

WHATCOM COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

June 30, 2009

WHATCOM COMMUNITY FOUNDATION

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WHATCOM COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With Comparative Totals for June 30, 2008)

ASSETS

	2009	2008
Current assets		
Cash	\$ 2,659,625	\$ 3,523,243
Pledges receivable-current	137,876	473,194
Property held for sale	-	186,203
Total current assets	2,797,501	4,182,640
Property and equipment - net	18,220	21,930
Other assets		
Investments	5,163,549	6,252,764
Note receivable	471,326	-
Pledges receivable-long term	242,566	578,090
Lease deposit	1,040	1,040
Total other assets	5,878,481	6,831,894
Total assets	\$ 8,694,202	\$ 11,036,464

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 11,475	\$ 8,755
Grants payable	15,000	-
Funds held for others	1,497,084	1,852,407
Total current liabilities	1,523,559	1,861,162
Net assets		
Unrestricted net assets	1,542,737	2,595,620
Temporarily restricted net assets	2,001,158	2,926,407
Permanently restricted net assets	3,626,748	3,653,275
Total net assets	7,170,643	9,175,302
Total liabilities and net assets	\$ 8,694,202	\$ 11,036,464

The accompanying notes are an integral part of these financial statements

WHATCOM COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009					2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Total	Funds Held For Others	Total	Total
Revenue							
Contributions	\$ 943,190	\$ 307,769	\$ 75,186	\$ 1,326,145	\$ 6,880	\$ 1,333,025	\$ 2,885,976
In-kind contributions	-	405,383	-	405,383	-	405,383	-
Interest and dividends	163,986	-	-	163,986	41,745	205,731	264,880
Unrealized gain(loss) on investments	(783,419)	-	-	(783,419)	(356,633)	(1,140,052)	(385,552)
Realized gain(loss) on investments	(36,980)	2,376	-	(34,604)	-	(34,604)	14,099
Grant income	12,000	-	-	12,000	-	12,000	1,043,870
Program income	2,261	-	-	2,261	-	2,261	2,552
Management fee	133,682	-	-	133,682	-	133,682	143,057
Total revenue	434,720	715,528	75,186	1,225,434	(308,008)	917,426	3,968,882
Impairment of land held	-	-	-	-	-	-	(72,130)
Uncollectible pledges receivable	(1,100)	(332,790)	(108,713)	(442,603)	-	(442,603)	-
	433,620	382,738	(33,527)	782,831	(308,008)	474,823	3,896,752
Net assets released from restrictions							
Satisfaction of restrictions	1,300,987	(1,307,987)	7,000	-	-	-	-
Total revenue and net assets released	1,734,607	(925,249)	(26,527)	782,831	(308,008)	474,823	3,896,752
Expenses and awards granted							
Program expenses	161,117	-	-	161,117	-	161,117	111,719
Management and general expenses	300,371	-	-	300,371	-	300,371	280,341
Fund administration expenses	116,779	-	-	116,779	16,903	133,682	143,057
Total expenses	578,267	-	-	578,267	16,903	595,170	535,117
Awards granted	2,209,223	-	-	2,209,223	30,412	2,239,635	822,366
Total expenses and awards granted	2,787,490	-	-	2,787,490	47,315	2,834,805	1,357,483
Change in net assets and funds held for others	(1,052,883)	(925,249)	(26,527)	(2,004,659)	(355,323)	(2,359,982)	2,539,269
Funds held for others, beginning of year					1,852,407	1,852,407	1,980,932
Funds held for others, end of year					\$ 1,497,084	(1,497,084)	(1,852,407)
Net assets, beginning of year, restated	2,595,620	2,926,407	3,653,275	9,175,302		9,175,302	6,507,508
Net assets, end of year	\$ 1,542,737	\$ 2,001,158	\$ 3,626,748	\$ 7,170,643		\$ 7,170,643	\$ 9,175,302

