



For the Year Ended June 30, 2022

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## Independent Auditor's Report

**To the Board of Directors  
IslandWood  
Bainbridge Island, Washington**

### Opinion

We have audited the financial statements of IslandWood, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 IslandWood as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IslandWood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Report on Summarized Comparative Information

We have previously audited IslandWood's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.



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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 IslandWood’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor’s Responsibilities 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 IslandWood’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 IslandWood’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.

A handwritten signature in cursive script that reads "Clark Nuber P.S.".

Certified Public Accountants  
October 20, 2022

## **FINANCIAL STATEMENTS**

**ISLANDWOOD**

**Statement of Financial Position**

**June 30, 2022**

**(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 941,582	\$ 888,356
Accounts receivable	323,452	51,716
Pledges receivable, current (Note 5)	914,419	616,295
Prepaid expenses	239,062	244,056
Other assets	<u>98,711</u>	<u>104,325</u>
<b>Total Current Assets</b>	<b>2,517,226</b>	<b>1,904,748</b>
Long-term receivables (Note 2)	108,297	104,151
Investments (Note 3)	17,853,433	20,729,098
Long-term pledges receivable, net (Note 5)	690,734	984,663
Property and equipment, net (Note 6)	<u>28,204,391</u>	<u>29,127,663</u>
<b>Total Assets</b>	<b><u>\$ 49,374,081</u></b>	<b><u>\$ 52,850,323</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 199,908	\$ 99,324
Accrued expenses	468,205	173,746
Deferred revenue	1,231,839	913,468
Current portion of Paycheck Protection Program loan (Note 11)		<u>47,011</u>
<b>Total Current Liabilities</b>	<b>1,899,952</b>	<b>1,233,549</b>
Paycheck Protection Program loan, net of current portion (Note 11)		<u>1,010,734</u>
<b>Total Liabilities</b>	<b>1,899,952</b>	<b>2,244,283</b>
<b>Net Assets:</b>		
Without donor restrictions	27,504,986	28,268,667
With donor restrictions	<u>19,969,143</u>	<u>22,337,373</u>
<b>Total Net Assets</b>	<b><u>47,474,129</u></b>	<b><u>50,606,040</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 49,374,081</u></b>	<b><u>\$ 52,850,323</u></b>

See accompanying notes.

ISLANDWOOD

Statement of Activities  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Operating Activities</b>				
<b>Support and Revenue:</b>				
Contributions	\$ 1,181,526	\$ 593,375	\$ 1,774,901	\$ 1,768,979
Program service fees	3,954,015		3,954,015	1,200,486
Investment return	81	(2,125,644)	(2,125,563)	4,377,332
In-kind contributions	110,596		110,596	89,515
Fundraising events, net	497,428	100,000	597,428	460,679
Government COVID-relief funding	1,146,348		1,146,348	1,401,404
Other revenue	111,022		111,022	54,099
	<u>7,001,016</u>	<u>(1,432,269)</u>	<u>5,568,747</u>	<u>9,352,494</u>
Endowment spending release	803,461	(803,461)		
Contributions release	457,500	(457,500)		
	<u>8,261,977</u>	<u>(2,693,230)</u>	<u>5,568,747</u>	<u>9,352,494</u>
<b>Total Support and Revenue</b>				
<b>Expenses:</b>				
Program services-				
Education programs	3,507,461		3,507,461	2,333,932
Educational conferences and community programs	<u>2,726,657</u>		<u>2,726,657</u>	<u>1,332,386</u>
Total program services	6,234,118		6,234,118	3,666,318
Supporting services-				
Management and general	770,997		770,997	776,330
Fundraising	<u>967,394</u>		<u>967,394</u>	<u>729,063</u>
Total supporting services	<u>1,738,391</u>		<u>1,738,391</u>	<u>1,505,393</u>
<b>Total Operating Expenses Before Depreciation</b>	<u>7,972,509</u>		<u>7,972,509</u>	<u>5,171,711</u>
<b>Operating Income (Loss) Before Depreciation</b>	<b>289,468</b>	<b>(2,693,230)</b>	<b>(2,403,762)</b>	<b>4,180,783</b>
Depreciation	<u>1,053,149</u>		<u>1,053,149</u>	<u>1,059,748</u>
<b>Operating Income (Loss)</b>	<b>(763,681)</b>	<b>(2,693,230)</b>	<b>(3,456,911)</b>	<b>3,121,035</b>

See accompanying notes.

