

**BLUE MOUNTAIN
COMMUNITY FOUNDATION**

Financial Statements

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Blue Mountain Community Foundation
Walla Walla, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blue Mountain Community Foundation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and 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 accompanying financial statements present fairly, in all material respects, the financial position of Blue Mountain Community Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Cordell, Fisher & Company, PLLC

Wenatchee, Washington
November 16, 2022



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Blue Mountain Community Foundation
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2022 and 2021

ASSETS		
	2022	2021
ASSETS		
Cash and cash equivalents [Notes 3 & 8]	\$ 3,480,295	\$ 2,871,222
Bequests and other receivables [Notes 2 & 11]	8,837	1,040,227
Notes receivable, net of allowance [Notes 4 & 6]	248,285	-
Investments [Notes 3, 5, 6, 7 & 8]	55,863,349	59,441,599
Prepaid expenses	5,721	7,698
Furniture and equipment, net of accumulated depreciation of \$15,603 and \$16,917, respectively	17,607	12,919
TOTAL ASSETS	\$ 59,624,094	\$ 63,373,665
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants and scholarships payable	\$ 582,146	\$ 595,237
Other liabilities	86,852	20,561
Deferred revenues	-	29,859
Funds held on behalf of others [Notes 6 & 7]	11,123,228	11,291,178
Split-interest agreements [Notes 6 & 8]	681,730	861,723
Total liabilities	12,473,956	12,798,558
NET ASSETS [Note 9]		
Without donor restrictions		
Administrative	680,949	598,941
Donor advised	164,711	235,259
Sustaining endowment	1,001,931	1,206,902
Discretionary	284,821	339,199
Field of interest	107,367	-
Total net assets without donor restrictions	2,239,779	2,380,301
With donor restrictions		
Sustaining endowment	95,615	117,199
Discretionary	1,526,445	1,132,451
Field of interest	6,712,767	8,171,364
Fiscal sponsorship	134,240	63,669
Donor advised	2,278,964	2,335,070
Scholarship	14,697,760	17,361,418
Designated	18,478,962	17,894,083
Split-interest [Note 8]	985,606	1,119,552
Total net assets with donor restrictions	44,910,359	48,194,806
Total net assets	47,150,138	50,575,107
TOTAL LIABILITIES AND NET ASSETS	\$ 59,624,094	\$ 63,373,665

See accompanying notes

Blue Mountain Community Foundation
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	2022		
	Without donor restrictions	With donor restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions of cash and other financial assets [Notes 9 & 11]	\$ 113,136	\$ 9,075,978	\$ 9,189,114
Contributions of nonfinancial assets [Note 10]	-	3,550,000	3,550,000
Investment return, net [Note 5]	(225,976)	(8,212,248)	(8,438,224)
Foundation administrative fee revenue	600,011	-	600,011
Other income (expense)	(15,482)	(209,669)	(225,151)
Net assets released from restriction	6,890,118	(6,890,118)	-
Subtotal	7,361,807	(2,686,057)	4,675,750
Less: Agency funds	-	(501,518)	(501,518)
Total support, revenue and reclassifications	7,361,807	(3,187,575)	4,174,232
EXPENSES			
Program services	7,887,406	-	7,887,406
Management and general	218,695	-	218,695
Fundraising	162,568	-	162,568
Subtotal	8,268,669	-	8,268,669
Less: Agency funds	(669,468)	-	(669,468)
Total expenses	7,599,201	-	7,599,201
CHANGE IN NET ASSETS	(237,394)	(3,187,575)	(3,424,969)
TRANSFERS BETWEEN FUNDS	96,872	(96,872)	-
NET ASSETS - BEGINNING OF YEAR	2,380,301	48,194,806	50,575,107
NET ASSETS - END OF YEAR	\$ 2,239,779	\$ 44,910,359	\$ 47,150,138

Blue Mountain Community Foundation
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended June 30, 2022 and 2021

	2021		
	Without donor restrictions	With donor restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions of cash and other financial assets [Notes 9 & 11]	\$ 184,892	\$ 10,203,043	\$ 10,387,935
Contributions of nonfinancial assets [Note 10]	-	-	-
Investment return, net [Note 5]	422,154	13,699,941	14,122,095
Foundation administrative fee revenue	509,459	-	509,459
Other income (expense)	(56)	(162,796)	(162,852)
Net assets released from restriction	8,198,051	(8,198,051)	-
Subtotal	9,314,500	15,542,137	24,856,637
Less: Agency funds	-	(3,111,319)	(3,111,319)
Total support, revenue and reclassifications	9,314,500	12,430,818	21,745,318
EXPENSES			
Program services	9,069,924	-	9,069,924
Management and general	171,174	-	171,174
Fundraising	133,751	-	133,751
Subtotal	9,374,849	-	9,374,849
Less: Agency funds	(547,366)	-	(547,366)
Total expenses	8,827,483	-	8,827,483
CHANGE IN NET ASSETS	487,017	12,430,818	12,917,835
TRANSFERS BETWEEN FUNDS	7,964	(7,964)	-
NET ASSETS - BEGINNING OF YEAR	1,885,320	35,771,952	37,657,272
NET ASSETS - END OF YEAR	\$ 2,380,301	\$ 48,194,806	\$ 50,575,107

