



The Center for
WOODEN BOATS

Financial Statements With
Independent Auditors' Report

December 31, 2008

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Independent Auditors' Report***Board of Directors
The Center for Wooden Boats
Seattle, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying statement of financial position of The Center for Wooden Boats (CWB) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CWB's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the CWB's December 31, 2007 financial statements and, in our report dated April 25, 2008, 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 The Center for Wooden Boats as of December 31, 2008, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of The Center for Wooden Boats taken as a whole. The schedule of functional expenses for the year ended December 31, 2008 is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
June 30, 2009

THE CENTER FOR WOODEN BOATS

Statement of Financial Position

December 31, 2008

(With Comparative Totals for 2007)

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 233,573 | \$ 264,592 |
| Certificates of deposit | 69,038 | 7,075 |
| Accounts receivable | 36,844 | 31,009 |
| Current portion of pledges and grants receivable (Note 3) | 86,050 | 157,619 |
| Inventory | 116,798 | 141,370 |
| Other assets | 8,427 | 19,629 |
| Total Current Assets | 550,730 | 621,294 |
| Assets restricted by donors for reserves and acquisition of long-term assets | 378,792 | 490,755 |
| Pledges and grants receivable (Note 3) | 6,000 | 10,000 |
| Park and museum property, net (Note 5) | 727,153 | 344,599 |
| Collections (Note 6) | 704,512 | 673,398 |
| Total Assets | \$ 2,367,187 | \$ 2,140,046 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable | \$ 101,519 | \$ 75,802 |
| Accrued expenses | 40,831 | 45,488 |
| Line of credit (Note 7) | 65,566 | 13,987 |
| Current portion of long term debt (Note 8) | 6,612 | 6,612 |
| Current portion of loan payable - employee (Note 8) | 7,992 | 7,756 |
| Deferred revenue | 1,725 | 1,090 |
| Total Current Liabilities | 224,245 | 150,735 |
| Long term debt, net of current portion (Note 8) | 32,187 | 39,903 |
| Long term loan payable - employee, net of current portion (Note 8) | 27,324 | 35,316 |
| Total Liabilities | 283,756 | 225,954 |
| Net Assets: | | |
| Unrestricted (Note 10) | 1,459,323 | 1,001,603 |
| Temporarily restricted (Note 10) | 473,117 | 764,377 |
| Permanently restricted (Note 10) | 150,991 | 148,112 |
| Total Net Assets | 2,083,431 | 1,914,092 |
| Total Liabilities and Net Assets | \$ 2,367,187 | \$ 2,140,046 |

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

THE CENTER FOR WOODEN BOATS

Statement of Activities

For the Year Ended December 31, 2008

(With Comparative Totals for 2007)

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>2008 Total</i> | <i>2007 Total</i> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| Support: | | | | | |
| Contributions | \$ 215,209 | \$ 170,434 | \$ 2,879 | \$ 388,522 | \$ 832,445 |
| In-kind contributions | 417,740 | | | 417,740 | 363,773 |
| Government grants | 465,065 | | | 465,065 | 210,540 |
| Memberships | 78,364 | | | 78,364 | 71,107 |
| Sponsorships | 47,800 | 5,000 | | 52,800 | 29,450 |
| Releases from restriction | 469,294 | (469,294) | | | |
| Total Support | 1,693,472 | (293,860) | 2,879 | 1,402,491 | 1,507,315 |
| Revenue: | | | | | |
| Program service fees | 340,725 | | | 340,725 | 309,127 |
| Sales to the public | 67,423 | | | 67,423 | 59,304 |
| Interest income | 19,598 | 2,600 | | 22,198 | 20,184 |
| Gain (loss) on sale of assets | (30,632) | | | (30,632) | 8,299 |
| Other income | 65,571 | | | 65,571 | 14,023 |
| Total Revenue | 462,685 | 2,600 | - | 465,285 | 410,937 |
| Total Support and Revenue | 2,156,157 | (291,260) | 2,879 | 1,867,776 | 1,918,252 |
| Expenses: | | | | | |
| Program expenses | 1,285,472 | | | 1,285,472 | 1,055,988 |
| Management and general | 185,039 | | | 185,039 | 229,906 |
| Fundraising | 227,926 | | | 227,926 | 193,126 |
| Total Expenses | 1,698,437 | | | 1,698,437 | 1,479,020 |
| Change in Net Assets | 457,720 | (291,260) | 2,879 | 169,339 | 439,232 |
| Net assets, beginning of year | 1,001,603 | 764,377 | 148,112 | 1,914,092 | 1,474,860 |
| Net Assets, End of Year | \$ 1,459,323 | \$ 473,117 | \$ 150,991 | \$ 2,083,431 | \$ 1,914,092 |