ISLANDWOOD

Statement of Activities (Continued)  
 For the Year Ended June 30, 2022  
 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Nonoperating Activities</b>				
Capital contributions		325,000	325,000	
Loss on disposal of fixed assets				(168,381)
<b>Change in Net Assets - Nonoperating</b>		<b>325,000</b>	<b>325,000</b>	<b>(168,381)</b>
<b>Total Change in Net Assets</b>	<b>(763,681)</b>	<b>(2,368,230)</b>	<b>(3,131,911)</b>	<b>2,952,654</b>
Net assets, beginning of year	28,268,667	22,337,373	50,606,040	47,653,386
<b>Net Assets, End of Year</b>	<b>\$ 27,504,986</b>	<b>\$ 19,969,143</b>	<b>\$ 47,474,129</b>	<b>\$ 50,606,040</b>

See accompanying notes.



**ISLANDWOOD**

**Statement of Functional Expenses  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

	Program Services			Supporting Services			
	Education Programs	Educational Conferences and Community Programs	Total	Management and General	Fundraising	2022 Total	2021 Total
Salaries and wages	\$ 1,846,367	\$ 1,455,611	\$ 3,301,978	\$ 247,958	\$ 696,452	\$ 4,246,388	\$ 2,953,672
Payroll taxes	187,501	160,028	347,529	22,327	64,524	434,380	282,923
Employee benefits	234,774	203,544	438,318	49,022	94,958	582,298	368,685
Scholarships	378,823		378,823			378,823	190,586
Food	85,223	274,173	359,396	102		359,498	148,409
IT Management and payroll services	90,972	65,058	156,030	55,167	25,843	237,040	181,114
Graduate program fees	201,125		201,125			201,125	99,207
Utilities	45,357	82,126	127,483	44,944	472	172,899	94,185
Insurance	42,001	76,049	118,050	41,619	436	160,105	155,294
Maintenance - preventative	39,229	71,030	110,259	38,871	408	149,538	55,940
Software maintenance	26,688	16,907	43,595	72,875	28,465	144,935	118,974
Lodge cleaning service	29,173	86,453	115,626			115,626	5,868
Maintenance/repairs	27,627	50,023	77,650	27,376	287	105,313	59,821
Consulting	59,557	3,990	63,547	19,632	4,022	87,201	99,862
Supplies-housekeeping/kitchen/linen	18,565	54,351	72,916	12,079	127	85,122	17,013
Supplies-office/housekeeping	25,395	18,675	44,070	14,923	7,359	66,352	8,207
Program supplies	36,219	12,160	48,379	1,198	846	50,423	21,872
Program promotion	18,350	13,674	32,024	12,450	5,368	49,842	25,872
Taxes	4,148	33,241	37,389	10,138		47,527	17,689
In-kind contributions	30,004	7,344	37,348	7,344		44,692	
Audit				42,968			42,193
Instructor fees	33,286	8,498	41,784			41,784	50,620
Credit card processing	8,292	20,263	28,555	2,002	6,033	36,590	25,548
Board and staff support	10,415	6,380	16,795	14,412	2,096	33,303	47,384
Printing/design	1,654	535	2,189	4,681	12,633	19,503	10,423
Telephone/internet	7,219	5,122	12,341	3,964	1,857	18,162	18,342
Travel	15,710	69	15,779	1,265	124	17,168	838
Donor support/recognition				8,737	5,846	14,583	19,177
Postage/delivery	770	66	836	806	6,419	8,061	4,789
Dues/fees-general	593	1,075	1,668	3,917	1,003	6,588	6,432
Miscellaneous	943		943	3,972	1,474	6,389	2,519
Legal				3,974		3,974	1,599
Professional development	1,481	212	1,693	752	342	2,787	3,635
Gift shop				1,354		1,354	1,440
Interest expense				168		168	31,579
Total operating expenses before depreciation and special events	3,507,461	2,726,657	6,234,118	770,997	967,394	7,972,509	5,171,711
Depreciation	288,581	479,922	768,503	271,003	13,643	1,053,149	1,059,748
Add special events expense netted against revenues on the statement of activities					261,770	261,770	192,027
<b>Total Operating Expenses</b>	<b>\$ 3,796,042</b>	<b>\$ 3,206,579</b>	<b>\$ 7,002,621</b>	<b>\$ 1,042,000</b>	<b>\$ 1,242,807</b>	<b>\$ 9,287,428</b>	<b>\$ 6,423,486</b>