Blue Mountain Community Foundation
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022			Total
	Program	Management and General	Fundraising	
Grants and scholarships	\$ 7,615,396	\$ -	\$ -	\$ 7,615,396
Salaries	147,438	116,039	102,707	366,184
Employee benefits [Note 14]	26,237	19,886	16,346	62,469
Professional and consulting fees	18,118	26,364	-	44,482
Office	18,629	10,438	12,568	41,635
Information technology	16,306	11,859	8,894	37,059
Occupancy [Note 13]	15,902	11,565	8,674	36,141
Payroll taxes	13,779	8,957	4,823	27,559
Conferences, conventions and meetings	6,545	4,760	3,570	14,875
Travel	3,920	2,850	2,138	8,908
Insurance	-	4,580	-	4,580
Depreciation	1,921	1,397	1,048	4,366
Advertising and promotion	1,800	-	1,800	3,600
Miscellaneous	1,415	-	-	1,415
Total expenses	<u>\$ 7,887,406</u>	<u>\$ 218,695</u>	<u>\$ 162,568</u>	<u>\$ 8,268,669</u>

	2021			Total
	Program	Management and General	Fundraising	
Grants and scholarships	\$ 8,840,444	\$ -	\$ -	\$ 8,840,444
Salaries	105,239	88,511	87,689	281,439
Employee benefits [Note 14]	18,931	14,698	12,679	46,308
Professional and consulting fees	42,292	24,579	-	66,871
Office	9,407	5,847	5,955	21,209
Information technology	15,189	11,046	8,285	34,520
Occupancy [Note 13]	15,563	11,319	8,489	35,371
Payroll taxes	12,300	7,995	4,305	24,600
Conferences, conventions and meetings	1,859	1,352	1,014	4,225
Travel	45	33	24	102
Insurance	-	4,995	-	4,995
Depreciation	1,098	799	599	2,496
Advertising and promotion	4,712	-	4,712	9,424
Miscellaneous	2,845	-	-	2,845
Total expenses	<u>\$ 9,069,924</u>	<u>\$ 171,174</u>	<u>\$ 133,751</u>	<u>\$ 9,374,849</u>

Blue Mountain Community Foundation
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants, fees and other income	\$ 7,914,013	\$ 9,592,063
Cash paid to award recipients, suppliers and employees	(8,433,313)	(9,481,973)
Net cash received from (paid to) agencies	1,657,160	(190,380)
Interest and dividends received	<u>1,109,332</u>	<u>1,013,951</u>
Net cash provided (used) by operating activities	2,247,192	933,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	32,874,595	13,101,530
Purchase of investments	(34,514,743)	(12,822,457)
Purchase of equipment	(9,054)	(9,639)
Principal received on note receivable	<u>11,083</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(1,638,119)</u>	<u>269,434</u>
CHANGE IN CASH	609,073	1,203,095
CASH - BEGINNING OF YEAR	<u>2,871,222</u>	<u>1,668,127</u>
CASH - END OF YEAR	<u>\$ 3,480,295</u>	<u>\$ 2,871,222</u>

Blue Mountain Community Foundation
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (3,424,969)	\$ 12,917,835
Noncash and nonoperating (income) expense		
(Gain) loss on sale of securities	(276,388)	(2,186,050)
Unrealized (gain) loss on securities	9,044,786	(11,530,194)
Change in value of split-interest agreements	(65,496)	224,501
Depreciation	4,366	2,496
Bad debt on bequests	-	9,000
Coronavirus aid and relief funding	-	(94,198)
Contribution of note receivable	(280,958)	-
Contributed nonfinancial assets	(3,550,000)	-
Change in allowance for uncollectibility of notes receivable	21,590	-
(Increase) decrease in operating assets		
Receivables	1,031,390	(984,655)
Prepaid expenses	1,977	(3,138)
Increase (decrease) in operating liabilities		
Grants and scholarships payable	(13,091)	94,786
Other liabilities	66,291	(2,271)
Deferred revenues	(29,859)	29,859
Funds held on behalf of others	(167,950)	2,563,953
Split-interest agreements	(114,497)	(108,263)
Net cash provided (used) by operating activities	<u>\$ 2,247,192</u>	<u>\$ 933,661</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 64,198</u>
Contribution of note receivable	<u>\$ 280,958</u>	<u>\$ -</u>
Contribution of farmland	<u>\$ 3,550,000</u>	<u>\$ -</u>

NOTE 1 - ORGANIZATION

Blue Mountain Community Foundation (the Foundation), a charitable organization under Internal Revenue Code (IRC) Section 501(c)(3), was established in 1984 and originally was known as the Blue Mountain Area Foundation. The Foundation's mission is to "be the catalyst that transforms the Blue Mountain region by growing generosity and connecting people, charitable causes, and community needs." Its primary service area is SE Washington and NE Oregon, the Blue Mountain region. The Foundation has grown by helping donors meet their charitable goals, creating permanent endowments that provide either ongoing support to charities or scholarships to local students, and generally helping to grow the local philanthropic sector. The Foundation is governed by a diverse Board of community leaders who serve without compensation, and pursues its mission with the help of over 80 volunteers on eight Board committees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under this method of accounting, support and revenue is recognized when earned and expenses are recognized when goods or services are received, whether or not paid.