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

THE CENTER FOR WOODEN BOATS

Statement of Cash Flows

For the Year Ended December 31, 2008

(With Comparative Totals for 2007)

| | <u>2008</u> | <u>2007</u> |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 169,339 | \$ 439,232 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 34,101 | 16,922 |
| Contributed collections | (22,550) | (10,780) |
| Contributed park and museum property | (99,075) | (7,450) |
| Gain (loss) on sale/disposal of park and museum property and collections | 1,800 | (8,299) |
| Contributions received for long-term purposes | (67,711) | (292,643) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (5,835) | 11,062 |
| Pledges and grants receivable | 75,569 | (98,802) |
| Inventory | 24,572 | (85,730) |
| Other assets | 11,202 | (1,966) |
| Accounts payable | 25,717 | 12,516 |
| Accrued expenses | (4,657) | (5,146) |
| Deferred revenue | 635 | (3,215) |
| Net Cash Provided (Used) by Operating Activities | <u>143,107</u> | <u>(34,299)</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from sale of park and museum property and collections | 8,250 | 15,832 |
| Purchase of park and museum property | (317,580) | (88,271) |
| Purchase of collections | (18,614) | (28,017) |
| Purchase of certificates of deposit | (61,963) | (7,075) |
| Change in assets restricted by donor for reserves and the acquisition of long-term assets | 111,963 | (175,181) |
| Net Cash Used in Investing Activities | <u>(277,944)</u> | <u>(282,712)</u> |
| Cash Flows from Financing Activities: | | |
| Net activity on line of credit | 51,579 | (31,950) |
| Proceeds from issuance of long-term debt | | 49,078 |
| Payments on long-term debt | (15,472) | (13,324) |
| Proceeds from contributions restricted for capital improvements | 67,711 | 292,643 |
| Net Cash Provided by Financing Activities | <u>103,818</u> | <u>296,447</u> |
| Net Decrease in Cash | <u>(31,019)</u> | <u>(20,564)</u> |
| Cash balance, beginning of year | 264,592 | 285,156 |
| Cash Balance, End of Year | <u>\$ 233,573</u> | <u>\$ 264,592</u> |
| Supplemental Cash Flow Information: | | |
| Cash paid during year for interest | \$ 13,056 | \$ 9,967 |
| Non-cash donations of collection and equipment items | 121,625 | 18,230 |

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

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Activities and Summary of Significant Accounting Policies

Nature of Activities - The Center for Wooden Boats (CWB) is a non-profit organization formed for the purpose of operating and maintaining a Maritime Museum and Maritime Park open to the general public at State of Washington Waterway #4 at the south end of Lake Union in Seattle, Washington. CWB's revenues are primarily derived from contributions, government grants and program service fees.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CWB and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that will be met either by actions of CWB and/or the passage of time.

Permanently Restricted Net Assets - Net assets for which donor restrictions require that the principal be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

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. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vulnerability from Certain Concentrations - There are government grants from three grantors which represent 92% of government grants for the year ended December 31, 2008. Pledges from one donor also represent 33% of pledges and grants receivable at December 31, 2008.

Contributions - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. For the fiscal year ending December 31, 2008, contribution revenue in the statement of financial position is reported net of direct special event costs of \$47,907.

Membership Income - Membership dues are recognized as income in the period the dues are received.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Continued

Donated Services, Materials and Use of Facilities - A substantial number of unpaid volunteers have made significant contributions of their time in furtherance of CWB's programs. The value of this contributed time is not included in the accompanying financial statements since it is not presently susceptible to current objective measurement or valuation. Certain professional services formally documented and charged to the relevant project are recorded in the accompanying financial statements. Contributions of materials recorded in the current year, based on market values at the time of contribution, have also been recorded.

Substantially all of the Maritime Park area as well as office space utilized by CWB is donated by governmental agencies. CWB also utilizes storage space which is donated by a company. The estimated fair rental value of the premises and storage space is recorded in the statement of activities as a non-cash donation and rent expense.

