
Greater Everett Community Foundation
A Washington Non-Profit Corporation

Financial Statements

For the Years Ended December 31, 2011 and 2010

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC
ACCOUNTANTS &
MANAGEMENT
CONSULTANTS

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
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FINANCIAL STATEMENTS:

Statement of Financial Position	4
Statement of Activities and Changes in Net Assets.....	6
Statements of Cash Flows.....	7

Statements of Functional Expenses	5
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Notes to Financial Statements	8
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Aiken

& Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Everett Community Foundation

We have audited the accompanying statements of financial position of the Greater Everett Community Foundation (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 the Greater Everett Community Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Aiken & Sanders

Aberdeen, WA
September 7, 2012

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

December 31, 2011 & 2010	2011	2010
Assets		
Current Assets:		
Cash & cash equivalents	\$ 225,856	\$ 210,758
Prepaid expenses	-	1,499
Current portion of pledge receivable	<u>7,290</u>	<u>15,500</u>
Total Current Assets	<u>233,146</u>	<u>227,757</u>
Property & Equipment:		
Land	151,200	151,200
Building & improvements	341,450	332,155
Office equipment & furniture	15,531	14,358
Accumulated depreciation	<u>(39,280)</u>	<u>(21,559)</u>
Total Property & Equipment	<u>468,901</u>	<u>476,154</u>
Other Assets:		
Life insurance policy, cash surrender value	123,547	101,572
Pledge receivable, less current portion	28,763	37,781
Contributions receivable, charitable remainder trusts	1,364,167	1,379,267
Investments	<u>7,556,678</u>	<u>6,635,569</u>
Total Other Assets	<u>9,073,155</u>	<u>8,154,189</u>
Total Assets	<u>\$ 9,775,202</u>	<u>\$ 8,858,100</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,780	\$ 3,131
Security deposit payable	500	-
Accrued expenses	7,151	8,144
Assets held under agency agreements	<u>982,194</u>	<u>507,608</u>
Total Liabilities	<u>994,625</u>	<u>518,883</u>
Net Assets:		

Unrestricted	634,580	687,718
Unrestricted - Board designated capital reserve	6,000	-
Unrestricted - Board designated endowments	<u>74,562</u>	<u>97,922</u>
	715,142	785,640
Temporarily restricted	1,114,501	1,132,892
Permanently restricted	<u>6,950,934</u>	<u>6,420,685</u>
Total Net Assets	<u>8,780,577</u>	<u>8,339,217</u>
		\$
Total Liabilities and Net Assets	<u>\$ 9,775,202</u>	<u>8,858,100</u>

The accompanying notes are an integral part of these financial statements.

2

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2011

Unrestricted

Support and Revenue:

Public support:

Contributions	\$ 25,281	\$ 214,686	\$ 1,313,752	\$ 1,553,719
Fundraiser	64,548	49,393	-	113,941
Less: direct event expense	(10,581)	-	-	(10,581)
Investment earnings	(37,697)	7,310	175,004	144,617
Reclassification of agency agreements	-	-	(509,830)	(509,830)
Rental income	17,470	-	-	17,470
Administrative fees	160,205	-	-	160,205
Net assets released from restrictions	<u>738,457</u>	<u>(289,780)</u>	<u>(448,677)</u>	<u>-</u>
	<u>957,683</u>	<u>(18,391)</u>	<u>530,249</u>	<u>1,469,541</u>

Total Support and Revenue

Expenses:

Program services	988,985	-	-	988,985
Management and general	33,279	-	-	33,279
Fundraising	<u>5,917</u>	<u>-</u>	<u>-</u>	<u>5,917</u>
Total Expenses	<u>1,028,181</u>	<u>-</u>	<u>-</u>	<u>1,028,181</u>

Change in Net Assets	(70,498)	(18,391)	530,249	441,360
Net Assets, Beginning of Year	<u>785,640</u>	<u>1,132,892</u>	<u>6,420,685</u>	<u>8,339,217</u>
Net Assets, End of Year	\$ <u>715,142</u>	\$ <u>1,114,501</u>	\$ <u>6,950,934</u>	\$ <u>8,780,577</u>
		Temporarily	Permanently	
		Restricted	Restricted	Total

The accompanying notes are an integral part of these financial statements.