B. Financial statement presentation

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Trustees.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

C. Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing fundraising and grant-making efforts and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Cash and cash equivalents

For purposes of the statements of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash. Cash and short-term investments held with brokers or in investment pools are considered to be investments.

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses on such accounts. The Foundation believes it is not exposed to any significant credit risk with respect to cash.

E. Bequests

Bequests are recorded as contribution revenue when the Foundation is notified of its beneficiary status, the bequest becomes irrevocable, and the Foundation's interest can be estimated. If the value of the Foundation's interest cannot be estimated, contribution revenue is recognized when distributions are received. Bequests expected to be received within one year or less were \$0 and \$1,000,000 as of June 30, 2022 and 2021, respectively, and were reflected in receivables in the statements of financial position at year end.

F. Investments

Investments are recorded at fair value and are generally held in custodial investment accounts administered by certain financial institutions. See Note 6 for information on fair value measurements.

Investments are made according to the investment policy adopted by the Board of Trustees. The policy provides guidelines 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 investment management and consulting.

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

Investments in general are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

G. Furniture and equipment

The Foundation capitalizes all furniture and equipment in excess of \$1,500. Purchases are recorded at cost and donated property is recorded at fair value at the time it is received. Assets are depreciated by the straight-line method over estimated useful lives of three to ten years. Depreciation expense was \$4,366 and \$2,496 for the years ended June 30, 2022 and 2021, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Donated investments

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

I. Contributed nonfinancial assets

Contributed nonfinancial assets consist primarily of outside services provided by an expansive volunteer base. They are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Foundation receives services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities and changes in net assets for these activities because the criteria for recognition have not been satisfied.

From time to time, the Foundation may receive other contributed nonfinancial assets, such as property and equipment. These contributions are recorded at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

J. Revenue recognition

The Foundation's primary sources of income are contributions from the general public, earnings on investments, and administrative fees charged to the funds it services. Contributions are accounted for under ASC Subtopic 658-605, Not-for-Profit Entities: Revenue Recognition (ASC 958-605), recognizing revenue at the time of the gift if no donor restriction or barriers to the conditional receipt of a grant have been established in their underlying agreements, or over the course of time as barriers are overcome or donor restrictions have been satisfied if those conditions have been established.

Administrative fees are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. The Foundation has analyzed the provisions of ASC 606 and has concluded that no changes were necessary to conform to the new standard.

Investment income consists of interest, dividends, and realized and unrealized gains and losses on investment holdings. These revenues are recorded when earned or incurred.

K. Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services that benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. Functional expenses - continued

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

L. Grants

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

The Board of Trustees has endorsed a "total return" concept with respect to the fund investments and grants. In compliance with that approach, the Board of Trustees reviews and establishes a "spending policy rate." The rate for the years ended June 30, 2022 and 2021 was 4.5 percent. To calculate the amount available for grants from endowed funds, the rate was multiplied by the endowment fund balance's twelve-quarter rolling average.

M. Fundraising and promotion

Fundraising and promotion costs are expensed as incurred. For the years ended June 30, 2022 and 2021, the Foundation recognized fundraising and promotion expenses of \$162,568 and \$133,751, respectively.

N. Advertising

The Foundation expenses advertising costs as incurred or the first time the advertising takes place. For the years ended June 30, 2022 and 2021, the Foundation recognized advertising expenses of \$0 and \$8,678, respectively.

O. Transfers between funds

Transfers between funds represents amounts that have been gifted (granted) from one fund to another due to donor requests or for reimbursements of expenditures.

P. Federal tax status

The Foundation operates as a tax exempt organization under Section 501(c)(3) of the IRC; therefore, no provision for Federal income tax is presented. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

P. Federal tax status - continued

The Foundation has adopted the provisions of FASB ASC 740-10. Management has evaluated the Foundation's tax positions and concluded the Foundation has taken no uncertain tax positions requiring adjustment to the financial statements to comply with these provisions. With few exceptions, the Foundation is no longer subject to income tax examinations by U.S. Federal tax authorities for the years before 2018, which is the standard statute of limitations look-back period.

Q. Concentrations of credit risk

Management anticipates no material effect to the Foundation's financial position as a result of cash, mutual funds, and investments held in banks in excess of the available federally insured amounts.

R. Concentration of agency funds

For the years ended June 30, 2022 and 2021, approximately 34% and 24%, respectively, of the Foundation's agency funds are from three organizations.

S. Statements of cash flows

Cash receipts resulting from the sale of donated financial assets that were converted nearly immediately into cash are classified as operating cash flows.

T. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the 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.

U. New accounting pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in order to increase the transparency of contributed nonfinancial assets. Contributed nonfinancial assets include donated fixed assets, materials, supplies, donated use of fixed assets, intangible assets, gifts-in-kind (contributed services) and any unconditional promises of those assets. The Foundation has adopted the provisions of this ASU and has adjusted the presentations of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The following table represents the Foundation's financial assets at June 30, 2022 and 2021 that are available to meet cash needs for operating expenditures within one year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,439,434	\$ 2,791,008
Long-term investments made available for current use	<u>6,649,501</u>	<u>6,563,595</u>
Financial assets available to meet grant, scholarship, and other expenditures within one year	<u>\$ 10,088,935</u>	<u>\$ 9,354,603</u>

As part of the Foundation's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The amounts reflected above in cash and cash equivalents are available for the Foundation's general expenditures, liabilities and other obligations, as well as for grant and scholarship awards from grant-making funds. Included in long-term investments made available for current use is \$5,217,046 and \$4,786,669 as of June 30, 2022 and 2021, respectively, also available for the Foundation's general expenditures, liabilities, and other obligations, as well as for grant and scholarship awards from non-endowed grant-making funds.