Following is a summary of in-kind contributions:

| | <u>2008</u> | <u>2007</u> |
|--------------------------|--------------------------|--------------------------|
| Professional services | \$ 115,862 | \$ 35,576 |
| Premises | 76,490 | 131,189 |
| Other | 73,563 | 49,918 |
| Storage space | 44,364 | 26,945 |
| Boats for resale | 96,700 | 102,065 |
| Boats for the collection | 2,500 | 10,780 |
| Vehicle | 2,000 | 4,850 |
| Materials | <u>6,261</u> | <u>2,450</u> |
| | <u>\$ 417,740</u> | <u>\$ 363,773</u> |

Cash and Cash Equivalents - Cash and cash equivalents consist of cash in checking and savings accounts and other highly liquid investments with a maturity of less than ninety days. CWB places its cash deposits with major financial institutions. At times, deposits with any one institution may exceed federally insured limits.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to change in unrestricted net assets and a credit to accounts receivable. Amounts are considered fully collectible by management and no allowance for doubtful accounts has been recorded.

Inventory - Inventory is valued at the lower of cost or market, cost determined on a first in, first out basis, using the retail method.

Park and Museum Property - Park and Museum property are capitalized at purchase cost or estimated fair value, if donated, and are depreciated using the straight-line method over their estimated useful lives, ranging from 4 to 39 years, in accordance with FASB No. 93, Recognition of Depreciation by Not-for-Profit Organizations. CWB capitalizes all tools over \$500 and all other items over \$1,000 that provide a future benefit.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Continued

Collections - CWB's collections include a wooden boat fleet as well as books, models and displays that are held for educational and curatorial purposes. Each of the collection items are cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collection or to maintain the existing collection.

CWB has received donations of collection items which are capitalized at their fair value on the accession date. Collection items purchased or restoration of collection items are capitalized at cost. Gains or losses on the deaccession of collection items are classified on the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

Income Taxes - The Internal Revenue Service has determined CWB to be exempt from federal income taxes as a nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, and accordingly is generally exempt from federal income taxes under the provisions of Section 501 (a) of the Internal Revenue Code.

Functional Allocation of Expenses - The costs of providing CWB's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Advertising - Advertising costs are expensed as incurred. The advertising expense was \$25,532 and \$14,741 for the years ending December 31, 2008 and 2007, respectively.

Recent Accounting Pronouncements - In 2006, the FASB issued FASB Interpretation No. FIN 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. CWB's management has elected to defer the implementation of FIN 48 and is evaluating the impact of FIN 48 to its financial statements. Until FIN 48 is implemented, CWB will continue following the guidance in SFAS No. 5, Accounting for Contingencies, in accounting for any uncertain tax positions.

Reclassifications - Certain reclassifications were made to the December 31, 2007 financial statements to conform to the current period presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

Comparative Amounts for 2007 - The 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 CWB's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 2 - Assets Restricted by Donors for Reserves and Acquisition of Long-Term Assets

At December 31, assets that were restricted by donors for long-term reserves and acquisition of long-term assets consisted of the following:

| | <u>2008</u> | <u>2007</u> |
|---|--------------------------|--------------------------|
| Certificates of deposit | \$ 378,792 | \$ 440,755 |
| Pledges and grants receivable | | <u>50,000</u> |
| Total Assets Restricted by Donors for Reserves and Acquisition of Long-Term Assets | <u>\$ 378,792</u> | <u>\$ 490,755</u> |

Note 3 - Pledges and Grants Receivable

Pledges receivable are recorded at their net realizable value. The receivables are deemed fully collectible by management. As of December 31, 2008 and 2007, pledges and grants receivable of \$0 and \$50,000, respectively, were included in assets restricted by donors for reserves and acquisition of long-term assets.

Conditional pledges totaling approximately \$505,000 have not been recognized as of December 31, 2008. These pledges have matching requirements and the conditions have not yet been met as of December 31, 2008. This includes \$400,000 from the Seattle Parks Foundation as described in Note 11.

Note 4 - Inventory

Inventory consists of the following at December 31:

| | <u>2008</u> | <u>2007</u> |
|---|--------------------------|--------------------------|
| Gift shop items | \$ 18,850 | \$ 15,766 |
| Auction items for the subsequent year fundraising event | 26,148 | 18,210 |
| Boats for resale | 71,800 | 95,884 |
| Other | | <u>11,510</u> |
| Total Inventory | <u>\$ 116,798</u> | <u>\$ 141,370</u> |

Note 5 - Park and Museum Property

Park and Museum property as of December 31 are as follows:

| | <u>2008</u> | <u>2007</u> |
|---|--------------------------|--------------------------|
| Maritime Park and structure | \$ 757,596 | \$ 464,210 |
| Office and other equipment | 40,291 | 23,472 |
| Vehicles | 12,000 | 10,000 |
| Construction in progress | <u>184,161</u> | <u>79,714</u> |
| | 994,048 | 577,396 |
| Less accumulated depreciation | <u>(266,895)</u> | <u>(232,797)</u> |
| Net Total Property and Equipment | <u>\$ 727,153</u> | <u>\$ 344,599</u> |

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 5 - Continued

Construction in progress as of December 31, 2008 consists primarily of accumulated costs relating to the newly planned Education Center.