3

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Public support:				
Contributions	\$ 442,944	\$ 230,574	\$ 261,784	\$ 935,302
Fundraiser	37,303	-	35,836	73,139
Less: direct event expense	(7,001)	-	-	(7,001)
Investment earnings	60,765	11,984	685,798	758,547
Reclassification of agency agreements	-	-	(66,591)	(66,591)
Rental income	11,450	-	-	11,450
Administrative fees	131,080	-	-	131,080
Net assets released from restrictions	<u>642,806</u>	<u>(162,075)</u>	<u>(480,731)</u>	-
Total Support and Revenue	<u>1,319,347</u>	<u>80,483</u>	<u>436,096</u>	<u>1,835,926</u>
Expenses:				
Program services	734,587	-	-	734,587
Management and general	29,002	-	-	29,002
Fundraising	<u>6,151</u>	-	-	-

		<u> </u>	<u> </u>	<u>6,151</u>
Total Expenses	<u>769,740</u>	<u>-</u>	<u>-</u>	<u>769,740</u>
Change in Net Assets	549,607	80,483	436,096	1,066,186
Net Assets, Beginning of Year	333,423	1,052,409	5,984,589	7,370,421
Prior Period Adjustment	<u>(97,390)</u>	<u>-</u>	<u>-</u>	<u>(97,390)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Net Assets, End of Year	\$ <u>785,640</u>	\$ <u>1,132,892</u>	\$ <u>6,420,685</u>	\$ <u>8,339,217</u>
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The accompanying notes are an integral part of these financial statements.

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statement of Functional Expenses

Year Ended December 31, 2011

Program Services	Management & General		Fundraising		Total
Salaries & wages	\$ 148,105	\$	9,371	\$ 4,709	\$ 162,185
Payroll benefits & taxes	17,056		1,079	542	18,677
Professional services	25,162		9,245	-	34,407
Insurance	2,961		987	-	3,948
Occupancy	3,352		1,117	-	4,469
Telephone	4,328		228	-	4,556
Office supplies	4,352		273	137	4,762
Training & development	4,067		214	-	4,281
Postage	864		153	-	1,017
Printing	2,534		-	447	2,981
Conferences	6,465		-	-	6,465
Copier rental	2,575		163	82	2,820
Marketing	7,471		2,490	-	9,961
				-	1,885
Administrative fees	153,643				153,643
Repairs & maintenance	245			-	2,327
Depreciation	15,056		2,665	-	17,721
Miscellaneous expense	-		2,929	-	2,929
				-	<u>589,147</u>

			<u>\$ 1,028,181</u>
Membership & dues	1,602	283	
		2,082	
Agency grants	<u>589,147</u>	-	
Total	\$ 988,985	\$ 33,279	\$ 5,917

The accompanying notes are an integral part of these financial

statements.

5

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statement of Functional Expenses

Year Ended December 31, 2010

	Program Services	Management & General	<u>Fundraising</u>	<u>Total</u>
Salaries & wages	\$ 91,006	\$ 8,262	\$ 4,819	\$ 104,087
Payroll benefits & taxes	10,194	925	540	11,659
Professional services	21,361	8,460	-	29,821
Insurance	2,634	878	-	3,512
Occupancy	11,369	3,704	-	15,073
Telephone	4,650	245	-	4,895
Office supplies	2,305	209	122	2,636
Training & development	2,200	116	-	2,316
Postage	682	120	-	802
Printing	2,982	-	526	3,508

Conferences	3,630	-	-	3,630
Copier rental	2,727	248	144	3,119
Bank fees	1,223	408	-	1,631
Marketing	4,749	1,583	-	6,332
Membership & dues	<u>1,479</u>	<u>261</u>	<u>-</u>	<u>1,740</u>
Graphic fees	1,368	241	-	1,609
Administrative fees	131,080	-	-	131,080
Depreciation	10,027	3,342	-	13,369
Agency grants	<u>428,921</u>	<u>-</u>	<u>-</u>	<u>428,921</u>
Total	<u>\$ 734,587</u>	<u>\$ 29,002</u>	<u>\$ 6,151</u>	<u>\$ 769,740</u>

The accompanying notes are an integral part of these financial statements.