The accompanying notes are an integral part of these financial statements

WHATCOM COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009	2008
Cash flows from operating activities		
Changes in net assets	\$ (2,359,982)	\$ 2,539,269
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	10,003	8,961
In-kind contributions	(1,110)	(350)
In-kind contributions-property held for sale	-	(258,333)
In-kind contributions-note receivable	(405,383)	-
Unrealized (gains)losses on investments	1,054,611	385,552
Realized (gains)losses on investments	34,604	(14,099)
Uncollectible pledges	442,603	-
Impairment on property held for sale	-	72,130
(Increase)decrease in pledges receivable	228,240	333,318
(Increase)decrease in notes receivable	(65,943)	-
Increase(decrease) in accounts payable and accrued expenses	2,720	1,973
Increase(decrease) in grants payable	15,000	-
Increase(decrease) in funds held for others	(355,524)	(128,525)
Contributions restricted for long-term purposes	(39,274)	(24,798)
Net cash provided(used) from operating activities	(1,439,435)	2,915,098
 Cash flows from investing activities		
Proceeds and purchases of investments net	387,840	(1,718,069)
Dividends received	154,996	140,220
Purchase and retirement of property and equipment	(6,293)	(17,620)
Net cash provided(used) from investing activities	536,543	(1,595,469)
 Cash flows from financing activities		
Collection of long-term contributions	39,274	24,798
Net cash provided(used) from financing activities	39,274	24,798
 Net increase(decrease) in cash	(863,618)	1,344,427
 Cash, beginning of year	3,523,243	2,178,816
 Cash, end of year	\$ 2,659,625	\$ 3,523,243
 SUPPLEMENTAL DATA		
Gifts of Investments	\$ 377,924	\$ 102,275
Gift of Note Receivable	\$ 405,383	\$ -
Gift of Property	\$ -	\$ 186,203

The accompanying notes are an integral part of these financial statements

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whatcom Community Foundation (the Foundation) is a not-for-profit Washington Corporation established in May 1996 to support charitable programs in Whatcom County, Washington. With the support of individuals and organizations, the Foundation is cultivating non-endowed funds to support a variety of fields of interest. The Foundation is also building permanent endowment funds and will use the income from those funds to support innovative community building activities by other not-for-profit organizations in Whatcom County. In addition, the Foundation serves as a fiscal sponsor for select community projects and provides a variety of other vehicles for charitable giving. The Foundation has a broad mission to improve the quality of life in Whatcom County and is thus free to make grants having any charitable purpose.

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor/donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to grantor/donor-imposed stipulations and are available for operations. Unrestricted net assets also include those assets that are board-designated for a particular purpose. Since the board has authority to revoke their decision at any time, these assets are not subject to the same restrictions as those from grantors/donors.

Temporarily restricted net assets are subject to grantor/donor-imposed stipulations that may be met, either by actions of the Foundation, the occurrence of certain events, or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations to be maintained permanently by the Foundation.

Prior year comparative information – These 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Cash – For purposes of the statement of cash flows, Cash includes all short term, highly liquid investments with an original maturity of three months or less.

Property, equipment, and depreciation – Property and equipment are carried at cost, or if donated, at the estimated fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions are included in operations in the year of disposal. Depreciation is computed using an accelerated method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2009 is \$10,003.

Contributions, donations, gifts and bequests – The Foundation's corporate bylaws and contribution documents grant the Foundation "variance power" that in effect gives the Foundation control over all grant disbursements from contributed funds. Donors may advise or make recommendations regarding the distribution of income and principal from a fund, but all such recommendations are ultimately subject to this variance power. Consequently, all contributions are classified as unrestricted if they are available to the Foundation with no restriction as to when the funds are available for expenditure.

Pledges and grants – Unconditional pledges and grants are recognized as revenue in the period the pledge is made and as assets, decreases of liabilities, or expenses depending upon the form of benefits received. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met and become unconditional.