Note 6 - Collections

Collections as of December 31 are as follows:

| | <u>2008</u> | <u>2007</u> |
|------------------------------|--------------------------|--------------------------|
| Museum fleet | \$ 580,516 | \$ 579,544 |
| Library, models and displays | <u>123,996</u> | <u>93,854</u> |
| Total Collections | <u>\$ 704,512</u> | <u>\$ 673,398</u> |

Note 7 - Line Of Credit

CWB has a \$25,000 line-of-credit with Viking Bank, which will expire August 2009 and is secured by all inventory, chattel paper, accounts receivable, equipment and general intangibles. Borrowing under the line bears interest at the prime rate plus 0.5% (3.75% as of December 31, 2008). The balance outstanding on December 31, 2008 and 2007 was \$8,000 and \$13,987, respectively.

During 2008, CWB obtained a \$100,000 line-of-credit with Pacific Continental Bank which expires February 2009. Subsequent to December 31, 2008, the line-of-credit was renewed with a maturity date of February 2010. Borrowing under the line bears interest at the prime rate plus 1.0%, not to be less than 7% (7% as of December 31, 2008). The balance outstanding at December 31, 2008 was \$57,566.

Note 8 - Loans Payable

Bank - CWB has a term loan from Viking Bank, which is payable in monthly installments of \$874, including interest at the prime rate plus 0.5% (3.75% as of December 31, 2008). The loan is secured by inventory and equipment, and the maturity date of the loan is August 7, 2013. The bank loan payable at December 31, 2008 and 2007 was \$38,799 and \$46,515, respectively. Principal payments of \$6,612 are due in 2009.

Employee - CWB has a loan payable with an employee, which is payable in monthly installments of approximately \$750, including interest at 3%. The loan is unsecured and the maturity date of the loan is March 1, 2013. The total loan payable to an employee as of December 31, 2008 and 2007 was \$35,316 and \$43,072, respectively. Principal payments of \$7,992 are due in 2009.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 8 - Continued

Principal maturities on the loans payable as of December 31 are as follows:

| | | |
|------|-----------|----------------------|
| 2009 | \$ | 14,604 |
| 2010 | | 15,942 |
| 2011 | | 16,968 |
| 2012 | | 18,080 |
| 2013 | | <u>8,521</u> |
| | \$ | <u>74,115</u> |

Note 9 - Commitments and Contingencies

Lease Commitment - CWB has three equipment operating lease with rent expense totaling approximately \$8,800 for the year ended December 31, 2008 and had one equipment operating lease with rent expense totaling \$3,500 for the year ended December 31, 2007.

Future minimum payments required under the leases consist of the following at December 31:

| | | |
|--------------------------------------|-----------|----------------------|
| 2009 | \$ | 9,312 |
| 2010 | | 9,312 |
| 2011 | | 9,312 |
| 2012 | | 4,002 |
| 2013 | | <u>2,968</u> |
| Future Minimum Lease Payments | \$ | <u>34,906</u> |

Note 10 - Net Assets

Unrestricted net assets consist of the following designated and undesignated amounts at December 31:

| | <u>2008</u> | <u>2007</u> |
|--|----------------------------|----------------------------|
| Undesignated | \$ 1,455,947 | \$ 1,002,909 |
| Board Designated - Seattle Flying Dragon Boats | 2,911 | |
| Board Designated - Wharf Management | 450 | (1,306) |
| Board Designated - Cama Fund | <u>15</u> | <u></u> |
| | <u>\$ 1,459,323</u> | <u>\$ 1,001,603</u> |

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 10 - Continued

Temporarily restricted net assets are available for the following purposes at December 31:

| | <u>2008</u> | <u>2007</u> |
|----------------------------------|-------------------|-------------------|
| Capital expenditures | \$ 227,796 | \$ 342,643 |
| Youth programs | 118,521 | 210,968 |
| Boat maintenance and restoration | 45,956 | 53,679 |
| Other projects | 39,287 | 48,186 |
| Boat building education | 27,576 | 28,842 |
| Artist-in-residence | 10,000 | 41,472 |
| Capacity building initiative | 3,981 | 38,587 |
| | <u>\$ 473,117</u> | <u>\$ 764,377</u> |