See accompanying notes.

**ISLANDWOOD**

**Statement of Cash Flows  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (3,131,911)	\$ 2,952,654
Adjustments to reconcile change in net assets to net cash used by operating activities-		
Depreciation	1,053,149	1,059,748
Realized and unrealized (gain) loss on investments	2,359,766	(4,261,544)
Change in cash surrender value of life insurance	2,144	2,486
Paycheck Protection Program loan forgiveness recognized	(1,057,745)	(1,057,745)
Loss on disposal of property and equipment		168,381
Changes in assets and liabilities:		
Accounts receivable	(271,736)	(20,920)
Pledges receivable, net	(4,195)	21,420
Prepaid expenses	4,994	(49,433)
Other assets	5,614	21,467
Long-term receivables	(4,146)	(3,497)
Accounts payable	100,584	(15,108)
Accrued expenses	294,459	69,395
Deferred revenue	318,371	302,658
<b>Net Cash Used by Operating Activities</b>	<b>(330,652)</b>	<b>(810,038)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(4,503,965)	(5,151,748)
Proceeds from sale of investments	5,017,720	6,527,745
Purchase of property and equipment	(129,877)	(310,824)
<b>Net Cash Provided by Investing Activities</b>	<b>383,878</b>	<b>1,065,173</b>
<b>Cash Flows From Financing Activities:</b>		
Net change in line of credit		(1,000,000)
Borrowings on Paycheck Protection Program loan		1,057,745
<b>Net Cash Provided by Financing Activities</b>		<b>57,745</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>53,226</b>	<b>312,880</b>
Cash and cash equivalents, beginning of year	888,356	575,476
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 941,582</b>	<b>\$ 888,356</b>
Cash Paid for Interest	\$ 161	\$ 31,578

See accompanying notes.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Nature of Activities and Summary of Significant Accounting Policies

**Nature of Activities** - IslandWood's mission is to provide exceptional learning experiences and to inspire lifelong environmental and community stewardship. IslandWood connects children and adults to the natural environment on our Bainbridge campus and in communities throughout the Puget Sound region. The core programs consist of the School Overnight Program for 4th - 6th grades, the Residential Graduate Program in conjunction with the University of Washington, and Urban School Programs that deliver educational programming at the Brightwater Treatment Center and at school yards throughout the Puget Sound. IslandWood hosts conferences and milestone events and convenes national leaders on issues related to our mission. The Bainbridge Island campus also offers community programs, summer camps and volunteer opportunities and partners with other groups to provide a place for children and families to explore the outdoors together.

**Basis of Presentation** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of IslandWood and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of IslandWood or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by IslandWood.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of time or purpose restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the revenue is recognized.

