

**WHATCOM COMMUNITY FOUNDATION**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**June 30, 2011**

WHATCOM COMMUNITY FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

September 9, 2011

To The Directors and Audit Committee  
Whatcom Community Foundation  
119 Grand Avenue, Ste. A  
Bellingham, WA 98225

We have audited the accompanying statements of financial position of Whatcom Community Foundation as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's June 30, 2010 financial statements and, in our report dated October 20, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whatcom Community Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Thomson & Company PLLC*

Bellingham, Washington

WHATCOM COMMUNITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011  
(With Comparative Totals for June 30, 2010)

ASSETS

	2011	2010
Current assets		
Cash	\$ 4,706,401	\$ 3,066,517
Pledges receivable-current	108,328	117,720
Total current assets	4,814,729	3,184,237
Property and equipment - net	30,461	20,609
Other assets		
Investments	9,861,920	8,000,121
Loan receivable	-	10,000
Note receivable	333,112	340,458
Pledges receivable-long term	9,617	27,763
Prepaid expenses	7,280	1,040
Total other assets	10,211,929	8,379,382
Total assets	\$ 15,057,119	\$ 11,584,228

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 9,094	\$ 9,384
Grants payable	182,350	343,151
Funds held for others	1,717,420	1,454,144
Total current liabilities	1,908,864	1,806,679
Net assets		
Unrestricted net assets	4,357,009	1,591,398
Temporarily restricted net assets	2,433,243	1,790,596
Permanently restricted net assets	6,358,003	6,395,555
Total net assets	13,148,255	9,777,549
Total liabilities and net assets	\$ 15,057,119	\$ 11,584,228

The accompanying notes are an integral part of these financial statements

WHATCOM COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011  
(With Comparative Totals for June 30, 2010)

	2011					2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Total	Funds Held For Others	Total	Total
<b>Revenue</b>							
Contributions	\$ 3,399,413	\$ 1,286,051	\$ 57,059	\$ 4,742,523	\$ 8,220	\$ 4,750,743	\$ 4,507,180
Contributions received in acquisition of Bellingham Dollars for Scholars	-	-	-	-	-	-	287,494
In-kind contributions	943	-	-	943	-	943	318
Interest and dividends	25,433	239,512	-	264,945	32,049	296,994	305,759
Unrealized gain(loss) on investments	172,573	1,311,000	-	1,483,573	311,818	1,795,391	608,395
Unrealized gain(loss) on note receivable	-	(110,437)	-	(110,437)	-	(110,437)	(290,917)
Realized gain(loss) on investments	(33,406)	(388)	-	(33,794)	-	(33,794)	(6,650)
Grant income	176,253	-	-	176,253	-	176,253	194,250
Program income	33,647	-	-	33,647	-	33,647	28,078
Management fee	211,853	-	-	211,853	-	211,853	190,413
Total revenue	<u>3,986,709</u>	<u>2,725,738</u>	<u>57,059</u>	<u>6,769,506</u>	<u>352,087</u>	<u>7,121,593</u>	<u>5,824,320</u>
<b>Net assets released from restrictions</b>							
Satisfaction of restrictions	<u>2,190,592</u>	<u>(2,083,091)</u>	<u>(94,611)</u>	<u>12,890</u>	<u>(12,890)</u>	<u>-</u>	<u>-</u>
Total revenue and net assets released	6,177,301	642,647	(37,552)	6,782,396	339,197	7,121,593	5,824,320
<b>Expenses and awards granted</b>							
Program expenses	172,073	-	-	172,073	-	172,073	165,476
Management and general expenses	452,652	-	-	452,652	-	452,652	341,127
Fund administration expenses	<u>195,815</u>	<u>-</u>	<u>-</u>	<u>195,815</u>	<u>16,038</u>	<u>211,853</u>	<u>190,413</u>
Total expenses	820,540	-	-	820,540	16,038	836,578	697,016
Awards granted	<u>2,591,150</u>	<u>-</u>	<u>-</u>	<u>2,591,150</u>	<u>59,883</u>	<u>2,651,033</u>	<u>2,563,338</u>
Total expenses and awards granted	<u>3,411,690</u>	<u>-</u>	<u>-</u>	<u>3,411,690</u>	<u>75,921</u>	<u>3,487,611</u>	<u>3,260,354</u>
Change in net assets and funds held for others	2,765,611	642,647	(37,552)	3,370,706	263,276	3,633,982	2,563,966
Funds held for others, beginning of year					<u>1,454,144</u>	1,454,144	1,497,084
Funds held for others, end of year					<u>\$ 1,717,420</u>	(1,717,420)	(1,454,144)
Net assets, beginning of year	<u>1,591,398</u>	<u>1,790,596</u>	<u>6,395,555</u>	<u>9,777,549</u>		<u>9,777,549</u>	<u>7,170,643</u>
Net assets, end of year	<u>\$ 4,357,009</u>	<u>\$ 2,433,243</u>	<u>\$ 6,358,003</u>	<u>\$ 13,148,255</u>		<u>\$ 13,148,255</u>	<u>\$ 9,777,549</u>