As described in Note 2, the Foundation's endowed funds are subject to an annual spending rate of 4.5 percent. A spendable amount of \$1,432,455 will be made available for grant-making from these funds during 2022-2023. A spendable amount of \$1,776,926 was made available for grant-making from these funds during 2021-2022.

An Operating Reserves fund was created by the Board of Trustees in 2019. Any surpluses in the Administrative Operating fund will be transferred to the reserve account at fiscal year end. The minimum amount set by the Board of Trustees to maintain is six months of the operating budget, with a target equal to one year of administrative operating expenses. Cash and cash equivalents includes \$387,980 in Operating Reserves.

Endowed funds consist of donor-restricted endowments and board-designated endowments. Amounts held in donor-restricted endowments for a specific purpose are not available for general expenditure.

NOTE 4 - NOTES RECEIVABLE

	<u>2022</u>	<u>2021</u>
A note receivable from a private party, secured by real property located in Milton-Freewater, Oregon, is due in monthly installments of \$3,120, including interest at 5.5%. The note is due in July 2031.	\$ 269,875	\$ -
Allowance for uncollectibility	<u>(21,590)</u>	<u>-</u>
Total notes receivable	<u>\$ 248,285</u>	<u>\$ -</u>

A summary of expected future principal payments on the notes receivable is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 23,179
2024	24,487
2025	25,868
2026	27,327
2027	28,868
Thereafter	<u>140,146</u>
	269,875
Less allowance for uncollectibility	<u>(21,590)</u>
	<u>\$ 248,285</u>

The Foundation does not actively seek notes receivable as an investment strategy, but accepts donated notes if they appear economically sound when offered. Interest on notes receivable is recognized over the term of the note and is calculated using the simple-interest method on the principal outstanding.

NOTE 5 - INVESTMENT RETURN

Investments are carried at estimated fair value on the statements of financial position. Equity, fixed income, and money market pooled endowment funds with readily determinable fair value are reported at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair value at the date of donation.

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

NOTE 5 - INVESTMENT RETURN - continued

Returns on investments for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,109,332	\$ 1,013,951
Realized gain (loss) on investments	276,388	2,186,050
Unrealized gain (loss) on investments	(9,044,786)	11,530,194
Investment expenses	<u>(779,158)</u>	<u>(608,100)</u>
Subtotal	(8,438,224)	14,122,095
Less: Agency funds	<u>1,825,106</u>	<u>(2,754,383)</u>
Total	<u>\$ (6,613,118)</u>	<u>\$ 11,367,712</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

U.S. GAAP requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. U.S. GAAP uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. All of the Foundation's Level 1 assets have been valued using a market approach. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Foundation does not have any financial liabilities classified as Level 1.

Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. The Foundation does not have any financial assets and liabilities classified as Level 2.

NOTE 6 - FAIR VALUE MEASUREMENTS - continued

Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable. The Foundation's Level 3 financial assets and liabilities were valued as follows:

- a. Real estate - this financial asset is valued using the market approach based on comparable assets as provided by a third party custodian and other methods management considers appropriate based upon economic conditions.
- b. Funds held on behalf of others - this financial liability is valued using the market approach and calculated by determining the sum of the average percentage share of each agency's fund balance, or net asset value, in the Foundation's pooled investments.
- c. Split-interest agreements - this financial liability is valued using the income approach and calculated by determining the sum of each CRTs present value of its future cash flows. The present value of each CRT is determined using a risk free rate and life expectancy (evaluated each year) and the anticipated cash flow. The risk free rate is generally calculated using the U.S. Treasury rates for a similar period of time. The life expectancy is generally determined using the Internal Revenue Service's (IRS) mortality tables (or other tables) for the appropriate terms of the agreement. Cash flows are generally based on the appropriate percentage of the fair value of the trust assets held at the Foundation's fiscal year end.

Quantitative information about the Foundation's split-interest agreements at June 30, 2022 and 2021 is as follows:

Valuation techniques	Unobservable input	Range (Weighted average)
Discounted cash flow	Discount rates	5% to 7%
	Life expectancy	4 to 15 years

NOTE 6 - FAIR VALUE MEASUREMENTS - continued

There were no transfers between Level 1, 2 and 3 financial assets and liabilities and no changes in valuation techniques during the years ended June 30, 2022 and 2021.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 and 2021, were as follows:

	Fair Value Measurements at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Equities				
US large/mid cap funds	\$ 26,126,668	\$ -	\$ -	\$ 26,126,668
US small cap funds	3,235,124	-	-	3,235,124
International funds	8,403,097	-	-	8,403,097
World allocation funds	-	-	-	-
Fixed income				
Bond funds	8,790,869	-	-	8,790,869
Certificates of deposit	58,739	-	-	58,739
Alternative assets				
Diversifying strategies	-	-	-	-
Cash and cash equivalents				
Money market funds	2,481,111	-	-	2,481,111
Real asset funds	656,529	-	-	656,529
Real estate	-	-	5,011,030	5,011,030
Total assets in fair value hierarchy	<u>\$ 49,752,137</u>	<u>\$ -</u>	<u>\$ 5,011,030</u>	54,763,167
Alternative investments measured at NAV practical expedient				<u>1,100,182</u>
Total investments				<u>\$ 55,863,349</u>
Notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,875</u>	<u>\$ 269,875</u>
Liabilities				
Agency obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,123,228</u>	<u>\$ 11,123,228</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,730</u>	<u>\$ 681,730</u>