Fundraising events are reported net of direct expenses of \$261,770 and \$192,027 for the years ended June 30, 2022 and 2021, respectively. Of these expenses, \$125,904 and \$80,015 related to in-kind services during the years ended June 30, 2022 and 2021, respectively.

Nonoperating activities consist of activities related to receipts of contributions restricted for the acquisition of capital assets and endowment corpus and gain or loss on disposal of fixed assets.

**Program Service Fees** - The specific revenue recognition policies for each major category of program service fees are as follows:

Student Overnight Program - IslandWood offers a multiday, overnight program for students to learn about the environment. Revenue from the program is recognized at the point in time when the performance obligation is satisfied at the end of the four-day program.

EEC Graduate Program - IslandWood offers a ten-month residency in environmental education in partnership with the University of Washington ("UW") to complete the first year of a UW Master's in education. Revenue from the program is recognized when the performance obligation is satisfied during each academic quarter.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

#### Note 1 - Continued

Summer Camps - IslandWood offers outdoor Summer Camps that span a week each. Revenue from the program is recognized at the point in time when the performance obligation is satisfied at the end of week-long camp.

Urban School Programs - IslandWood offers classrooms real world environmental examples, such as water-themed day-long programs at King County's Brightwater Wastewater Treatment Plant and other field studies throughout King and Snohomish Counties. Revenue from the program is recognized ratably as the performance obligation is satisfied.

Conferences - IslandWood offers its location to host various events. Revenue from the program is recognized at the point in time when the performance obligation is satisfied at the completion of each event.

Significant balances associated with contracts with customers are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
<b>Accounts Receivable:</b>		
Urban School Programs Receivable	\$ 47,183	\$ 40,755
Education Programs Receivable	214,341	
Receivables from conferences	<u>19,641</u>	<u>7,453</u>
Total accounts receivable associated with contracts with customers	281,165	48,208
Other receivables	<u>42,287</u>	<u>3,508</u>
<b>Total Accounts Receivable</b>	<b><u>\$ 323,452</u></b>	<b><u>\$ 51,716</u></b>
<b>Deferred Revenue:</b>		
Unearned student overnight program revenue	\$ 104,865	\$ 63,690
Unearned EEC graduate program revenue	9,725	34,350
Unearned summer camps revenue	209,331	147,149
Unearned conferences revenue	800,335	576,834
Event registrations revenue	107,583	88,620
Other unearned revenue		<u>2,825</u>
<b>Total Deferred Revenue</b>	<b><u>\$ 1,231,839</u></b>	<b><u>\$ 913,468</u></b>
<b>Program Service Fee Revenue:</b>		
EEC graduate program revenues	\$ 942,089	\$ 526,648
Student overnight program	390,567	
Summer camps revenues	186,758	45,569
Urban school program revenues	238,663	187,067
Conferences revenues	1,986,742	369,570
Day programs	193,875	67,586
Other program service fee revenue	<u>15,321</u>	<u>4,046</u>
<b>Total Program Service Fee Revenue</b>	<b><u>\$ 3,954,015</u></b>	<b><u>\$ 1,200,486</u></b>

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Continued

**Donated Materials and Services** - Donated materials are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IslandWood. For the years ended June 30, 2022 and 2021, in-kind contributions recognized totaled \$170,596 and \$89,515, respectively; of which \$60,000 and \$80,015 respectively, were included in fundraising events revenue and expenses on the statement of activities. Donated items primarily consist of donations for items to be auctioned at special events, which are generally auctioned in the year they are received.

**Collections** - Collection items (including artworks) are recorded at cost if purchased and at fair value at date of accession if donated.

**Income Tax Status** - The Internal Revenue Service has notified IslandWood that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. IslandWood qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, IslandWood considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents except for those held in the investment portfolio.

**Vulnerability From Certain Concentrations** - At June 30, 2022 and 2021, there were pledges receivable from individuals that are each in excess of 10% of the total pledges receivable balance. At June 30, 2022, pledges receivable from two individuals represented 59% of the total pledges receivable balance. At , pledges receivable from two individuals represented 69% of the total pledges receivable balance.

