

SKAGIT COMMUNITY FOUNDATION
Financial Statements
For the year ended
December 31, 2010 and 2009

SKAGIT COMMUNITY FOUNDATION
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December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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
April 20, 2011

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 436,331	\$ 348,907
Marketable Security	<u>3,098,637</u>	<u>2,637,874</u>
Total Current Assets	<u>3,534,968</u>	<u>2,986,781</u>
Plant, Property and Equipment		
Equipment	3,043	1,464
Less: Accumulated Depreciation	<u>1,611</u>	<u>1,344</u>
Total Plant, Property and Equipment	<u>1,432</u>	<u>120</u>
TOTAL ASSETS	<u><u>3,536,400</u></u>	<u><u>2,986,901</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payroll Taxes Payable	3,522	1,374
Whidbey Bank Visa credit cards	1,531	744
Income Taxes Payable	1,694	-
Agency Funds	<u>42,472</u>	<u>38,567</u>
Total Current Liabilities	49,219	40,685
Net Assets - unrestricted	<u>3,487,181</u>	<u>2,946,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,536,400</u></u>	<u><u>\$ 2,986,901</u></u>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2010 AND 2009

UNRESTRICTED NET ASSETS

	<u>2010</u>	<u>2009</u>
SUPPORT		
Donations	\$1,497,306	\$298,984
Administration Fees	70,852	-
Board Member Contributions	14,049	22,750
October Conference	4,540	6,999
Unrealized Gains	259,381	475,091
Dividends	96,942	72,528
Gifts In Kind	13,000	-
Interest	<u>4,022</u>	<u>653</u>
TOTAL SUPPORT	1,960,092	877,005
EXPENSES		
Program Expenses	\$ 1,367,913	170,986
Management and General	35,627	21,371
Fundraising	<u>15,587</u>	<u>8,474</u>
TOTAL EXPENSES	<u>1,419,127</u>	<u>200,831</u>
INCREASE IN UNRESTRICTED NET ASSETS	540,965	676,174
NET ASSETS, beginning of year	<u>2,946,216</u>	<u>2,270,042</u>
NET ASSETS, end of year	<u><u>\$3,487,181</u></u>	<u><u>\$2,946,216</u></u>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2010 and 2009

YEAR 2010

Program Expenses	Management and General	Fundraising	Total	2009 Total
Grants	\$ 1,249,197	\$ -	\$ 1,249,197	\$ 150,365
Administrative Fees	57,802	-	57,802	-
Wages	6,464	32,321	4,310	26,400
Conferences	2,635	-	2,635	7,259
Office Expense	2,534	-	2,534	2,587
Marketing	-	-	-	1,361
Auto Expense	106	-	106	-
Payroll Taxes	661	3,306	440	1,907
Contract Labor	2,255	-	2,255	-
Meetings and Seminars	2,033	-	2,033	20
Printing	2,672	-	2,673	958
Communication Expense	2,381	-	794	3,114
Client/Meeting Expense	1,726	-	1,726	662
Computer software	1,469	-	1,469	474
Donated Facilities	6,000	-	6,000	-
Licenses and Permits	137	-	137	40
Memorials/Flowers	466	-	466	-
Meals and Entertainment	163	-	163	-
Dues and Memberships	460	-	460	1,000
Bank Charges	13	-	13	405
Income Taxes	1,694	-	1,694	-
Insurance	-	-	-	830
Utilities in kind	3,000	-	3,000	-
Travel	4,000	-	4,000	-
Telephone	404	-	404	209
Professional Services	19,374	-	4,735	3,018
Board Development	-	-	-	142
Depreciation	267	-	267	80
	-	-	-	-
Total	\$ 1,367,913	\$ 35,627	\$ 15,587	\$ 1,419,127
	\$ 200,831			\$ 200,831

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 540,965	\$ 676,174
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Unrealized capital gains	(263,816)	(482,744)
Capital gains distributions	-	-
Depreciation expense	267	80
Increase (decrease) in agency funds payable	3,905	7,498
Increase (decrease) in accounts payable	787	744
Increase (decrease) in Income Taxes payable	1,694	-
Increase (decrease) in payroll taxes payable	<u>2,148</u>	<u>277</u>
NET INCREASE (DECREASE) IN CASH FROM OPERATING ACTIVITIES	<u>285,950</u>	<u>202,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,579)	-
Sales of mutual funds	-	-
Purchase of mutual funds	(100,005)	-
Increase in fixed assets	-	-
Reinvestment of Dividends in Mutual Fund	<u>(96,942)</u>	<u>(72,528)</u>
NET INCREASE (DECREASE) IN CASH FLOWS FROM INVESTING ACTIVITIES	<u>(198,526)</u>	<u>(72,528)</u>
NET INCREASE (DECREASE) IN CASH	87,424	129,501
Cash - Beginning of period	<u>348,907</u>	<u>219,406</u>
Cash - End of period	<u>\$ 436,331</u>	<u>\$ 348,907</u>

The accompanying notes are an integral part of these financial statements

SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

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 April 20, 2011, 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.

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. In 2010, however, the Foundation has set up a fund called the "Tesoro Anacortes Refinery Survivors Fund". Unrelated business income associated with this activity was approximately \$13,744. Expenses directly attributable to this activity was approximately \$1,766. As a result, the Foundation was subject to a tax in the amount of \$1,694. This amount is appropriately reflected on the 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, 2010 and 2009

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.

SKAGIT COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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.

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 \$3,098,637 and \$2,637,874 in marketable mutual funds at December 31, 2010 and 2009, respectively.

	2010	2009
Fair value	\$3,098,637	\$2,637,874
Cost	<u>3,311,019</u>	<u>3,121,725</u>
Unrealized Loss	<u>\$(212,382)</u>	<u>\$(483,851)</u>

SKAGIT COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE 2 INVESTMENTS- continued

The following summarizes investment return and its classification in the Statement of Activities for the year ended December 31, 2010 and 2009.

	2010	2009
Dividends	\$96,942	\$72,528
Unrealized Gains	<u>259,381</u>	<u>475,091</u>
 Total return on marketable securities	 <u>\$356,323</u>	 <u>\$547,619</u>
 Interest on cash and cash equivalents	 <u>4,022</u>	 <u>653</u>
Total investment income	<u>\$360,345</u>	<u>\$548,272</u>
 Investment Income	 2010	 2009
Unrestricted	<u>\$360,345</u>	<u>\$548,272</u>
Total Investment Income	<u>\$360,345</u>	<u>\$548,272</u>