NOTE 6 - FAIR VALUE MEASUREMENTS - continued

	Fair Value Measurements at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Equities				
US large/mid cap funds	\$ 29,960,733	\$ -	\$ -	\$ 29,960,733
US small cap funds	3,529,402	-	-	3,529,402
International funds	12,643,369	-	-	12,643,369
World allocation funds	848,772	-	-	848,772
Fixed income				
Bond funds	5,971,930	-	-	5,971,930
Certificates of deposit	61,851	-	-	61,851
Alternative assets				
Diversifying strategies	278,530	-	-	278,530
Cash and cash equivalents				
Money market funds	324,296	-	-	324,296
Real asset funds	3,459,285	-	-	3,459,285
Real estate	-	-	1,362,820	1,362,820
Total assets in fair value hierarchy	<u>\$ 57,078,168</u>	<u>\$ -</u>	<u>\$ 1,362,820</u>	58,440,988
Alternative investments measured at NAV practical expedient				<u>1,000,611</u>
Total investments				<u>\$ 59,441,599</u>
Notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Agency obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,291,178</u>	<u>\$ 11,291,178</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,723</u>	<u>\$ 861,723</u>

There were no assets or liabilities measured on a non-recurring basis as of June 30, 2022 and 2021.

NOTE 6 - FAIR VALUE MEASUREMENTS - continued

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) for the years ended June 30, 2022 and 2021, were as follows:

	Reconciliation of level 3 assets and liabilities for the years		
	Non-marketable investments	Funds held on behalf of others	Split-interest agreements
Balance at July 1, 2020	\$ 1,296,170	\$ 8,727,225	\$ 745,485
Receipts	-	356,986	-
Interest and dividends	-	182,979	-
Total realized and unrealized gain (loss)	66,650	2,672,017	-
Actuarial adjustment	-	-	224,501
Other income (expense)	-	(50)	-
Purchases	-	-	-
Sales	-	-	-
Distributions	-	(547,366)	(108,263)
Fees	-	(100,613)	-
Balance at June 30, 2021	1,362,820	11,291,178	861,723
Receipts	3,550,000	2,326,628	-
Interest and dividends	-	228,806	-
Total realized and unrealized gain (loss)	98,210	(1,901,847)	-
Actuarial adjustment	-	-	(65,496)
Other income (expense)	-	(4)	-
Purchases	-	-	-
Sales	-	-	-
Distributions	-	(669,468)	(114,497)
Fees	-	(152,065)	-
Balance at June 30, 2022	<u>\$ 5,011,030</u>	<u>\$ 11,123,228</u>	<u>\$ 681,730</u>

NOTE 6 - FAIR VALUE MEASUREMENTS - continued

ASC Topic 820 requires additional disclosures for investments valued at net asset value to enable users of financial statements to understand the nature and risks of those investments. At June 30, 2022 and 2021, the Foundation's investments valued at net asset value were as follows:

	<u>Fair value at June 30, 2022</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Unit investment trusts	\$ 642,180	\$ -	Daily	None
Private equity limited partnerships	296,419	2,951,875	Not permitted	N/A
Hedge fund limited partnerships	161,583	1,200,000	Quarterly	95 days
Limited liability company shares	-	-	Quarterly	Compulsory
	<u>\$ 1,100,182</u>	<u>\$ 4,151,875</u>		
	<u>Fair value at June 30, 2021</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Limited liability company shares	<u>\$ 1,000,611</u>	<u>\$ -</u>	Quarterly	Compulsory

Investments in unit investment trusts (UITs) seek to track the results of a fully collateralized investment in futures contracts on an index composed of a diversified group of commodities futures.

Holdings in private equity limited partnerships are comprised of investments in several funds which purchase positions in mature private equity funds and seek to have exposure to more than 20 different funds and over 200 underlying private company investments.

Investments in hedge fund limited partnerships seek to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment vehicles and engaging in a broad array of trading and investment strategies, in an effort to hedge against market volatility.

Holdings in limited liability company shares are comprised of an investment in one fund which seeks to generate attractive risk-adjusted returns for their members, consisting of both current income and long-term capital appreciation, by acquiring and financing the construction and/or operation of income-generating renewable energy, energy efficiency and sustainable development projects, primarily within, but also outside of, North America. As of June 30, 2022, all shares in this fund previously held by the Foundation have been redeemed.

NOTE 7 - FUNDS HELD ON BEHALF OF OTHERS

A not-for-profit organization may establish a fund at the Foundation with its own resources and specify itself as the beneficiary of that fund. The Foundation refers to such funds as agency funds. In accordance with U.S. GAAP, the Foundation accounts for the transfer of such assets as a liability.