For the year ended June 30, 2021, there were contributions from individuals and foundations that were each in excess of 10% of the contributions balance. For the year ended June 30, 2022, there we no contributions in excess of 10% of the contributions balance. For the year ended , contributions from two donors represented 46% of the total contribution balance.

**Concentrations of Credit Risk** - Financial instruments which potentially subject IslandWood to concentrations of credit risk consist of investments and cash. During the years ended June 30, 2022 and 2021, IslandWood had cash deposits and investments with financial institutions in excess of the federally insured limits.

**Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to expense or an allowance and a credit to accounts receivable.

**Pledges Receivable** - Pledges receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Pledges due in periods over one year are discounted at 3.0%. Amortization of the discount is presented separately. Conditional promises to give are not included as support until the conditions are substantially met.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Continued

**Investments** - Investments with readily determinable market values are stated at fair value based on quoted market prices. Alternative investments, which are not readily marketable, are carried at net asset value as provided by investment managers. IslandWood reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset value of the alternative investments. Those estimated net assets values may differ significantly from the values that would have been used had a ready market for these investments existed.

**Property and Equipment** - Purchased property and equipment are carried at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets of three to forty years. During the year ended June 30, 2022, additions and improvements greater than \$5,000, and all furniture, computers and equipment greater than \$2,500, with a minimum useful life of three years are capitalized. During the year ended June 30, 2021, additions and improvements greater than \$1,000 (\$500 for computer equipment), with a minimum useful life of three years were capitalized.

Donated property and equipment are recorded at the approximate fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, IslandWood reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

**Functional Expenses** - IslandWood's Statement of Activities contains categories of expenses that are attributable to one or more of the organization's program services or supporting services. The Statement of Functional Expenses allocates such expenses, including depreciation, personnel expenses for the executive office (CEO and CFO), the communications department, certain technology costs, and certain office and general administrative expenses. Depreciation is allocated based on square footage. Personnel expenses of the executive office and all departmental expenses for the communications team are allocated based on time spent. Technology costs are allocated based on usage. Office and general administrative expenses are allocated based on the headcount of the receiving departments.

**Estimates** - Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Commitments** - Beginning November 1, 2011, IslandWood entered into an agreement to perform certain services, including but not limited to, contract administration and management, program planning and development, and program coordination and facilitation for an environmental education center. As part of this agreement, IslandWood receives various revenues. IslandWood has a contract that was renewed for an additional five years through August 25, 2026.

**Prior Year Summarized Information** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for IslandWood for the year ended , from which the summarized information was derived.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 1 - Continued

**Reclassifications** - Certain reclassifications have been made to prior year accounts to conform to the presentation of the current year financial statements. The reclassifications have no effect on the previously reported total assets, total liabilities, or changes in net assets.

**Subsequent Events** - IslandWood's management has evaluated subsequent events through October 20, 2022, the date on which the financial statements were available for issuance.

#### Note 2 - Long-Term Receivables

IslandWood had an agreement with a former employee to purchase life insurance for the employee during the person's employment. Under the arrangement, IslandWood paid the premium of the life insurance and, upon the employee's death, will receive repayment of all premiums paid. These expected repayments are recorded as noninterest bearing receivables of \$108,297 and \$104,151, net of a discount of \$122,403 and \$126,549, and are included in long-term receivables on the statement of financial position at June 30, 2022 and 2021, respectively. The receivables are secured by the respective insurance policies, are due upon the individual's death and are discounted at 5% over the expected life of the individual.