Greater Everett Community Foundation
A Washington Non-Profit Corporation

Statements of Cash Flows

Year Ended December 31, 2011 & 2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 441,360	\$ 1,066,186
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,721	13,369
Decrease in pledge receivable discount	(33,453)	
		(31,747)
Investment earnings	(144,617)	
(Increase) Decrease in Operating Assets		(758,547)
Prepaid expenses	1,499	1,101
Pledge receivable	65,781	
		(415,508)
Life insurance policy	(21,975)	
Increase (Decrease) in Operating Liabilities		(26,029)
Accounts payable	1,649	(8,183)
Security deposit	500	-
Vacation accrual	(993)	4,175
Agency endowment	<u>474,586</u>	<u>66,591</u>
Net Cash Provided (Used) by Operating Activities	<u>802,058</u>	<u>(88,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Activity: Investments	(776,492)	255,594
Purchase of property & equipment	<u>(10,468)</u>	
		(484,067)
Net Cash Provided (Used) by Investing Activities	<u>(786,960)</u>	<u>(228,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	-	-
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,098	(317,065)
BEGINNING CASH AND CASH EQUIVALENTS <u>210,758</u>	<u>527,823</u>	ENDING CASH AND CASH
EQUIVALENTS \$ <u>225,856</u> \$ <u>210,758</u>		

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:

Cash Paid During the Fiscal Years for Interest	\$ _____ - _____	\$ _____ - _____
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The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND PURPOSE:

The Greater Everett Community Foundation (The Foundation) is organized as a nonprofit tax-exempt corporation under the laws of the State of Washington. As a community foundation, it serves donors across the full spectrum of philanthropy including arts and culture, health and welfare, education, human services, environment, and community.

The mission of the Greater Everett Community Foundation is to work in partnership with donors to strengthen communities in greater Everett and Snohomish County by:

- Building permanent charitable funds,
- Connecting donors to charitable causes they care about,
- Making effective grants, and
- Providing leadership to address community issues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation--

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation's policy is to present donor funds that are restricted or endowed for specific purposes, but for The Foundation's "variance power," as temporarily or permanently restricted. While The Foundation retains authority to exercise "variance power" by which the Board may legally resolve to release donor restrictions, it has no current intention to do so. Accordingly, the net assets of The Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets on which there are no donor-imposed restrictions for use, or on which donor-imposed restrictions were temporary and have expired.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of The Foundation and or the passage of time. At December 31, 2011 and 2010, The Foundation had temporarily restricted net assets in the amount of \$1,114,501 and \$1,132,892, respectively, available for use in subsequent periods.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions to be maintained permanently by The Foundation are classified as permanently restricted. Permanently

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

restricted net assets are adjusted annually to retain investment returns in excess of grant expenditures and administrative fees in accordance with each fund's spending policy. At December 31, 2011 and 2010, The Foundation had permanently restricted net assets in the amount of \$6,950,934 and \$6,420,685, respectively.

The Foundation's grant distribution goal is to provide a consistent and stable flow of grants. The annual grant expenditure allowed will be five percent of the fund balances, unless otherwise stated in the fund agreement. The allocation is made in January based upon the average of the prior three year-end fund balances. A minimum of \$500 can be distributed in annual grants from funds that have achieved a minimum balance of \$25,000 and have achieved four quarters of earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Administrative fees are charged quarterly to individual funds at rates established in the donor fund agreements. These fees are reported as reclassifications between the applicable net asset classes at the time they are charged to donor funds.

B. Cash and Cash Equivalents--

For the purpose of reporting cash flows, The Foundation considers all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, to be cash equivalents.

C. Property & Equipment--

Property and equipment is stated at cost if purchased or at fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets of three to seven years. Expenditures greater than \$1,000 are capitalized. Amounts less than \$1,000 are expensed when incurred.

D. Grants--

Grants are approved by the Board of Directors of The Foundation in accordance with respective by-laws and guidelines. Grants are recorded in the financial statements when approved.