NOTE 7 - FUNDS HELD ON BEHALF OF OTHERS - continued

At June 30, 2022 and 2021, the Foundation has agency funds with a combined fair value of \$11,123,228 and \$11,291,178, respectively. All financial activity for the years then ended related to these funds is segregated on the statements of activities and changes in net assets and has been included in the funds held on behalf of others liability on the statements of financial position.

NOTE 8 - SPLIT-INTEREST AGREEMENTS

Under the Foundation's CRT program, a donor establishes and funds a trust with specified distributions to be made to the donor and/or other beneficiaries over the trust's term. The Foundation will receive the amounts remaining in the CRT at the end of the trust's stated term.

Upon formation of an irrevocable CRT when the Foundation is the trustee, the fair value of the trust assets received are recorded as an asset, the net present value of the actuarially determined charitable interest is recorded as a contribution, and the difference is recorded as a liability. Subsequently, changes in the fair value and changes in the estimated liability are recognized in the statements of activities and changes in net assets.

Included in cash and investments at June 30, 2022 and 2021, are CRTs with a fair value of \$1,668,836 and \$1,981,275, respectively, and a corresponding liability of \$681,730 and \$861,723, respectively.

NOTE 9 - CONTRIBUTIONS

Donations, gifts, and bequests are recorded as contributions to the appropriate program funds at fair value. These contributions are maintained in the funds until expended as grants, in accordance with the Board of Trustees' authorization.

A description of each of the Foundation fund types follows:

Administrative - The administrative fund is the operational account of the Foundation. Administrative fee revenue is booked to this fund as are interest income, outright gifts, and grants received from sustaining endowment funds.

Agency - An agency fund may be established by a 501(c)(3) nonprofit entity at the Foundation for the entity's own benefit. That is, the donor and the beneficiary organization are the same entity.

Designated - Designated funds benefit one or more charitable organizations identified by the donor at the time of the creation of the fund. The beneficiaries receive a distribution from the fund at least annually.

NOTE 9 - CONTRIBUTIONS - continued

Discretionary - Discretionary funds broadly support the well-being and vitality of the Blue Mountain area and its residents. Grants from these funds are made to qualified organizations through the Foundation's discretionary grant-making program.

Donor Advised - These are funds that meet the legal definition of a donor advised fund, which includes three characteristics:

- It must be separately identified with reference to the contribution of a donor or donors.
- It must be owned and controlled by a sponsoring organization.
- The donor or a person appointed by the donor must have, or reasonably expect to have, the privilege of providing advice with respect to the fund's investments or distributions.

Field of Interest - Donors who feel strongly about a particular cause or a particular geographical area, but do not wish to take an active role in grant-making through a donor advised fund, may choose to establish a field of interest fund. This type of fund allows the founder to identify and support a charitable purpose (e.g., alleviation of poverty, historic preservation, etc.), a category of interest (e.g., arts, education, human services, etc.) and/or a geographic area. Grants are either made through the Foundation's discretionary grant-making program or through a separate grant-making process managed by the Foundation.

Fiscal Sponsorship - Fiscal sponsorships are funds set up to provide fiscal and program sponsorships for charitable projects for organizations without an IRS determination letter and community groups planning a specific short-term project that is clearly charitable in nature. Program sponsorship services include the provision of non-profit status to the project (thus making contributions tax-deductible), acknowledging and managing contributions and the authorization and payment of grants and expenses from the fund. Program sponsor services do not include fundraising support or financial support from the Foundation.

Scholarship - Scholarship funds are established by donors who wish to support the educational pursuits of individuals. The Foundation administers each fund within the tax laws regarding scholarship grants, publicizes the scholarship's availability, chooses scholarship recipients, and distributes the scholarship grants. The Foundation also can establish selection criteria. In some cases, outside committees recommend scholarship recipients to the Board of Trustees.

Split-Interest - Split-Interest gifts are any type of instrument where the Foundation and a beneficiary benefit from the gift assets. Specifically, the Foundation is trustee of several Charitable Remainder Trusts (CRT). CRTs are gifts that benefit the donor or another party chosen by the donor for a limited period of time, with the remainder to become a fund at the Foundation after a certain time or triggering event. The Foundation administers each CRT according to its governing agreement, issues distributions to beneficiaries on a set schedule and files an annual tax return for each CRT.

Sustaining Endowment - Sustaining endowment funds are those from which grants solely benefit the Foundation's operations.

NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included farmland located in Columbia County, Washington totaling \$3,550,000 and \$0, respectively. It is the Foundation's intent to retain the farmland in perpetuity in accordance with the donor-imposed restriction and to operate it as leased farm property. Profits from the operations of the farm will benefit the school and hospital districts of the town of Dayton, Washington. The value of the contributed farmland was determined based on a fee simple uniform agricultural appraisal report obtained by the Foundation prior to the receipt of the gift.

NOTE 11 - CORONAVIRUS AID AND RELIEF FUNDING

On April 30, 2020, the Foundation received a loan of \$64,198 from Baker Boyer Bank pursuant to the Paycheck Protection Program (PPP), which is a federal program intended to mitigate the economic impact of the COVID-19 pandemic. The loan was guaranteed by the U.S. Small Business Administration and carried a stated interest rate of 1%. The loan term was two years from inception, with interest payments starting on the seventh month following origination. However, the loan was eligible for forgiveness if the loan proceeds were used to subsidize payroll and certain occupancy costs of the Foundation. The loan was formally forgiven in full in March 2021 and recognized as contribution revenue in the statements of activities and changes in net assets for the year ended June 30, 2021.