#### Note 3 - Investments

Investments are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 1,030,675	\$ 636,574
Fixed income	3,018,167	2,763,243
Mutual funds - bonds	717,617	802,117
Mutual funds - equity	6,658,747	8,237,885
Marketable equity securities	5,155,693	5,715,147
Alternative investments	1,163,711	2,467,453
Life insurance policies at net present value	108,823	106,679
	<u><u>\$ 17,853,433</u></u>	<u><u>\$ 20,729,098</u></u>

Investment return for the years ended June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Realized and unrealized (loss) gain - operating	\$ (2,361,910)	\$ 4,259,058
Dividends and interest, net of fees - operating	236,347	118,274
	<u><u>\$ (2,125,563)</u></u>	<u><u>\$ 4,377,332</u></u>

Investment fees for the years ended June 30, 2022 and 2021, were \$115,359 and \$115,219, respectively.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 4 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets.

Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Marketable Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Fixed Income - Valued at the closing price reported for similar instruments on the active market which the securities are traded.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by IslandWood at year end.

Nonmarketable securities are valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

The table below summarizes significant terms of the agreements with certain investment companies for the nonmarketable investments. There are no significant redemption restrictions or unfunded commitments on other types of investments.

<u>Asset Class</u>	<u>Net Asset Value as of June 30, 2022</u>	<u>Remaining Life</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 1,163,711	Not applicable.	Not applicable.	From quarterly with 75-95 days notice to semi-annually with 90 days notice.	No lock-up.
Private equity	\$ 771,229	Not applicable.	\$ 344,601	Not applicable.	Not applicable.



## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

#### Note 4 - Continued

**Fair Values Measured on a Recurring Basis** - Fair values of assets and liabilities measured on a recurring basis at June 30 were as follows:

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Marketable securities at fair value-				
Money market funds	\$ 1,030,675	\$ -	\$ -	\$ 1,030,675
Equities	4,384,463			4,384,463
Fixed income		3,018,167		3,018,167
Mutual funds:				
International	2,151,660			2,151,660
Large cap	2,067,880			2,067,880
Real estate	842,427			842,427
Absolute return	999			999
Commodities	589,357			589,357
Small cap	1,006,424			1,006,424
Fixed income	717,617			717,617
<b>Total Marketable Securities at Fair Value<sup>(a)</sup></b>	<b>\$ 12,791,502</b>	<b>\$ 3,018,167</b>	<b>\$ -</b>	15,809,669
Nonmarketable securities at net asset value-				
Hedge funds				1,163,711
Private equity				771,230
Life insurance				108,823
Total nonmarketable securities at net asset value				2,043,764
<b>Total Investments</b>				<b>\$ 17,853,433</b>

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

#### Note 4 - Continued

	Fair Value Measurements at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Marketable securities at fair value-				
Money market funds	\$ 636,574	\$ -	\$ -	\$ 636,574
Equities	5,016,032			5,016,032
Fixed income		2,763,243		2,763,243
Mutual funds:				
International	2,470,600			2,470,600
Large cap	2,452,712			2,452,712
Real estate	1,017,676			1,017,676
Absolute return	511,702			511,702
Commodities	665,875			665,875
Small cap	1,119,320			1,119,320
Fixed income	802,117			802,117
<b>Total Marketable Securities at Fair Value<sup>(a)</sup></b>	<b>\$ 14,692,608</b>	<b>\$ 2,763,243</b>	<b>\$ -</b>	<b>17,455,851</b>
Nonmarketable securities at net asset value-				
Hedge funds				2,467,453
Private equity				699,115
Life insurance				106,679
Total nonmarketable securities at net asset value				3,273,247
<b>Total Investments</b>				<b>\$ 20,729,098</b>

(a) In accordance with ASU 2015-07, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

#### Note 5 - Pledges Receivable

Pledges receivable at June 30 are as follows:

	2022	2021
Current pledges-		
Due within one year	\$ 914,419	\$ 616,295
Long-term pledges-		
Pledges due in two to five years	722,500	1,040,000
Less unamortized discount (at 3.0%)	(31,766)	(55,337)
Total long-term pledges	690,734	984,663
<b>Net Pledges Receivable</b>	<b>\$ 1,605,153</b>	<b>\$ 1,600,958</b>

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 5 - Continued

Long-term pledges include those pledges expected to be collected more than one year in the future, as well as those pledges restricted specifically for long term purposes such as fixed assets or endowments.