The accompanying notes are an integral part of these financial statements

WHATCOM COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011  
(With Comparative Totals for June 30, 2010)

	2011	2010
Cash flows from operating activities		
Changes in net assets	\$ 3,633,982	\$ 2,563,966
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	12,717	9,712
Unrealized (gains)losses on investments	(1,795,391)	(608,395)
Unrealized (gains)losses on note receivable	110,437	290,917
Realized (gains)losses on investments	33,794	6,650
(Increase)decrease in pledges receivable	27,538	234,959
(Increase)decrease in notes receivable	7,346	130,868
(Increase)decrease in loan receivable	10,000	(10,000)
(Increase)decrease in prepaid expenses	(6,240)	-
Increase(decrease) in accounts payable and accrued expenses	(290)	(2,091)
Increase(decrease) in grants payable	(160,801)	328,151
Increase(decrease) in funds held for others	263,276	(42,940)
Contributions in acquisition of Bellingham Dollars for Scholars	-	(287,494)
Contributions restricted for long-term purposes	(18,146)	(214,803)
Net cash provided(used) from operating activities	2,118,222	2,399,500
 Cash flows from investing activities		
Proceeds and purchases of investments net	(659,418)	(2,625,148)
Dividends received	173,468	142,344
Contributions in acquisition of Bellingham Dollars for Scholars	-	287,494
Purchase and retirement of property and equipment	(10,534)	(12,101)
Net cash provided(used) from investing activities	(496,484)	(2,207,411)
 Cash flows from financing activities		
Collection of long-term contributions	18,146	214,803
Net cash provided(used) from financing activities	18,146	214,803
 Net increase(decrease) in cash	1,639,884	406,892
 Cash, beginning of year	3,066,517	2,659,625
 Cash, end of year	\$ 4,706,401	\$ 3,066,517
  SUPPLEMENTAL DATA		
Gifts of Investments	\$ 3,880,333	\$ 445,266

The accompanying notes are an integral part of these financial statements

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**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 a permanent endowment fund and uses the income from that fund 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, 2010, from which the summarized information was derived.

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

**Fair Value Disclosure** – The Foundation follows accounting standards with disclosures relating to fair value measurements of its investment and liabilities.

**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, 2011 is \$12,717.

**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.

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**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 Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, at their estimated fair market value at the date of receipt. For the year ended June 30, 2011, in-kind contributions of \$943 were recognized as income, and was expensed.

**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 had no unrelated business income. For the year ended June 30, 2010, the Foundation adopted guidance in FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. The implementation of FASB ASC 740-10 had no impact on the Foundation’s statement of financial position or statement of activities. The Foundation does not believe it’s financial statements reflect any uncertain tax positions. The Foundation’s accounting policy requires recording a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings in determining transactions to be recognized in the financial statements.

**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.

**Subsequent events** – Management has evaluated subsequent events through September 9, 2011 the date the financial statements were available to be issued.

**NOTE 2 – CONCENTRATIONS**

The Foundation maintains cash balances in two financial institution located in Bellingham, Washington. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2011 there were no uninsured cash balances. The Foundation maintains money market accounts at investment firms that are not insured by FDIC but are covered by Securities Investor Protector Corporation (SIPC). At June 30, 2011, the Foundation’s cash balances at investment firms were \$2,572,161.