In addition to the PPP loan received, the Foundation also claimed the Employee Retention Tax Credit (ERTC) totaling approximately \$24,000 for the year ended June 30, 2021. The ERTC was a refundable credit taken against payroll taxes for organizations that experienced either a full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to the COVID-19 pandemic. The Foundation recorded a \$24,000 decrease in wage expense in the statements of functional expenses, per IRS guidance, for the reflection of this credit. This amount is also reflected in receivables at June 30, 2021 in the statements of financial position.

NOTE 12 - ENDOWMENTS

The Foundation's endowment funds consist of funds established for a variety of purposes. The Foundation considers a fund that was established to provide ongoing support for charitable purposes to be an endowment fund. Its endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In the absence of donor restrictions, the Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA). UPMIFA abolishes the historic dollar value and allows the Foundation to spend as much of an endowment fund as it determines to be prudent, regardless of whether the fund value is below its historic dollar value.

NOTE 12 - ENDOWMENTS - continued

As of June 30, 2022 and 2021, endowment net assets consisted of the following:

	Endowment net assets at June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ -	\$ 43,924,753	\$ 43,924,753
Board designated quasi-endowment funds	1,394,119	-	1,394,119
Endowment net assets	<u>\$ 1,394,119</u>	<u>\$ 43,924,753</u>	<u>\$ 45,318,872</u>

	Endowment net assets at June 30, 2021		
	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ -	\$ 47,075,254	\$ 47,075,254
Board designated quasi-endowment funds	1,546,101	-	1,546,101
Endowment net assets	<u>\$ 1,546,101</u>	<u>\$ 47,075,254</u>	<u>\$ 48,621,355</u>

NOTE 12 - ENDOWMENTS - continued

Changes to endowment net assets for the years ended June 30, 2022 and 2021, were as follows:

	Changes to endowment net assets for the years ended June 30, 2022 and 2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2020	\$ 1,219,099	\$ 34,858,574	\$ 36,077,673
Endowment investment return			
Interest and dividends, net of fees	12,323	280,302	292,625
Realized and unrealized gain (loss)	364,934	10,232,581	10,597,515
Other investment income (expense)	(53)	63,755	63,702
Total endowment investment return	377,204	10,576,638	10,953,842
Contributions	43,600	9,846,057	9,889,657
Appropriated for expenditure	(45,937)	(8,198,051)	(8,243,988)
Net transfers to (from) endowments	(47,865)	(7,964)	(55,829)
Endowment net assets, June 30, 2021	1,546,101	47,075,254	48,621,355
Endowment investment return			
Interest and dividends, net of fees	8,224	205,991	214,215
Realized and unrealized gain (loss)	(225,022)	(6,395,145)	(6,620,167)
Other investment income (expense)	(20,054)	(267,311)	(287,365)
Total endowment investment return	(236,852)	(6,456,465)	(6,693,317)
Contributions	73,818	10,300,455	10,374,273
Appropriated for expenditure	(23,260)	(6,890,118)	(6,913,378)
Net transfers to (from) endowments	34,312	(104,373)	(70,061)
Endowment net assets, June 30, 2022	\$ 1,394,119	\$ 43,924,753	\$ 45,318,872

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 Trustees, 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. The Foundation expects its endowment funds, on average over the next ten years, to provide a model return of approximately 6.5 percent annually. Actual returns in any given year may vary from these amounts.

NOTE 12 - ENDOWMENTS - continued

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy for distributions from endowment funds was 4.5 percent for the years ended June 30, 2022 and 2021. The spending budget is calculated based on a twelve-quarter rolling average of the market value of the endowed portion of each fund, ending June 30 of the current fiscal year. Over the long term, the Foundation's goal is to use a spending rate that allows its endowment funds to grow at a rate that approaches the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of its endowment assets held in perpetuity. The complete spending policy is available on the Foundation's website.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value as referenced in UPMIFA. The total dollar amount of deficiencies of this nature were \$5,634,464 and \$4,724,039 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

Funds with deficiencies are held in net assets with donor restrictions as follows:

	2022	2021
Fair value of funds with deficiencies	\$ 26,734,684	\$ 21,682,656
Original endowment gift amount	32,369,148	26,406,695
Total funds with deficiencies	<u>\$ (5,634,464)</u>	<u>\$ (4,724,039)</u>

NOTE 13 - OPERATING LEASES

In February 2013, the Foundation relocated and signed a five-year operating lease agreement which commenced May 1, 2013. In October 2017, the Foundation renewed the five year operating lease agreement which commenced May 1, 2018 and currently requires monthly base rent payments of \$1,890.

In addition to base rent, the Foundation is responsible for a proportionate share of the building's operating expenses estimated on the basis of leased square footage during the lease term. Currently the proportionate share of operating expenses is \$611 per month with annual escalations limited to the lower of actual expenses or 4 percent.

Rent expense was \$30,088 and \$29,144 for the years ending June 30, 2022 and 2021, respectively.

NOTE 13 - OPERATING LEASES - continued

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 26,761

NOTE 14 - RETIREMENT PLAN

The Foundation adopted a 403(b) retirement plan in June 2003. 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 contributes 5 percent of an eligible employee's compensation to the plan. Foundation contributions were \$16,905 and \$14,965 for 2022 and 2021, respectively.