#### Note 6 - Property and Equipment

Property and equipment as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 6,400,000	\$ 6,400,000
Buildings and improvements	37,982,879	37,982,879
Equipment	610,993	705,784
Art	396,773	396,773
Furniture and fixtures	1,561,767	1,492,537
Vehicles	177,355	177,355
Construction in progress	<u>27,130</u>	<u>179</u>
	47,156,897	47,155,507
Less accumulated depreciation	<u>(18,952,506)</u>	<u>(18,027,844)</u>
<b>Property and Equipment, Net</b>	<b><u><u>\$ 28,204,391</u></u></b>	<b><u><u>\$ 29,127,663</u></u></b>

#### Note 7 - Line of Credit

IslandWood has a line of credit for \$4,500,000 with a bank. Interest is calculated as the greater of 2.49% and a rate equal to an independent index based on the LIBOR rate as published in *The Wall Street Journal*, plus 1.5%. The line of credit is secured by investments held by IslandWood. The outstanding balance on the line of credit was \$0 at June 30, 2022 and 2021.

#### Note 8 - Net Assets

Net assets without donor restrictions consist of the following internally designated and undesignated amounts at June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 21,104,986	\$ 21,868,667
Board designated - net investment in land	<u>6,400,000</u>	<u>6,400,000</u>
	<b><u><u>\$ 27,504,986</u></u></b>	<b><u><u>\$ 28,268,667</u></u></b>

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 8 - Continued

Net assets with donor restrictions were restricted for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time or expenditure for specified purpose-		
Capital additions	\$ 325,000	\$ -
Comprehensive campaign - programs and operations	678,956	1,001,456
Unappropriated endowment earnings	274,098	3,207,370
Restricted for time and other programs	<u>1,355,804</u>	<u>793,362</u>
Total subject to the passage of time or expenditure for specified purpose	2,633,858	5,002,188
Endowment corpus-		
Endowment - maintenance	10,000,000	10,000,000
Endowment - scholarships	5,975,351	5,975,251
Endowment - arts	190,384	190,384
Endowment - garden classroom	169,550	169,550
Endowment - community fund	<u>1,000,000</u>	<u>1,000,000</u>
Total endowment corpus	<u>17,335,285</u>	<u>17,335,185</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 19,969,143</u></b>	<b><u>\$ 22,337,373</u></b>

#### Note 9 - Endowments

IslandWood's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. 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.

**Interpretation of Relevant Law** - The Board of Directors of IslandWood has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long term basis, of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, IslandWood classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

#### Note 9 - Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - accumulated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of IslandWood and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of IslandWood; and
- The investment policies of IslandWood.

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

	Without Donor Restrictions	With Donor Restrictions		2022 Total	2021 Total
		Endowment Corpus	Accumulated Earnings		
Donor-restricted endowments	\$ -	\$ 17,335,285	\$ 274,098	\$ 17,609,383	\$ 20,542,555

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

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Endowment net assets, beginning of year	\$ -	\$ 20,542,555	\$ 20,542,555	\$ 17,815,886
Contributions		100	100	10,000
Endowment investment return, net		(2,129,811)	(2,129,811)	4,372,913
Appropriation for expenditure		(803,461)	(803,461)	(1,656,244)
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 17,609,383</b>	<b>\$ 17,609,383</b>	<b>\$ 20,542,555</b>

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires IslandWood to retain as a fund of perpetual duration. These deficiencies generally result from unfavorable market fluctuations and continued appropriation that was deemed prudent by the Board. At June 30, 2022, two endowment funds had a current fair value of \$10,026,755, an original gift value of \$10,190,384, leaving a deficit of \$163,629.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 9 - Continued

