

SKAGIT COMMUNITY FOUNDATION
Financial Statements
For the year ended
December 31, 2009 and 2008

SKAGIT COMMUNITY FOUNDATION
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December 31, 2009 and 2008

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JOHN J LEE, CPA, PS
1502 HOEHN ROAD
SEDRO-WOOLLEY, WA, 98284
360-856-9996, FAX 360-856-4783
john@johnjleecpa.com

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, 2009 and 2008, 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, 2009 and 2008, the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles used in the United States of America.



John J. Lee
Certified Public Accountant
February 18, 2010

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>Restated</u> <u>2008</u>
Current Assets		
Cash	\$ 348,907	\$ 219,406
Marketable Security	<u>2,637,874</u>	<u>2,082,602</u>
Total Current Assets	<u>2,986,781</u>	<u>2,302,008</u>
Plant, Property and Equipment		
Equipment	1,464	1,464
Less: Accumulated Depreciation	<u>1,344</u>	<u>1,264</u>
Total Plant, Property and Equipment	<u>120</u>	<u>200</u>
TOTAL ASSETS	<u><u>2,986,901</u></u>	<u><u>2,302,208</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payroll Taxes Payable	1,374	1,097
Horizon Bank Visa	744	-
Agency Funds	<u>38,567</u>	<u>31,069</u>
Total Current Liabilities	<u>40,685</u>	<u>32,166</u>
Net Assets - unrestricted	<u>2,946,216</u>	<u>2,270,042</u> RESTATED- SEE NOTE 3
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,986,901</u></u>	<u><u>\$ 2,302,208</u></u>

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2009 AND 2008

UNRESTRICTED NET ASSETS

	<u>2009</u>	Restated <u>2008</u>
SUPPORT		
Donations	\$298,984	\$366,048
Board Member Contributions	22,750	-
Oct 1st Conference	6,999	-
Unrealized Gains	475,091	-
Dividends	72,528	74,525
Agency Fees Charged	-	601
Capital Gain distributions	-	90,459
Unrealized Loss	-	(1,042,665)
Interest	653	1,184
	<u>877,005</u>	<u>(509,848)</u>
TOTAL SUPPORT		
	877,005	(509,848)
EXPENSES		
Management and General	<u>200,831</u>	<u>292,776</u> RESTATED-SEE NOTE 3
TOTAL EXPENSES	<u>200,831</u>	<u>292,776</u>
INCREASE IN UNRESTRICTED NET ASSETS	676,174	(802,624)
NET ASSETS, beginning of year	<u>2,270,042</u>	<u>3,072,666</u>
NET ASSETS, end of year	<u><u>\$2,946,216</u></u>	<u><u>\$2,270,042</u></u> RESTATED-SEE NOTE 3

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2009 and 2008

	<u>2009</u>	<u>2008</u> Restated	
	Management and General	Management and General	
Grants	\$150,365	\$242,050	RESTATED SEE NOTE 3
Salary	26,400	27,878	
Community Relations	-	72	
Conferences	7,259	2,254	
Office expense	2,587	4,248	
Marketing	1,361	1,196	
Payroll tax	1,907	2,401	
Meetings and Seminars	20	-	
Printing	958	-	
Communication Expenses	3,114	-	
Client Meeting Expense	662	-	
Computer software/equip	474	-	
Licenses and permits	40	55	
Dues and Memberships	1,000	226	
Bank Charges	405	231	
Insurance	830	820	
Telephone	209	229	
Professional Services	3,018	3,975	
Books and Publications	-	72	
Board Development	142	6,876	
Depreciation	80	193	
	<hr/>	<hr/>	
Total	<u>\$200,831</u>	<u>\$292,776</u>	

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 676,174	\$ (802,624) RESTATED-SEE NOTE 3
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Unrealized capital gains	(482,744)	-
Unrealized capital losses	-	1,057,184
Capital gains distributions	-	(91,778)
Depreciation expense	80	193
Increase (decrease) in agency funds payable	7,498	(11,589)
Increase (decrease) in accounts payable	744	-
Increase (decrease) in payroll taxes payable	<u>277</u>	<u>521</u>
NET INCREASE (DECREASE) IN CASH FROM OPERATING ACTIVITIES	<u>202,029</u>	<u>151,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of mutual funds	-	-
Purchase of mutual funds	-	-
Increase in fixed assets	-	-
Reinvestment of Dividends in Mutual Fund	<u>(72,528)</u>	<u>(74,173)</u>
NET INCREASE (DECREASE) IN CASH FLOWS FROM INVESTING ACTIVITIES	<u>(72,528)</u>	<u>(74,173)</u>
NET INCREASE (DECREASE) IN CASH	129,501	77,734
Cash - Beginning of period	<u>219,406</u>	<u>141,672</u>
Cash - End of period	<u>\$ 348,907</u>	<u>\$ 219,406</u>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 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.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 18, 2010, the date that the financial statements were available to be issued.