Donated assets and services – Noncash donations and donated marketable securities are recorded at their estimated fair values at the date of donation. Donated services are recorded in compliance with Statement of Financial Accounting Standards No. 116, at their estimated fair market value at the date of receipt. For the year ended June 30, 2009, in-kind contributions of \$1,110 were recognized as income and expense, and \$405,383 was recognized as income, and as a note receivable that was gifted to the Foundation. See Note 13.

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Leases – Leases meeting certain criteria are considered capital leases and the related assets and lease obligations are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

Federal income tax status – The Foundation is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on earnings associated with its exempt purpose. Unrelated business income is taxed at regular corporate rates. The Foundation has no unrelated business income.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CONCENTRATIONS

The Foundation maintains cash balances in one financial institution located in Bellingham, Washington. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2009 there were no uninsured cash balances. The Foundation maintains money market accounts at brokerage houses that are not insured by FDIC but are covered by Securities Investor Protector Corporation (SIPC). At June 30, 2009, the Foundation’s cash balances at brokerage houses were \$2,825,432.

NOTE 3 – PENSION PLAN

The Foundation sponsors a defined contribution retirement plan for employees. Employer contributions equal 10% of each eligible employee’s compensation and vest immediately. Pension contributions for the year ended June 30, 2009 were \$10,299. There were no unfunded benefits at June 30, 2009.

NOTE 4 - PROPERTY AND EQUIPMENT

At June 30, 2009, property and equipment consisted of the following:

Furniture	\$ 8,438
Software	39,120
Office equipment	<u>42,221</u>
	89,779
Less accumulated depreciation	<u>71,559</u>
<i>Property and equipment – net</i>	<u>\$ 18,220</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

At June 30, 2009, investments and fair value measurements consisted of the following:

	Cost	Fair Market Value
Vanguard Total Bond Market Index Adm	\$1,116,607	\$1,139,734
Vanguard Total Bond Market Index Adm	343,961	350,565
Vanguard Total Bond Market Index Inv	12,877	13,105
Vanguard Mid-Cap Index Fund Adm	1,597,520	1,151,974
Vanguard Mid-Cap Index Fund Inv	66,780	54,720
Vanguard 500 Index Fund Adm	2,349,280	1,785,298
Vanguard 500 Index Fund Inv	98,221	82,473
Vanguard Total Intl Stock Index	28,975	24,914
Vanguard Total Intl Stock Index	704,442	521,286
Vanguard FTSE Social Index	<u>51,100</u>	<u>39,480</u>
<i>Total Investments</i>	<u>\$6,369,763</u>	<u>\$5,163,549</u>

Investments traded on a securities exchange are recorded at a level 1 measurement of fair value using quoted prices in an active market. Cumulative unrealized losses are \$1,206,214 on all investments. Interest and dividends are reflected in the statement of activities. Notes 7 and 13 disclose the fair value of contributions and notes receivable, respectively.

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 6 – OPERATING LEASE

In February, 2004, the Foundation entered into a sixty-month lease with Concordia, LLC, that required monthly payments of \$1,204 through March 31, 2005. The rent increased to \$1,264 per month. On April 1, 2008, the rental amount became \$1,327 until a new lease was signed on April 3, 2009. This lease is a sixty-month lease with required monthly payments of \$1,909 until March 31, 2011. The rent will increase to \$2,005, \$2,105, and 2,210 for the next successive twelve-month periods. The Foundation is responsible for its pro-rata share of property taxes, insurance, and management fees in addition to the base rent. These additional costs are estimated to be \$3,400 annually, and are adjusted to actual cost at year-end. The lease expires in March, 2014. Minimum lease payments are as follows:

Year ended June 30,	Amount
2010	\$ 22,910
2011	23,197
2012	24,356
2013	25,574
2014	<u>19,891</u>
	<u>\$ 115,928</u>

NOTE 7 – PLEDGES RECEIVABLE

At June 30, 2009, pledges receivable consisted of the following:

