ 199,229	\$ 24,975	\$ 23,459	\$ 90,750	\$ 21,000	\$ 27,205	\$ 386,618
Direct Expenses	54,283	351	8,277	63,635	3,726	2,309	132,581
Net Proceeds	144,946	24,624	15,182	27,115	17,274	24,896	254,037
Allocated Expenses	21,195	2,657	2,496	9,655	2,234	2,894	41,131
Net Proceeds After Allocated Expenses	<u>\$ 123,751</u>	<u>\$ 21,967</u>	<u>\$ 12,686</u>	<u>\$ 17,460</u>	<u>\$ 15,040</u>	<u>\$ 22,002</u>	<u>\$ 212,906</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 \$8,522 and \$7,919 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 OPERATING LEASE – ASC 840

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 year ended December 31, 2021 was \$16,337.

The Foundation leases office equipment with monthly payments of \$144, expiring in February 2023. The annual lease expense for the year ended December 31, 2021 was \$1,733.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 OPERATING LEASE – ASC 840 (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 12,447
2023	289
Total	<u>\$ 12,736</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following uses:

	<u>2022</u>	<u>2021</u>
Purpose and Time Restrictions - Scholarship Funds	\$ 4,154,539	\$ 4,977,129
Purpose and Time Restrictions - Endowment, Scholarship Funds	<u>23,732</u>	<u>32,889</u>
Total Purpose and Time Restrictions	4,178,271	5,010,018
Perpetual in Nature:		
Farmworker Endowment	13,250	13,250
WAEF Endowment	<u>9,050</u>	<u>9,050</u>
Total Perpetual in Nature	22,300	22,300
Total Net Assets with Donor Restrictions	<u>\$ 4,200,571</u>	<u>\$ 5,032,318</u>

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

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions:		
Purpose and Time Restrictions - Scholarship Funds	\$ 1,076,921	\$ 1,111,674
Total	<u>\$ 1,076,921</u>	<u>\$ 1,111,674</u>

NOTE 11 RELATED PARTY TRANSACTIONS

During 2022 and 2021, approximately \$236,000 and \$301,000, respectively, was contributed to the Foundation by board members and the related companies that they work for. These amounts represent approximately 20% and 19% of all contributions for the years ended December 31, 2022 and 2021, respectively.

WASHINGTON APPLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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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:

	2022	2021
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 282,468	\$ 563,623
Accounts Receivable	20,450	79,750
Investments	7,842,403	9,402,276
Total Financial Assets	8,145,321	10,045,649
Less: Amounts Not Available to be Used Within One Year:		
Investments Held for Others	(3,356,260)	(4,211,628)
Net Assets With Donor Restrictions	(4,200,571)	(5,032,318)
Total Amounts Not Available to be Used Within One Year	(7,556,831)	(9,243,946)
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 588,490</u>	<u>\$ 801,703</u>