E. Allocation of Functional Expenses--

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

F. Use of Estimates--

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

The preparations of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

G. Volunteer Services--

The efforts of volunteer workers are not reflected in the accompanying financial statement; however, many volunteers have donated significant amounts of their time to The Foundation. The in-kind value of labor donated is not recognized as revenue because its value is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Income Taxes--

The Foundation is tax-exempt in accordance with Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income tax has been recorded.

I. Fair Value Measurement--

FASB ASC 820-10 (formerly SFAS NO. 157, Fair Value Measurements) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted market prices for identical assets. Level 3 inputs have the lowest priority and are used only when Level 1 and Level 2 inputs are not available. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Foundation measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair value of investments was measured on a recurring basis using quoted prices in active markets for identical assets (Level 1) in 2011 and 2010. There were not any investments that were valued using Level 2 or Level 3 inputs in either years.

J. Advertising--

The Foundation's policy is to expense advertising costs as they are incurred.

3. INVESTMENTS AND INVESTMENT RETURN:

The Foundation records investments in marketable and debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. At December 31, 2011, The Foundation's investments included \$183,015 in cash and money market funds, \$2,330,212 in fixed income funds, and \$5,043,451 in stocks and mutual funds. At December 31, 2010, The Foundation's investments included \$67,456 in cash and money market funds, \$1,684,846 in fixed income funds, and \$4,883,267 in stocks and mutual funds.

Investment earnings consist of the following components for the year ended December 31 2011: 2011

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Unrealized gains and losses	\$	_____
		(76,702)
Interest and dividends		176,941
Realized gains and losses		93,848
Management fees charged		(49,470)
Investment earnings (losses)	\$	144,617

3. INVESTMENTS AND INVESTMENT RETURN (CONT.):

Investment earnings consist of the following components for the year ended December 31 2010:

2010	

Unrealized gains and losses	\$ 682,142
Interest and dividends	148,895
Realized losses	(29,454)
Management fees charged	(43,036)
Investment earnings (losses)	\$ 758,547

Earnings are allocated between funds in the investment pool which include endowment funds and permanently restricted funds based upon allowed uses.

4. PLEDGE RECEIVABLE:

The Foundation records unconditional promises to give as pledges receivable at their net best present value of expected cash flows discounted at six percent. Pledges receivable are due as follows at December 31, 2011 and 2010:

	2011	2010
	_____	_____
Less than one year	\$ 7,290	\$ 15,500
One to five years	20,000	24,957
More than five years	16,942	22,732
Pledge receivable	44,232	63,189
Less unamortized discount on pledges receivable in excess of one year	(8,179)	(9,908)

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Net present value of pledge receivable	\$	_____ 36,053	\$	_____ 53,281
		_____		_____

5. CONTRIBUTIONS RECEIVABLE ---SPLIT-INTEREST AGREEMENT:

In 2002, a donor established a trust with a local bank naming The Foundation as beneficiary in a charitable remainder trust. Under terms of the split-interest agreement, The Foundation is to receive approximately \$1,000,000 upon the donor's death. The receivable for the split-interest agreement is carried at fair value, which The Foundation has estimated based on the present value of its expected future cash flows. Based on the Donor's life expectancy and a 6% discount rate the fair value of The Foundation's interest in the trust was estimated to be \$810,444 and \$778,720, respectively, at December 31, 2011 and 2010. On an annual basis, The Foundation revalues the contribution receivable based on applicable mortality tables and current market conditions.

In 2008, The Foundation was notified that they are beneficiary to a second charitable remainder trust. Under the terms of this split-interest agreement, The Foundation is to receive 25% of the remaining assets of the trust upon its termination in the year 2015. The receivable for this split-interest agreement is carried at fair value based on quoted prices in the active market which was \$157,967 and \$172,124, respectively, at December 31, 2011 and 2010.

5. CONTRIBUTIONS RECEIVABLE ---SPLIT-INTEREST AGREEMENT (CONT.):

In 2010, The Foundation became the beneficiary of a third charitable remainder trust. Under the terms of this split-interest agreement, The Foundation is to receive the full balance of the trust upon the death of the Donor. The receivable for the split-interest agreement is carried at fair value based on quoted prices in the active market, which was \$395,756 and \$428,423, respectively, at December 31, 2011 and 2010.