Campaign for the Arts pledges	\$ 244,133
Mount Baker Theatre Fund	25,000
Mount Baker Theatre Endowment Fund(Permanently restricted)	43,233
Whatcom Museum of History and Art Childrens Endowment Fund	8,908
Whatcom Museum of History and Art Endowment Fund	35,717
Whatcom Community Foundation	<u>23,450</u>
<i>Pledges receivable</i>	<u>\$ 380,441</u>

Pledge amounts due:

In one year	\$ 137,875
In two years	162,083
In three years	60,883
In four years	9,600
In five years	<u>10,000</u>
	<u>\$ 380,441</u>

NOTE 8 – CAMPAIGN FOR ARTS PROGRAM FUNDS

Whatcom Community Foundation entered into a three-year agreement during 2006 to act as fiscal sponsor for the Campaign for the Arts, in order to facilitate private fundraising for a downtown Bellingham Arts District. The project, which is a Public/Private Partnership between the Bellingham-Whatcom Public Facilities District, the City of Bellingham, the Whatcom Museum of History and Art, and the Mount Baker Theatre is coordinated by a committee comprised of the Executive Directors, board members of each organization and members of the public. Under the umbrella of the Campaign for the Arts, endowment funds have been established for the Whatcom Museum of History and Art and for the Mount Baker Theatre and donors may make multi-year pledges to either organization's endowment or to the non-endowed Campaign for the Arts Fiscal Sponsorship Fund. The project is expected to extend beyond the term of the current agreement, and, if the participants agree, the fiscal sponsorship may be extended. The endowment funds will continue to support their organizations in perpetuity.

The Campaign for the Arts reached a milestone during the fiscal year: the Mount Baker Theatre Endowment Fund reached its fundraising goal. Work on the Mount Baker Theatre and the Whatcom Museum's new Lightcatcher Building was also completed. The Whatcom Museum is now driving the Campaign's activities to fundraise for the Whatcom Museum Endowment Fund. The capital portion of the Campaign reached 71% of its goal through a combination of gifts and pledges receivable. While the Foundation expects to collect the remaining receivables, it may take several years. The Foundation has adjusted pledges receivable so that uncollectible pledges have been reflected in these financial statements. The Foundation has determined all remaining pledges receivable are collectible.

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 9 – FUNDS HELD FOR OTHERS

Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a not-for-profit organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. SFAS No. 136 specifically requires that if a not-for-profit organization establishes a designated fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that designated fund, the community foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. Accordingly, the contribution is included in the Foundations' assets and an offsetting liability is created in an amount equal to present value of the future payments expected to be made to the designated beneficiary. The liability is shown on the statement of financial position and has been established at the fair value of the funds, which is generally equivalent to the present value of future payments. Activities related to these Funds held for others does not affect the statement of activities.

These funds held for others for the year ended June 30, 2009 consist of:

Agape Home for Women & Children Fund	\$ 8,200
Bayview Fund	215,505
Bellingham Festival of Music Fund	4,344
Bellingham Public Library Fund	145,885
Brigid Collins Endowment Fund	5,289
Ferndale Band Boosters Endowment Fund	86,439
Bellingham Parks & Recreation Endowment Fund	4,236
Fragrance Garden Endowment Fund	19,666
Lighthouse Mission Endowment Fund	7,805
Lydia Place Endowment Fund	34,297
Mount Baker Theatre Endowment Fund	847,117
Nooksack Salmon Enhancement Endowment Fund	92,901
Northwest Youth Services Endowment Fund	8,787
Whatcom Counseling & Psychiatric Endowment Fund	4,250
Whatcom Land Trust Fund	4,228
Whatcom Symphony Endowment Fund	8,135
<i>Total funds held for others</i>	<u>\$ 1,497,084</u>

NOTE 10 – PROGRAM EXPENSES

The Foundation is a fiscal agent for various community projects. Program expenses for the year ended June 30, 2009 consist of:

Campaign for the Arts Fund	\$ 1,662
Witter Pavillion Fund	65,968
Witter Mural Fund	7,386
Ferndale Library Project	54,884
Fairhaven Fund	4,251
Sustainable Whatcom Fund	6,454
Sue Boynton Poetry Fund	3,428
David C. Morse & Janice Marchbanks Fund	15,162
Holden & Phoebe Judson Fund	574
Program expenses other funds, under \$500	1,348
<i>Total program expenses</i>	<u>\$ 161,117</u>

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 11 – MANAGEMENT AND GENERAL EXPENSES

Management and general expenses for the year ended June 30, 2009 consist of the following:

Salaries, payroll taxes and benefits	\$ 210,328
Rent	21,170
Office supplies	5,449
Development costs	14,012
Depreciation	10,003
Telephone and utilities	6,792
Meetings, conferences, and professional development	7,216
Legal and accounting	8,688
Dues and publications	3,806
Travel and meals	1,266
Bank fees	317
Insurance	1,753
Repairs and maintenance	<u>9,571</u>
<i>Total management and general expenses</i>	<u><u>\$ 300,371</u></u>

NOTE 12 – AWARDS GRANTED

Awards granted consist of the following:

Bellingham Whatcom Public Facilities District-	
Campaign for the Arts	\$ 882,338
City of Bellingham-Campaign for the Arts Streetscapes	169,330
Center for Justice	138,646
Whatcom Film Association's Pickford Film Center	125,972
Critical Junctures Institute	100,000
Bellingham Public Schools Foundation	59,641
Mount Baker Planned Parenthood	55,250
Sustainable Connections	44,000
First Congregational Church	43,000
Nooksack Salmon Enhancement Association	36,648
Whatcom Coalition for Healthy Communities	34,500
Small Potatoes Gleaning Project	31,000
North Dakota State University	30,000
Pelican Rapids Library Foundation, Inc.	30,000
St. Joseph Hospital Foundation	30,000
Ferndale Library Project	24,000
Bellingham Technical College Foundation	21,000
Bellingham Dollars for Scholars	20,000
Boys and Girls Club of Ferndale	20,000
Ferndale Food Bank	16,700
The Nature Conservancy of Washington	15,000
Friends of North Fork Community Library	12,000
Whatcom Symphony Orchestra	11,266
Boy Scouts of America-Mt. Baker Council	10,550
Kulshan Community Land Trust	10,100
American Red Cross-Mt. Baker Chapter	10,000
Campaign for the Arts	10,000
Lighthouse Mission Ministries	10,000
<i>Others, under \$10,000</i>	<u>208,282</u>
<i>Total awards granted</i>	<u><u>\$ 2,209,223</u></u>

NOTE 13 – NOTE RECEIVABLE

During the year ended, June 30, 2009, the Foundation accepted a gift of a note secured by deed of trust, which has a face value of \$1,558,144 and accrues interest at a rate of 6% and is payable in full in 7 years. The present value of the note has been adjusted to \$405,383 to reflect the appraised value of the underlying property, as well as senior encumbrances. The increase of \$65,943 to the balance of the note represents accrued interest.

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 14 – SUBSEQUENT EVENT-GRANTS

During September, 2009, the Foundation received a Bill & Melinda Gates Foundation grant of \$75,000. The Foundation will be re-granting the bulk of the grant into the community in four fields of interest outlined by the Bill & Melinda Gates Foundation.

NOTE 15 – ENDOWMENTS

The Foundation's endowments consist of approximately 51 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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 the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$621,691 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets. There were 32 funds with such deficiencies as of June 30, 2009.

Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a long-term rate of growth sufficient to offset normal inflation, administrative fees and management fees (if any), plus reasonable, regular distributions within prudent risk constraints. Endowment assets are invested in a well diversified asset mix, which includes equity, fixed income securities, and cash equivalents. Investment risk is measured in terms of the total endowment; investment assets and allocation between asset classes and strategies are managed to not expose the endowment to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating a percentage (currently 4%) of each endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. No appropriations are made until a fund has been established for 12 quarters. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

WHATCOM COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 15 - ENDOWMENTS (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Net Endowment Total</u>	<u>Funds Held For Others</u>	<u>Endowment Total</u>
<i>Endowment net asset composition by type of fund as of June 30, 2009</i>						
Donor-restricted endowment funds	\$ (603,430)	\$ 3,018	\$ 3,540,890	\$ 2,940,478	\$ 1,495,084	\$ 4,435,562
Board designated endowment funds	<u>1,108,297</u>	<u>-</u>	<u>-</u>	<u>1,108,297</u>	<u>-</u>	<u>1,108,297</u>
Total funds	<u>\$ 504,867</u>	<u>\$ 3,018</u>	<u>\$ 3,540,890</u>	<u>\$ 4,048,775</u>	<u>\$ 1,495,084</u>	<u>\$ 5,543,859</u>

Changes in endowment net assets as of June 30, 2009

Net assets, June 30, 2008	\$ 2,740,551	\$ 2,867,452	\$ 3,567,299	\$ 9,175,302	\$ 1,852,407	\$ 11,027,709
Net assets reclassified based on change in law	<u>(144,931)</u>	<u>58,955</u>	<u>85,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning net assets, June 30, 2008, restated	2,595,620	2,926,407	3,653,275	9,175,302	1,852,407	11,027,709
Less pledges receivable balance	(34,650)	(779,488)	(233,146)	(1,047,284)	(4,000)	(1,051,284)
Less non-endowment net assets	<u>(1,723,107)</u>	<u>(2,087,964)</u>	<u>-</u>	<u>(3,811,071)</u>	<u>-</u>	<u>(3,811,071)</u>
Endowment net assets after adjustments	837,863	58,955	3,420,129	4,316,947	1,848,407	6,165,354
Endowment investment return						
Interest and dividends	20,092	-	82,023	102,115	41,745	143,860
Realized and unrealized gains and losses	(124,146)	-	(678,684)	(802,830)	(356,633)	(1,159,463)
Underwater restricted funds	<u>(621,691)</u>	<u>(55,937)</u>	<u>677,628</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total endowment investment return	<u>(725,745)</u>	<u>(55,937)</u>	<u>80,967</u>	<u>(700,715)</u>	<u>(314,888)</u>	<u>(1,015,603)</u>
Contributions	415,364	-	120,761	536,125	8,880	545,005
Appropriation of endowment for expenditure	(212,934)	-	(80,967)	(293,901)	(47,315)	(341,216)
Transfer to/from quasi endowments	<u>190,319</u>	<u>-</u>	<u>-</u>	<u>190,319</u>	<u>-</u>	<u>190,319</u>
Endowment net assets, June 30, 2009	<u>\$ 504,867</u>	<u>\$ 3,018</u>	<u>\$ 3,540,890</u>	<u>\$ 4,048,775</u>	<u>\$ 1,495,084</u>	<u>\$ 5,543,859</u>

Reconciliation of endowment net assets to total net assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Net Assets Total</u>	<u>Funds Held For Others</u>
Endowment net assets, June 30, 2009	\$ 504,867	\$ 3,018	\$ 3,540,890	\$ 4,048,775	\$ 1,495,084
Non-endowed net assets, June 30, 2009	989,420	1,754,007	-	2,743,427	-
Pledges receivable balance	<u>48,450</u>	<u>244,133</u>	<u>85,858</u>	<u>378,441</u>	<u>2,000</u>
Total Net Assets	<u>\$ 1,542,737</u>	<u>\$ 2,001,158</u>	<u>\$ 3,626,748</u>	<u>\$ 7,170,643</u>	<u>\$ 1,497,084</u>