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, all costs are deemed to be management and general related.

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.

SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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 contributions in the financial statements since the criteria for SFAS No. 116 are not met.

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.

INVESTMENT PRIORITIES

The Foundation's investment priorities are: (1) to protect the principal of the Fund; (2) to maximize income from the Fund commensurate with safety of principal; and (3) to encourage capital growth.

INVESTMENT OBJECTIVES:

In order that the principal value of each component Fund and the income generated by the Fund be managed to at least offset any inflationary pressures on them as well as provide a reasonable amount annually for grant making, the investment objectives for the Foundation's investible assets are a minimum average annual growth rate of the underlying principal (and additions) of at least the rate of growth of the Consumer Price Index, on a three-year trailing average, after the payment of all grants and administrative costs.

SPENDING POLICY:

The Foundation's Board of Directors has established a spending policy, which bases grant distributions on a fixed annual rate. The Foundation's current annual spending rate is currently 4% of the fair market value of its permanent endowment. The target distribution rate of 4% continues to be monitored over a trailing three-year period and may be adjusted upward or downward based on changes in investment results and/or the CPI.

ASSET ALLOCATION

The following asset allocations are designed to provide an optimal asset mix for the portfolio, emphasizing diversification in order to lower risk and maximize "total return" relative to risk.

SKAGIT COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 and 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

ASSET CLASS	ASSET ALLOCATION TARGET	RANGE
Equity	60%	50%-70%
Fixed Income	<u>40%</u>	30%-50%
Total	100%	

At least annually, the Finance Committee will review its asset allocation policy to determine if established guidelines are appropriate.

MONITORING

Investment monitoring will be completed on an annual basis evaluating the performance of the Foundation's assets in relation to the stated investment objectives. The investment target is to achieve a minimum long-term (10 year +) average total return of 8% or greater annually while adhering to the "Investment Priorities".

NOTE 2 INVESTMENTS

The organization held \$2,637,874 and \$2,082,602 in marketable mutual funds at December 31, 2009 and 2008, respectively.

	2009	2008
Fair value	\$2,637,874	\$2,082,602
Cost	<u>3,121,725</u>	<u>3,041,544</u>
Unrealized Loss	<u>\$(483,851)</u>	<u>\$(958,942)</u>

SKAGIT COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 and 2008

NOTE 2 INVESTMENTS- continued

The following summarizes investment return and its classification in the Statement of Activities for the year ended December 31, 2009 and 2008.

	2009	2008
Dividends	\$72,528	\$74,525
Unrealized Gains	475,091	-
Capital Gain Distributions	-	90,459
Unrealized Loss	<u>-</u>	<u>(1,042,665)</u>
 Total return on marketable securities	 <u>\$547,619</u>	 <u>\$(877,681)</u>
 Interest on cash and cash equivalents	 <u>653</u>	 <u>1,184</u>
Total investment income(loss)	<u>\$548,272</u>	<u>\$(876,497)</u>
 Investment Income	 2009	 2008
Unrestricted	<u>\$548,272</u>	<u>\$(876,497)</u>
Total Investment Income	<u>\$548,272</u>	<u>\$(876,497)</u>

NOTE 3 RESTATEMENT

The Skagit Community Foundation granted \$10,000 in 2008 to the Skagit/Island Head Start program but the monies were not disbursed. Hence, it was recorded as a payable in

SKAGIT COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009 and 2008

NOTE 3 RESTATEMENT- continued

2008. However, in 2009, it was determined that the funds were not needed by Skagit/Island Head Start program. The effect of the correction on earnings for 2008 is as follows:

	<u>Previously reported</u>	<u>Restated</u>	<u>Net Effect</u>
Grant Payable	\$10,000	\$0	\$(10,000)
Net Assets-Unrestricted	\$2,260,042	\$2,270,042	\$10,000
Grants Made	\$252,050	\$242,050	\$(10,000)

The cumulative effect of the change on unrestricted net assets for 2008 was an increase in the amount of \$10,000.