

**SKAGIT COMMUNITY FOUNDATION**

**Financial Statements**

**For the year ended December 31, 2008 and 2007**

# SKAGIT COMMUNITY FOUNDATION

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December 31, 2008 and 2007

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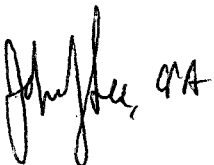
*To the Board of Directors:*

Skagit Community Foundation  
P.O. Box 1763  
Mount Vernon, WA, 98273

I have audited the accompanying Statement of Financial Position of Skagit Community Foundation (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skagit Community Foundation as of December 31, 2008 and 2007, the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.



John J. Lee  
Certified Public Accountant  
June 3, 2009

SKAGIT COMMUNITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2008

ASSETS

	<u>2008</u>	<u>Restated 2007</u>
Current Assets		
Cash	\$ 219,406	\$141,671
Marketable Security	<u>2,082,602</u>	<u>2,973,836</u>
Total Current Assets	<u>2,302,008</u>	<u>3,115,507</u>
Plant, Property and Equipment		
Equipment	1,464	1,464
Less: Accumulated Depreciation	<u>1,264</u>	<u>1,071</u>
Total Plant, Property and Equipment	<u>200</u>	<u>393</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,302,208</u></b>	<b><u>\$3,115,900</u></b>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payroll Taxes Payable	\$ 1,097	\$576
Agency Funds-Note 4	31,069	42,658
Grants Payable	<u>10,000</u>	<u>-</u>
Total Current Liabilities	<u>42,166</u>	<u>43,234</u>
Net Assets - unrestricted	<u>2,260,042</u>	<u>3,072,666</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,302,208</u></b>	<b><u>\$3,115,900</u></b>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED DECEMBER 31, 2008

UNRESTRICTED NET ASSETS

	<u>2008</u>	<i>Restated</i> <u>2007</u>
<b>SUPPORT</b>		
Donations	\$366,048	\$195,535
Dividends	74,525	123,859
Agency Fees Charged	601	233
Capital Gain distributions	90,459	93,059
Unrealized Loss	(1,042,665)	(27,594)
Interest	<u>1,184</u>	<u>975</u>
<b>TOTAL SUPPORT</b>	<b>(509,848)</b>	<b>386,067</b>
<b>EXPENSES</b>		
Program Services	302,704	188,080
Fundraising	<u>72</u>	<u>976</u>
<b>TOTAL EXPENSES</b>	<b><u>302,776</u></b>	<b><u>189,056</u></b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>(812,624)</b>	<b>197,011</b>
<b>NET ASSETS, beginning of year</b>	<b><u>3,072,666</u></b>	<b><u>2,875,655</u></b>
<b>NET ASSETS, end of year</b>	<b><u><u>\$2,260,042</u></u></b>	<b><u><u>\$3,072,666</u></u></b>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR YEARS ENDED DECEMBER 31, 2008

2008

2007  
Restated

	Program			Program		
	Services	Fundraising	Total	Services	Fundraising	Total
Grants	\$252,050	-	\$252,050	\$147,541	-	\$147,541
Salary	27,878	-	27,878	24,555	-	24,555
Community Relations	-	72	72	-	976	976
Conferences	2,254	-	2,254	285	-	285
Office expense	4,248	-	4,248	2,408	-	2,408
Marketing	1,196	-	1,196	4,351	-	4,351
Payroll tax	2,401	-	2,401	2,046	-	2,046
Licenses and permits	55	-	55	20	-	20
Dues and Memberships	226	-	226	1,200	-	1,200
Bank Charges	231	-	231	-	-	-
Insurance	820	-	820	820	-	820
Telephone	229	-	229	557	-	557
Professional Services	3,975	-	3,975	3,200	-	3,200
Books and Publications	72	-	72	48	-	48
Board Development	6,876	-	6,876	846	-	846
Depreciation	193	-	193	204	-	204
<b>Total</b>	<b>\$302,704</b>	<b>\$72</b>	<b>\$302,776</b>	<b>\$188,080</b>	<b>\$976</b>	<b>\$189,056</b>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	(\$812,624)	\$197,011
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Non cash contributions	-	-
Capital (gains) loss	-	-
Unrealized capital gains	-	27,594
Unrealized capital losses	1,057,184	-
Capital gains distributions	(91,778)	-
Depreciation expense	193	204
Increase (decrease) in agency funds payable	(11,589)	11,081
Increase (decrease) in grants payable	10,000	-
Increase (decrease) in payroll taxes payable	521	(238)
	<u>151,907</u>	<u>235,653</u>
<b>NET INCREASE (DECREASE) IN CASH FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of mutual funds	-	-
Purchase of mutual funds	-	-
Increase in fixed assets	-	(416)
Reinvestment of Dividends in Mutual Fund	(74,173)	(216,807)
	<u>(74,173)</u>	<u>(217,223)</u>
<b>NET INCREASE (DECREASE) IN CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>77,734</b>	<b>18,431</b>
Cash - Beginning of period	141,672	123,240
Cash - End of period	<u>\$219,406</u>	<u>\$141,671</u>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Skagit Community Foundation (the Foundation) is a Washington not-for-profit corporation that manages endowed funds and provides grants of investment earnings to other not-for-profit organizations to enhance the social, cultural, education, and health programs for residents of Skagit County, Washington, USA.

CONTRIBUTIONS received are recorded as unrestricted support. The foundation does not accept funds with donor restrictions. Although the purpose of the organization is to endow funds, there is no temporarily restricted or permanently restricted support.

CASH AND CASH EQUIVALENTS. For the purposes of the Statements of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

THE METHOD OF ACCOUNTING used is the accrual basis of accounting and accordingly, reflects all significant receivables and payables.

EXPENSE ALLOCATON. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ESTIMATES. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

FEDERAL INCOME TAXES. The organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these financial statements.

PLANT, PROPERTY AND EQUIPMENT acquired by the Foundation are capitalized at cost if they are long lived assets. Depreciation is computed on the straight line basis over the estimated useful lives of the assets over a seven year period.

DONATED SERVICES are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the service creates or enhances non-financial assets or requires specialized skills performed by people with those skills, and would otherwise be purchased. Volunteers provide a substantial number of hours of service throughout the year that are not recognized as contribution in the financial statements since the criteria for SFAS No. 116 are not met.

SKAGIT COMMUNITY FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

INVESTMENTS in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

NOTE 2 GRANT PAYABLE

The Skagit Community Foundation granted \$10,000 in 2008 to the Skagit/Island Head Start program. The amount was not disbursed until 2009.

NOTE 3 INVESTMENTS

The organization held \$2,082,602 in marketable mutual funds at December 31, 2008.

Fair value	\$2,082,602
Cost	<u>3,041,544</u>
Unrealized Loss	\$ <u>(958,942)</u>

NOTE 4 RESTATEMENT

The previously issued financial statements have been restated to correct an error. An agency fund liability in the amount of \$ 42,658 has not been reflected on the prior year's financial statements. The effect of the correction on earnings for 2007 is as follows:

	<u>Previously reported</u>	<u>Restated</u>	<u>Net Effect</u>
Donations	\$205,535	\$195,535	\$(10,000)
Dividends	\$125,749	\$123,859	\$ (1,890)
Agency Fees	\$0	\$233	\$233
Program Services	\$188,656	\$188,080	<u>\$576</u> <u>\$11,081</u>

The cumulative effect of the change on unrestricted net assets for 2007 was a decrease in the amount of \$42,658.