



Financial Statements
For the Year Ended December 31, 2010

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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, 2010, 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 CWB's December 31, 2009, financial statements and, in our report dated August 9, 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 The Center for Wooden Boats as of December 31, 2010, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement on page 14 for the year ended December 31, 2010 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
July 26, 2011

THE CENTER FOR WOODEN BOATS

Statement of Financial Position

December 31, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 214,067	\$ 153,328
Accounts receivable, net	8,105	14,411
Current portion of pledges and grants receivable (Note 3)	176,450	130,810
Inventory (Note 4)	75,021	61,591
Other assets	11,970	12,807
Total Current Assets	485,613	372,947
Assets restricted by donors for reserves and acquisition of long-term assets (Note 2)	785,543	370,914
Pledges and grants receivable (Note 3)	875	1,701
Park and museum property, net (Note 6)	1,082,864	968,843
Collections (Note 7)	647,763	652,763
Total Assets	\$ 3,002,658	\$ 2,367,168
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 12,536	\$ 27,254
Accrued expenses	51,821	61,641
Lines of credit (Note 8)	32,604	41,859
Current portion of long-term debt (Note 9)	8,570	7,792
Current portion of loan payable - employee (Note 9)	8,398	8,150
Deferred revenue	5,023	7,616
Total Current Liabilities	118,952	154,312
Long-term debt, net of current portion (Note 9)	14,447	23,274
Long-term loan payable - employee, net of current portion (Note 9)	10,691	19,174
Total Liabilities	144,090	196,760
Net Assets:		
Unrestricted (Note 11)	1,850,053	1,663,499
Temporarily restricted (Note 11)	857,302	355,918
Permanently restricted (Note 11)	151,213	150,991
Total Net Assets	2,858,568	2,170,408
Total Liabilities and Net Assets	\$ 3,002,658	\$ 2,367,168

See accompanying notes.

THE CENTER FOR WOODEN BOATS

Statement of Activities

For the Year ended December 31, 2010

(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Operating					
Support:					
Contributions	\$ 127,362	\$ 113,426	\$ -	\$ 240,788	\$ 121,291
In-kind contributions	174,682	-	-	174,682	321,641
Grants	190,826	107,500	-	298,326	391,905
Memberships	63,246	-	-	63,246	75,086
Sponsorships	16,582	1,100	-	17,682	7,400
Special events, net	60,157	-	-	60,157	53,070
Net assets released from restriction	113,448	(113,448)	-	-	-
Total Support	746,303	108,578	-	854,881	970,393
Revenue:					
Program service fees	294,546	-	-	294,546	323,513
Sales to the public	33,618	-	-	33,618	33,220
Interest income	688	3,247	-	3,935	10,444
Loss on sale of assets	(3,098)	-	-	(3,098)	(41,087)
Other income	40,356	-	-	40,356	67,262
Total Revenue	366,110	3,247	-	369,357	393,352
Total Support and Revenue	1,112,413	111,825	-	1,224,238	1,363,745
Expenses:					
Program services	826,747	-	-	826,747	1,163,020
Management and general	118,782	-	-	118,782	135,910
Fundraising	55,965	-	-	55,965	51,449
Total Expenses	1,001,494	-	-	1,001,494	1,350,379
Change in Net Assets from Operating Activities	110,919	111,825	-	222,744	13,366
Non-Operating					
Capital and endowment contributions	-	596,875	222	597,097	236,709
Grants for capital purposes	-	50,000	-	50,000	-
In-kind contributions for capital campaign	-	44,956	-	44,956	-
Capital campaign fundraising expenses	(226,637)	-	-	(226,637)	(163,098)
Net assets released from restriction	302,272	(302,272)	-	-	-
Change in Net Assets from Non-Operating Activities	75,635	389,559	222	465,416	73,611
Total Change in Net Assets	186,554	501,384	222	688,160	86,977
Net assets, beginning of year	1,663,499	355,918	150,991	2,170,408	2,083,431
Net Assets, End of Year	\$ 1,850,053	\$ 857,302	\$ 151,213	\$ 2,858,568	\$ 2,170,408

See accompanying notes.

THE CENTER FOR WOODEN BOATS

Statement of Cash Flows

For the Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ 688,160	\$ 86,977
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	35,402	34,563
Contributed collections	-	(10,050)
Contributed park and museum property	(5,400)	(7,700)
Loss on sale/disposal of collections	6,539	23,371
Contributions received for long-term purposes	(555,131)	(196,969)
Changes in assets and liabilities:	-	-
Accounts receivable	6,306	22,433
Pledges and grants receivable	(44,814)	(40,461)
Inventory	(13,430)	55,207
Other assets	837	(4,380)
Accounts payable	(14,718)	(74,265)
Accrued expenses	(9,820)	20,810
Deferred revenue	(2,593)	5,891
Net Cash Provided (Used) by Operating Activities	91,338	(84,573)
Cash Flows from Investing Activities:		
Proceeds from sale of park and museum property and collections	461	44,928
Purchase of park and museum property	(146,023)	(268,553)
Purchase of collections	-	(6,500)
Proceeds from redemption of certificates of deposit	-	69,038
Change in assets restricted by donor for reserves and the acquisition of long-term assets	(414,629)	7,878
Net Cash Used by Investing Activities	(560,191)	(153,209)
Cash Flows from Financing Activities:		
Net activity on lines of credit	(9,255)	(23,707)
Payments on long-term debt	(16,284)	(15,725)
Proceeds from contributions received for long-term purposes	555,131	196,969
Net Cash Provided by Financing Activities	529,592	157,537
Net Increase (Decrease) in Cash	60,739	(80,245)
Cash balance, beginning of year	153,328	233,573
Cash Balance, End of Year	\$ 214,067	\$ 153,328
Supplemental Cash Flow Information:		
Cash paid during year for interest	\$ 4,679	\$ 7,562
Non-cash donations of collection and equipment items	5,400	1,000
Park and museum additions in accounts payable	-	3,012