NOTE 15 - RELATED PARTY TRANSACTIONS

Blue Mountain Community Foundation serves a small geographic area in which trustee relationships can overlap vendor and grantee relationships of the Foundation. The Foundation may purchase services from businesses and receive grants from or make grants to various agencies in the area in which Foundation trustees or employees have an ownership, are board members, or have other relationships. The Foundation takes conflicts of interest seriously and trustees disclose any vendor or grantee relationships. Further, trustees recuse themselves from voting on issues regarding related parties.

NOTE 16 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 16, 2022 the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees
Blue Mountain Community Foundation
Walla Walla, Washington

We have audited the financial statements of Blue Mountain Community Foundation as of and for the years ended June 30, 2022 and 2021, and our report thereon dated November 16, 2022, which contained an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information on pages 29-30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CordeLL, Neher & Company, PLLC

Wenatchee, Washington
November 16, 2022

Blue Mountain Community Foundation
 SCHEDULES OF OPERATING EXPENSES
 For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING EXPENSES		
Salaries	\$ 366,184	\$ 281,439
Employee benefits and payroll taxes	90,028	70,908
Information technology	34,425	31,931
Occupancy	32,282	30,835
Professional and consulting fees	28,649	24,845
Office	20,557	7,048
Recruitment	15,833	42,026
Printing and publications	10,587	3,623
Travel	8,908	102
Conference fees	8,594	2,052
Small equipment purchases and repairs	6,492	7,124
Meetings	6,282	2,174
Insurance	4,580	4,995
Depreciation	4,366	2,496
Postage	3,999	3,742
Public relations	3,600	745
Dues and subscriptions	3,431	3,361
Telecommunications	2,320	3,111
Advertising and promotion	-	8,678
Miscellaneous	2,156	3,170
	<u>2,156</u>	<u>3,170</u>
Total operating expenses	<u>\$ 653,273</u>	<u>\$ 534,405</u>

Blue Mountain Community Foundation
SCHEDULE OF FUND TYPES
For the Year Ended June 30, 2022

	<u>Administrative</u>	<u>Sustaining Endowments</u>	<u>Discretionary</u>	<u>Field of Interest</u>	<u>Fiscal Sponsorship</u>	<u>Donor Advised</u>	<u>Scholarship</u>	<u>Designated</u>	<u>Agency</u>	<u>Split-Interest</u>
NUMBER OF FUNDS	2	15	8	40	4	24	84	99	86	5
SUPPORT AND REVENUE										
Contributions	\$ 39,318	\$ 2,818	\$ 49,800	\$ 449,044	\$ 331,747	\$ 945,373	\$ 382,746	\$ 8,211,594	\$ 2,326,628	\$ 46
Investment activity										
Interest and dividends	14,728	24,640	21,416	149,663	32	52,062	317,021	276,377	228,806	24,587
Gain (loss) on sale of securities	-	4,702	16,869	49,730	-	3,081	55,517	77,471	(17,094)	86,112
Unrealized gain (loss) on securities	(286)	(204,121)	(173,094)	(1,238,244)	-	(417,406)	(2,571,421)	(2,246,578)	(1,884,753)	(308,883)
Administrative and investment management fees	(23)	(17,479)	(16,675)	(101,286)	(16,774)	(33,152)	(235,790)	(206,110)	(152,065)	196
Total investment activity	14,419	(192,258)	(151,484)	(1,140,137)	(16,742)	(395,415)	(2,434,673)	(2,098,840)	(1,825,106)	(197,988)
Other income (expense)										
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	65,496
Administrative fee revenue	600,011	-	-	-	-	-	-	-	-	-
Other income (expense)	4,573	-	(1,425)	(24,151)	(224,697)	(22,744)	(376)	(20,323)	(4)	(1,500)
Total other income (expense)	604,584	-	(1,425)	(24,151)	(224,697)	(22,744)	(376)	(20,323)	(4)	63,996
Total support and revenue	658,321	(189,440)	(103,109)	(715,244)	90,308	527,214	(2,052,303)	6,092,431	501,518	(133,946)
GIFTS (GRANTS) BETWEEN FUNDS	76,960	(37,115)	493,135	(116,517)	104,731	(369,721)	166,673	(318,146)	-	-
EXPENSES										
Grants and scholarships	-	-	50,410	519,469	124,468	284,147	778,028	5,189,406	669,468	-
Operating expenses	653,273	-	-	-	-	-	-	-	-	-
Total expenses	653,273	-	50,410	519,469	124,468	284,147	778,028	5,189,406	669,468	-
CHANGE IN FUND BALANCE	82,008	(226,555)	339,616	(1,351,230)	70,571	(126,654)	(2,663,658)	584,879	(167,950)	(133,946)
BEGINNING FUND BALANCE	598,941	1,324,101	1,471,650	8,171,364	63,669	2,570,329	17,361,418	17,894,083	11,291,178	1,119,552
ENDING FUND BALANCE	\$ 680,949	\$ 1,097,546	\$ 1,811,266	\$ 6,820,134	\$ 134,240	\$ 2,443,675	\$ 14,697,760	\$ 18,478,962	\$ 11,123,228	\$ 985,606