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support boat shop maintenance and youth scholarships. Balances in each endowment type are as follows at December 31:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|-------------------|-------------------|
| Endowment - Boat Shop | \$ 117,830 | \$ 117,830 |
| Endowment - Youth Scholarships | 30,000 | 30,000 |
| Endowment - Blanchard | 2,883 | |
| Endowment - Dora | 278 | 282 |
| | <u>\$ 150,991</u> | <u>\$ 148,112</u> |

The Organization's endowment consists of donor-restricted endowment funds totaling \$150,991. Changes to endowment net assets for the year ended December 31, 2008 consist of \$2,879 in contributions. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of CWB has interpreted the Washington Uniform Management of Institutional Funds Act (UMIFA) 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, CWB classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

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 was donated to the Organization. There were no such deficiencies as of December 31, 2008.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 10 - Continued

Return Objectives and Risk Parameters - The Organization 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 Organization must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested so that the funds preserve their real purchasing power, after accounting for investment returns, spending and inflation. The investment strategy is to emphasize total return; that is the aggregate return from capital appreciation and dividend and interest income. The objective of the fund is to earn the highest yield available given the constraints of safety and liquidity.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization does not currently have a spending policy in place.

CWB's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 - Lake Union Park

CWB currently occupies space at Lake Union Park (the Park), owned by the City of Seattle. The Park is scheduled for major renovations and expansion including space for CWB to expand its educational facilities. The Seattle Parks Foundation (SPF), a 501(c)(3) organization that raises money for Seattle Parks capital projects, has made a conditional pledge to CWB. CWB and SPF signed a Memorandum of Understanding (MOU) in June 2007 in which SPF will designate \$500,000 of its \$20 million capital campaign budget as a match for the expansion of CWB's facilities. SPF will prioritize the \$500,000 pledge for the Center for Wooden Boat Education Center and with specific project conditions needing to be met for each installment payment of the pledge. Upon signing the new MOU during 2007, CWB received a payment on the pledge of \$100,000. As of December 31, 2008, CWB had not recognized the remaining conditional pledge amount of \$400,000 as the remaining pledge payments are conditioned upon CWB completing certain project tasks that were still in process as of yearend.

SUPPLEMENTAL INFORMATION

THE CENTER FOR WOODEN BOATS

**Statement of Functional Expenses
For the Year Ended December 31, 2008
(With Comparative Totals for 2007)**

| | <i>Program Services</i> | <i>Management and General</i> | <i>Fundraising</i> | <i>2008 Total Expenses</i> | <i>2007 Total Expenses</i> |
|---|-----------------------------|-----------------------------------|--------------------|------------------------------------|------------------------------------|
| Salaries and benefits | \$ 502,908 | \$ 105,105 | \$ 113,585 | \$ 721,598 | \$ 580,243 |
| Professional services | 194,387 | 31,914 | 34,986 | 261,287 | 238,456 |
| Workshop and exhibit materials and supplies | 55,176 | 2,343 | 3,589 | 61,108 | 62,796 |
| Cost of goods sold | 18,134 | 2,626 | 25,455 | 46,215 | 19,620 |
| Printing and stationary | 46,847 | 2,525 | 7,418 | 56,790 | 51,562 |
| Postage | 12,290 | 2,293 | 3,161 | 17,744 | 14,816 |
| Storage rent | 44,364 | | | 44,364 | 26,944 |
| Occupancy | 77,602 | 1,311 | 732 | 79,645 | 131,189 |
| Telephone and utilities | 18,874 | 1,211 | 1,363 | 21,448 | 19,795 |
| Events | 45,695 | 2,996 | 2,296 | 50,987 | 66,283 |
| Excise and payroll taxes | 59,025 | 13,101 | 13,658 | 85,784 | 66,362 |
| Awards and conferences | 20,612 | 5,361 | 4,351 | 30,324 | 18,831 |
| Insurance | 34,559 | 4,910 | (495) | 38,974 | 38,608 |
| Bank fees | 11,328 | 1,641 | 1,847 | 14,816 | 13,373 |
| Licenses and permits | 9,527 | 90 | 1,058 | 10,675 | 11,857 |
| Office supplies | 11,944 | 1,730 | 2,005 | 15,679 | 13,029 |
| Interest | 9,859 | 1,428 | 1,769 | 13,056 | 9,967 |
| Depreciation | 33,226 | 561 | 313 | 34,100 | 16,922 |
| Miscellaneous | 79,115 | 3,893 | 10,835 | 93,843 | 78,367 |
| Total Expenses | \$ 1,285,472 | \$ 185,039 | \$ 227,926 | \$ 1,698,437 | \$ 1,479,020 |

See accountant's report.