6. ASSETS HELD UNDER AGENCY AGREEMENTS:

The Foundation holds assets under agency fund agreements for the benefit of eight unrelated nonprofit organizations. These funds may be distributed to the respective beneficiaries upon their request, and as such, are included in current liabilities in The Foundation's Statements of Financial Position.

7. RETIREMENT PLAN:

The Foundation sponsors a SIMPLE retirement plan covering all employees and provides a three percent matching provision. During the years ended December 31, 2011 and 2010 \$4,708 and \$2,844, respectively, was contributed to the retirement plan for eligible employees.

8. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2011 and 2010, The Foundation received donations from Board members, management, staff and their families of \$28,379 and \$15,750, respectively.

9. ENDOWMENT:

The Foundation's endowment consists of 64 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Net Assets Composition by Type of Fund as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Donor-restricted & Board-designated endowment funds	\$ 74,562	\$ 1,114,501	\$ 6,950,934	\$ 8,139,997

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

9. ENDOWMENT (CONT.):

Net Assets Composition by Type of Fund as of December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Donor-restricted & Board-designated endowment funds	\$ 97,922	\$ 1,132,892	\$ 6,420,685	\$ 7,651,499

Changes in Endowment Net Assets for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets, beginning of year	\$ -	\$ 583,224	\$ 4,060,533	\$ 4,643,757
Contributions	-	65,900	1,279,694	1,345,594
Investment return	-	7,204	120,914	128,118
Reclassification	-	(15,891)	17,060	1,169
Appropriation of endowment assets for expenditure	-	(99,519)	(902,480)	(1,001,999)
Donor-restricted endowment net assets, end of year	\$ -	\$ -	\$ 540,918	\$ 4,575,721
				<u>5,116,639</u>
Board-designated endowment net assets, beginning of year	\$ 97,922	\$ 49,823	\$ 2,360,153	\$ 2,507,898
Contributions	225	42,488	34,058	76,771
Investment return	4,266	-	54,090	58,356
Appropriation of endowment assets for expenditure	(27,851)	(53,821)	(73,088)	(154,760)
Board-designated endowment net assets, end of year	\$ 74,562	\$ 38,490	\$ 2,375,213	\$ 2,488,265
Other restricted funds, non- endowment	\$ -	\$ 535,093	\$ -	\$ 535,093
Total	\$ 74,562	\$ 1,114,501	\$ 6,950,934	\$ 8,139,997

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

9. ENDOWMENT (CONT.):

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment net				
assets, beginning of year	\$ -	\$ 516,713	\$ 3,843,779	\$ 4,360,492
Contributions		98,273	214,484	312,757
Investment return		11,814	476,005	487,819
Reclassification		(8,250)	-	
Appropriation of endowment				(8,250)
	<u>\$ -</u>	<u>(35,326)</u>	<u>(473,736)</u>	<u>(509,062)</u>
Donor-restricted endowment net				
assets, end of year	\$ 583,224	\$ 4,060,532	\$ 4,643,756	
Board-designated endowment net				
assets, beginning of year	\$ 140,646	\$ 31,569	\$ 2,140,810	\$ 2,313,025
Contributions	5,100	35,000	83,136	123,236
Investment return	18,182		209,793	227,975
Appropriation of endowment				
assets for expenditure	<u>(66,006)</u>	<u>(16,746)</u>	<u>(73,586)</u>	<u>(156,338)</u>
Board-designated endowment net				
assets, end of year	\$ <u>97,922</u>	\$ <u>49,823</u>	\$ <u>2,360,153</u>	\$ <u>2,507,898</u>
Other restricted funds, non-				
endowment	\$ -	\$ <u>499,845</u>	-	\$ <u>499,845</u>
Total	<u>\$ 97,922</u>	<u>\$ 1,132,892</u>	<u>\$ 6,420,685</u>	<u>\$ 7,651,499</u>

A. Interpretation of Relevant Law--

The State of Washington enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2009. The Board of directors and management of The Foundation have

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

9. ENDOWMENT (CONT.):

determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary is appropriate. 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, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument (usually the donor agreement) at the time the accumulation is added to the fund. The Foundation maintains an ongoing relationship with its donors and, with donor permission, allows appropriation of endowment funds in accordance with The Foundation's grant policy. 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.