**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, 2011 was \$21,116. There were no unfunded benefits at June 30, 2011.

**NOTE 4 - PROPERTY AND EQUIPMENT**

At June 30, 2011, property and equipment consisted of the following:

Furniture	\$ 11,756
Software	52,664
Office equipment	<u>46,939</u>
	111,359
Less accumulated depreciation	<u>80,898</u>
<i>Property and equipment – net</i>	<u><u>\$ 30,461</u></u>

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 5 – INVESTMENTS**

At June 30, 2011, investments consisted of the following:

	Cost	Fair Market Value
Vanguard Total Bond Market Index Adm	\$ 2,208,796	\$ 2,268,346
Vanguard Total Bond Market Index Inv	10,820	11,269
Vanguard Mid-Cap Index Fund Adm	2,078,674	2,641,947
Vanguard 500 Index Fund Adm	3,432,783	3,774,323
Vanguard Total Intl Stock Index Adm	5,545	6,492
Vanguard Total Intl Stock Index	1,024,651	1,110,878
Vanguard FTSE Social Index	37,780	48,665
<i>Total Investments</i>	\$ 8,799,049	\$ 9,861,920

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 gains are \$1,062,871 on all investments. Interest and dividends are reflected in the statement of activities. Notes 7 and 8 disclose the fair value of contributions and notes receivable, respectively.

**NOTE 6 – OPERATING LEASE**

On April 3, 2009 the Foundation entered into a sixty-month lease with required monthly payments of \$1,909 until March, 2011. And then increase to \$2,005 until March, 2012. The rent will increase to \$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
2012	24,356
2013	25,574
2014	19,891
	\$ 69,821

**NOTE 7 – PLEDGES RECEIVABLE**

At June 30, 2011, pledges receivable consisted of the following:

Campaign for the Arts pledges	\$ 33,900
Ferndale Library Fund	28,000
Mount Baker Theatre Endowment Fund(Agency)	10,000
Whatcom Museum Endowment Fund - FIG	1,658
Whatcom Museum Endowment Fund	9,450
Whatcom Community Foundation	34,937
<i>Pledges receivable</i>	\$ 117,945

Pledge amounts due

In one year	\$ 108,328
In two years	9,617
	\$ 117,945

**NOTE 8 – NOTE RECEIVABLE**

During the year ended June 30, 2009, the Foundation accepted a gift of a note secured by a 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 2016. The present value of the note has been adjusted to \$333,112 to reflect the value of the underlying property, as well as senior encumbrances.

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 9 – 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 downtown Bellingham’s Arts District. The project was 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 and the Whatcom Community Foundation. Under the umbrella of the Campaign for the Arts, the Foundation collected pledges and gifts designated for the Arts District capital improvements and established endowment funds for the Whatcom Museum and Mount Baker Theatre. Donors continue to fulfill existing pledge payments and to make new gifts to the endowments. The Foundation expects that all remaining pledges receivable are collectible. The endowment funds will continue to support their respective organizations in perpetuity.

**NOTE 10 – BELLINGHAM DOLLARS FOR SCHOLARS**

The Foundation’s Bellingham Dollars for Scholars program(BDFS) added three new funds in fiscal year 2011, bringing the total number of BDFS scholarship funds to 53.

**NOTE 11 – CLOUD MOUNTAIN FARM CENTER**

During the year ended June 30, 2011, the Foundation’s Sustainable Whatcom Fund provided grant funds to a new and independent non-profit entity, the Cloud Mountain Farm Center, to help purchase the real property and other assets associated with Cloud Mountain Farm, a 30-year old locally owned and operated farm in eastern Whatcom County. Total fiscal year grants and expenses related to acquisition and start-up of this new non-profit entity totaled \$1.4 million. Cloud Mountain Farm Center is governed by an independent board of trustees and its mission is: To build experience, knowledge and community to expand dynamic local food systems. Cloud Mountain Farm Center’s goal is to provide training, education and research opportunities to existing and new farmers as well as consumers and home gardeners.