**Return Objectives and Risk Parameters** - IslandWood 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.

Endowment assets include those assets of donor-restricted funds that IslandWood must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the 45% Barclays Capital US Aggregate/55% S&P 500 Total Return Index in USD while assuming a moderate level of investment risk. IslandWood expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, IslandWood 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). IslandWood 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.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - IslandWood has a policy of appropriating for distribution each year 5 percent of its scholarship endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. Appropriations from the maintenance endowment are determined in accordance with a facilities reserve study that details annual preventative maintenance. In establishing these policies, IslandWood considered the long term expected return on its endowment. Accordingly, over the long term, IslandWood expects the current spending policy to allow its endowment to grow at an average of 2% annually. This is consistent with IslandWood'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.

#### Note 10 - 401(k) Retirement Plan

IslandWood has a 401(k) retirement plan (the Plan), covering full-time and most regular part-time employees who agree to make contributions to the Plan. IslandWood makes a semi-monthly contribution to the Plan to match the employee's contribution into the Plan, up to 4% of the gross annual income of employees with at least 1,000 hours of service. Total employer's match expense for the years ended June 30, 2022 and 2021, was \$101,602 and \$84,358, respectively.

#### Note 11 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 15, 2020, IslandWood obtained a PPP loan with a principal balance of \$1,057,745 and an annual interest rate of 1%. In June 2021, the first PPP loan was forgiven by the lender and the SBA. On January 26, 2021, IslandWood obtained a second PPP loan with a principal balance of \$1,057,745 and an annual interest rate of 1%. In December 2021, the second PPP loan and accrued interest was forgiven in full by the lender and the SBA. IslandWood's accounting policy for recognition of revenue from forgiveness of the PPP loans is to recognize the revenue when the loan is forgiven by the lender. Revenue of \$1,057,745 was recognized during the years ended June 30, 2022 and 2021.

## ISLANDWOOD

### Notes to Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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#### Note 12 - Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 941,582	\$ 888,356
Accounts receivable	323,452	51,716
Pledges receivable, current	914,419	616,295
Board approved annual endowment distributions for following year	<u>656,322</u>	<u>717,453</u>
Total financial assets, excluding noncurrent receivables	2,835,775	2,273,820
Contractual or donor-imposed restrictions-		
Restricted for the purchase of capital additions	(325,000)	
Restricted for scholarships	<u>(293,000)</u>	<u>(201,122)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 2,217,775</u></b>	<b><u>\$ 2,072,698</u></b>

IslandWood's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of any amounts identified by the donor available for general use. As described in Note 9, IslandWood maintains and manages endowments with a total value of \$17,609,383 as of June 30, 2022. Income from these endowments is subject to the spending rates and policies described in Note 9. Over the next year, IslandWood's endowment spending policies will permit distributions of at least \$656,322, an amount equivalent to the Board approved operating plan for fiscal year 2023.

As part of IslandWood's liquidity management plan, the organization holds one line of credit. The key terms, collateral, covenants and June 30, 2022, balance on this line is described in Note 7. The Board approves regular access to the lines as part of their approval of the annual operating plan and budget.

#### Note 13 - Risks and Uncertainties

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result of the spread of COVID-19, and at the government's direction, in March 2020, IslandWood canceled or postponed all in person activities. As a result, IslandWood has experienced negative impacts to its program service revenues. As of the date these financial statements were available to be issued, COVID-19 pandemic restrictions have been lifted and IslandWood is operating at near full capacity. Management applied for and received two loans through the Paycheck Protection Program (PPP), as further described in Note 11, as well as Employee Retention Tax Credits. Revenue associated with these programs totaled \$1,146,348 and \$1,401,404 for the years ended June 30, 2022 and 2021, respectively, as is reported as government COVID-relief funding on the statement of activities. Management is continuing to monitor the financial impact of the pandemic and take steps as possible to alleviate its impact on the organization.