B. Fund with Deficiency--

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 GAAP, deficiencies of this nature are reported in unrestricted net assets.

C. Return Objectives and Risk Parameters--

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that The Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of the S&P 500 and other relative indexes while assuming an overall moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately five to seven percent annually. Actual returns in any given year may vary from this amount.

D. Strategies Employed for Achieving Objectives--

To satisfy its long-term rate-of-return objective, The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

E. Satisfaction of Donor Restrictions--

Temporarily and permanently restricted net assets that were released from donor restrictions by incurring expense satisfying the restricted purposes or time restrictions specified by donors as of December 31, 2011 was \$289,780 and \$958,507 for temporary and permanent, respectively. Satisfaction of donor restrictions as of December 31, 2010 was \$162,075 and \$547,322 for temporary and permanent, respectively.

F. Board Designated Net Assets--

The Foundation's Board has designated unrestricted net assets for various purposes to aid in the management of the Foundation's resources and to satisfy certain board objectives.

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

9. ENDOWMENT (CONT.):

10. CONCENTRATION OF CREDIT RISK:

As of December 31, 2010, The Foundation maintained cash accounts with Cascade Bank, Coastal Community Bank, Mountain Pacific Bank, and First Heritage Bank, all of which are insured by the Federal Deposit Insurance Corporation's Transaction Account Guaranty Program.

As of December 31, 2011, The Foundation maintained cash accounts with Opus Bank , Coastal Community Bank, Mountain Pacific Bank, US Bank, Columbia Bank, Banner Bank, Union Bank and Whidbey Island Bank, all of which are insured by the Federal Deposit Insurance Corporation's Transaction Account Guaranty Program.

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

10. CONCENTRATION OF CREDIT RISK (CONT.):

The pledge receivables are primarily from donors located in Snohomish County, Washington. Consequently, The Foundation's ability to collect the pledges is affected by the economy in Snohomish County.

11. LEASE COMMITMENTS:

The Foundation had one lease during the year ended December 31, 2011. The lease is for the copier and is classified as an operating lease. In addition to the copier lease, the Foundation had a rent lease during the year ended December 31, 2010. The rent lease expired in May of 2010. Lease expense for the years ending December 31, 2011 and 2010 was \$2,820 and \$10,803, respectively, and is included in occupancy and copier rental expense.

Future obligations under currently executed non-cancelable operating leases are as follows:

Year	
2012	\$ 2,941
2013	2,941
2014	2,941
2015	1,471
2016	-
	<u>\$ 10,294</u>

12. LIFE INSURANCE:

In 2002, The Foundation became beneficiary of a \$2,000,000 life insurance policy. The premiums are paid by the donor by making a contribution to The Foundation in the same amount as the premium. In the years ending December 31, 2011 and 2010, The Foundation received donations of \$52,851 and the Board elected to pay the annual life insurance premium.

13. CAPITAL RESERVE:

The capital reserve was established in anticipation of future capital replacements and improvements. Capital reserves are intended for large planned or emergency capital needs. A separate capital reserve was established in 2011 and is increased periodically with board approval in anticipation of future capital replacements and improvements. The board designated capital reserve balance as December 31, 2011 was \$6,000.

14. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 7, 2012, the date on which the financial statements were available for issue.

GREATER EVERETT COMMUNITY FOUNDATION
A Washington Non-Profit Corporation

Notes to Financial Statements

December 31, 2011 and 2010

15. UNCERTAIN TAX POSITIONS:

The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007. Currently, there is no examination or pending examination with the Internal Revenue Services (IRS).

The Foundation adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes on January 1, 2009. As of December 31, 2011, there are no tax positions for which the deductibility is certain but for which there is uncertainty regard the timing of such deductibility.

16. PRIOR PERIOD ADJUSTMENT:

The Foundation manages endowments established by individuals and other entities that are permanently restricted. During the year ending December 31, 2009, The Foundation did not record a liability of \$97,390 allocated to the agency endowment fund. Instead, the cash deposited ran through revenue. A prior period adjustment was created to increase the agency endowment liability.