**NOTE 12 – FUNDS HELD FOR OTHERS**

FASB ASC 958-605 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. Accounting Standards 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, 2011 consist of:

Agape Home for Women & Children Fund	\$ 10,987
Bellingham Public Library Fund	203,441
Brigid Collins Endowment Fund	7,204
Ferndale Band Boosters Endowment Fund	115,780
Bellingham Parks & Recreation Endowment Fund	5,867
Fragrance Garden Endowment Fund	26,342
Lighthouse Mission Endowment Fund	10,458
Lydia Place Endowment Fund	46,061
Mount Baker Theatre Endowment Fund	1,135,781
Nooksack Salmon Enhancement Endowment Fund	121,473
Northwest Youth Services Endowment Fund	11,771
Whatcom Counseling & Psychiatric Endowment Fund	5,693
Whatcom Land Trust Fund	5,665
Whatcom Symphony Endowment Fund	<u>10,897</u>
<i>Total funds held for others</i>	<u>\$ 1,717,420</u>

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 13 – PROGRAM EXPENSES**

The Foundation is a fiscal agent for various community projects. Program expenses for the year ended June 30, 2011 consist of:

Sustainable Whatcom Project	\$ 92,657
Sustainable Whatcom Sprout	13,815
Ferndale Library Project	11,769
Sustainable Whatcom CSA	11,353
Non-Profit Training Seminar	8,793
Community Foundation Convening	8,000
Holden & Phoebe Goodell Judson Fund	7,200
Bellingham Dollars for Scholars	6,922
Campaign for the Arts Fund	6,916
AFP Philanthropy Day Event	1,463
Pitts Sportsman’s Fund	1,207
Cole Student of the Year Fund	829
Program expenses other funds, under \$500	<u>1,149</u>
<i>Total program expenses</i>	<u>\$ 172,073</u>

**NOTE 14 – MANAGEMENT AND GENERAL EXPENSES**

Management and general expenses for the year ended June 30, 2011 consist of the following:

Salaries, payroll taxes and benefits	\$ 314,866
Rent	27,232
Office supplies	4,763
Development costs	31,115
Depreciation	12,717
Telephone and utilities	8,383
Meetings, conferences, and professional development	16,193
Professional services	12,700
Dues and publications	7,633
Travel and meals	1,880
Insurance	1,961
Software maintenance	8,600
Repairs and maintenance	<u>4,609</u>
<i>Total management and general expenses</i>	<u>\$ 452,652</u>

**NOTE 15 – AWARDS GRANTED**

Awards granted for the year ended June 30, 2011 consist of the following:

Cloud Mountain Farm Center	\$1,388,975
City of Ferndale-Ferndale Library	217,967
Bellingham Whatcom Public Facilities District-Campaign for Arts	128,475
Kulshan Community Land Trust	76,000
Northwest Agriculture Business Center	75,000
Futurewise Whatcom	42,000
The Sister City Hunger Project	30,000
Whatcom Film Association’s Pickford Film Center	23,906
Mount Baker School District #507	19,035
University of Washington	18,200
The Western Foundation	16,282
Ferndale Food Bank	15,339
Max Higbee Center	12,500
Mount Baker Theatre	12,206

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

Whatcom County Council on Aging	12,000
Growing Washington	11,909
Western Washington University	11,500
Bellingham Technical College Foundation	11,250
Bellingham School District #501	10,260
Animals of Natural Therapy	10,100
Boys and Girls Club of Whatcom County	10,000
Michael Koenen Foundation All-Star Football Camp	10,000
Northwest Indian College	10,000
Washington Sustainable Food and Farming Network	10,000
Bellingham Railway Museum	9,330
Brigadoon Assistance Dogs	9,250
United Way of Whatcom County	9,241
Whatcom Family and Community Network	8,500
North Cascades Institute	8,049
Bellingham Public Schools Foundation	7,425
Sacred Heart Catholic Church	7,200
Bellingham Festival of Music	7,199
Whatcom Community College	7,000
Nooksack Valley School District	6,450
Whatcom Literacy Council	6,350
Home Port Learning Center	6,000
Nooksack Salmon Enhancement Association	6,000
Rotary Club of Bellingham Foundation	6,000
Whatcom Volunteer Center	6,000
Nooksack Valley Foodbank	5,944
Brigid Collins	5,820
Alternatives to Hunger	5,700
Project Hope	5,649
Western Washington University Office of Sustainability	5,560
Whatcom Hospice Foundation	5,550
Salvation Army	5,500
Washington State University	5,500
Rebound Whatcom County	5,250
Lydia Place	5,120
American Red Cross – Mount Baker Chapter	5,000
Bellingham Bay Community Boating Center	5,000
Boys and Girls Club of Ferndale	5,000
Downtown Bellingham Partnership	5,000
Ferndale Community Resource Center	5,000
Gonzaga University	5,000
Whatcom Community College Foundation	5,000
<i>Others, under \$5,000</i>	<u>207,659</u>
<i>Total awards granted</i>	<u>\$ 2,591,150</u>

**NOTE 16 – WHATCOM COALITION FOR HEALTHY COMMUNITIES**

The Whatcom Coalition for Healthy Communities (Coalition) ceased operations in December 2010. At the request of the Coalition Board of Directors, the Foundation adopted two of the organization’s programs: the Whatcom Council of Nonprofits, a peer learning network for Whatcom County nonprofit organizations, and WhatcomCounts.org, a web-based resource providing information about a broad range of community health issues including the economy, education, safety, environment and others as well as traditional public health measures. Upon the Coalition’s closure its remaining assets were gifted to the Foundation.

**WHATCOM COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 17 – ENDOWMENTS**

The Foundation's endowments consist of 66 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 or unrestricted 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 \$5,177 as of June 30, 2011. 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 3 funds with such deficiencies as of June 30, 2011.

**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.

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**NOTE 17 - 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><b>Endowment net asset composition by type of fund as of June 30, 2011</b></i>						
Donor-restricted endowment funds	\$ -	\$ -	\$ 6,336,894	\$ 6,336,894	\$ 1,549,244	\$ 7,886,138
Board designated endowment funds	<u>674,808</u>	<u>-</u>	<u>-</u>	<u>674,808</u>	<u>-</u>	<u>674,808</u>
Total funds	<u>\$ 674,808</u>	<u>\$ -</u>	<u>\$ 6,336,894</u>	<u>\$ 7,011,702</u>	<u>\$ 1,549,244</u>	<u>\$ 8,560,946</u>

***Changes in endowment net assets as of June 30, 2011***

Beginning net assets, June 30, 2010	548,098	-	6,348,147	6,896,245	1,454,144	8,350,389
Endowment investment return						
Interest and dividends	15,107	-	134,972	150,079	32,049	182,128
Realized and unrealized gains and losses	147,514	-	1,306,689	1,454,203	311,818	1,766,021
Underwater restricted funds	<u>5,177</u>	<u>-</u>	<u>(5,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total endowment investment return	167,798	-	1,436,484	1,604,282	343,867	1,948,149
Contributions	-	-	57,059	57,059	8,220	65,279
Appropriation of endowment for expenditure	(45,068)	-	(164,955)	(210,023)	(75,921)	(285,944)
Transfer to/from quasi endowments	<u>3,980</u>	<u>-</u>	<u>(1,339,841)</u>	<u>(1,335,861)</u>	<u>(181,066)</u>	<u>(1,516,927)</u>
Endowment net assets, June 30, 2011	<u>\$ 674,808</u>	<u>\$ -</u>	<u>\$ 6,336,894</u>	<u>\$ 7,011,702</u>	<u>\$ 1,549,244</u>	<u>\$ 8,560,946</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, 2011	\$ 674,808	\$ -	\$ 6,336,894	\$ 7,011,702	\$ 1,549,244
Non-endowed net assets, June 30, 2011	3,646,877	2,371,731	-	6,018,608	168,176
Pledges receivable balance	<u>34,936</u>	<u>61,900</u>	<u>21,109</u>	<u>117,945</u>	<u>-</u>
Total Net Assets	<u>\$ 4,356,621</u>	<u>\$ 2,433,631</u>	<u>\$ 6,358,003</u>	<u>\$ 13,148,255</u>	<u>\$ 1,717,420</u>

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**NOTE 18 – SUBSEQUENT EVENT-INVESTMENTS**

Due to market value declines between June 30, 2011 and September 9, 2011, Investments were reduced in value by approximately \$967,000.