See accompanying notes.

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.

Non-Operating Versus Operating - For the purpose of the statements of activities, the Center considers support and expenses related to capital campaign contributions, and fundraising expenses attributable to the capital campaign to be non-operating activities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 two grantors which represent 77% of grants revenue for the year ended December 31, 2010. Receivables from these grants account for 34% of pledges and grants receivable as of December 31, 2010. Government grants from two grantors represented 68% of grants revenue for the year ended December 31, 2009. Receivables from these grants account for 76% of pledges and grants receivable as of December 31, 2009.

CWB received contributions from two donors which accounted for 58% of contribution revenues for the year ended December 31, 2010. Outstanding pledges from two other donors represent 53% of the pledges receivable at December 31, 2010. CWB received contributions from two donors which accounted for 33% of contribution revenues for the year ended December 31, 2009. Outstanding pledges from one of these donors represented 82% of the pledges receivable at December 31, 2009.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Continued

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.

Special Events - For the years ending December 31, 2010 and 2009, special event revenue in the statement of financial position is reported net of direct special event costs of \$36,228 and \$39,841, respectively.

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

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 certain contributed time to capital projects is not included in the accompanying financial statements since it is not presently susceptible to current objective measurement or valuation. Certain other professional services formally documented are recorded in the accompanying financial statements. Contributions of materials recorded in the current year, based on fair value at the time of contribution, have also been recorded.

Substantially all of the Maritime Park area as well as office space utilized by CWB through 2010 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 in-kind contributions and on the statement of functional operating expenses as storage rent expense.

Following is a summary of in-kind contributions:

	<u>2010</u>	<u>2009</u>
Storage space	\$ 44,364	\$ 85,831
Professional services	57,609	84,428
Boats for resale	76,650	79,490
Other	15,745	33,235
Premises	25,270	27,804
Boats for program	-	5,000
Materials	-	4,853
Boats for the collection	-	1,000
	<u>\$ 219,638</u>	<u>\$ 321,641</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.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Continued

Accounts Receivable - Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2010 and 2009, the allowance for doubtful accounts totaled \$0 and \$5,540, respectively.

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 purchased 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 GAAP. CWB capitalizes all tools over \$500 and all other items over \$1,000 that provide a future benefit.

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. CWB files income tax returns with the U.S. government. CWB is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

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. Advertising expense was \$8,457 and \$9,386 for the years ending December 31, 2010 and 2009, respectively.

Reclassifications - Certain reclassifications were made to the December 31, 2009 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 2009 - 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 GAAP. Accordingly, such information should be read in conjunction with CWB's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 1 - Continued

Subsequent Events - CWB has evaluated subsequent events through July 26, 2011, the date on which the financial statements were available to be issued.

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

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

	<u>2010</u>	<u>2009</u>
Certificates of deposit and cash equivalents	\$ 636,662	\$ 315,914
Pledges and grants receivable	<u>148,881</u>	<u>55,000</u>
Total Assets Restricted by Donors for Reserves and Acquisition of Long-Term Assets	<u>\$ 785,543</u>	<u>\$ 370,914</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, pledges and grants receivable were reported in the statement of financial position as follows:

	<u>2010</u>	<u>2009</u>
Pledges and grants receivable, current portion	\$ 176,450	\$ 130,810
Pledges and grants receivable, long-term	875	1,701
Assets restricted by donors for reserves and acquisition of long-term assets	<u>148,881</u>	<u>55,000</u>
Total Pledges and Grants Receivable	<u>\$ 326,206</u>	<u>\$ 187,511</u>

Note 4 - Inventory

Inventory consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Gift shop items	\$ 4,113	\$ 3,061
Auction items for the subsequent year fundraising event	2,500	19,193
Boats for resale	65,350	36,849
Other	<u>3,058</u>	<u>2,488</u>
Total Inventory	<u>\$ 75,021</u>	<u>\$ 61,591</u>

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 5 - Fair Value Measurements

CWB measures its financial assets on a recurring basis at fair value. GAAP establishes a three level hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Levels I and II are considered observable and Level III is considered unobservable. CWB's investments consist entirely of certificates of deposit accounts held at banks and are measured using Level II inputs. The fair value of these investments totaled \$177,830 and \$222,830 at December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, investments were included in assets restricted by donors for reserves and acquisition of long-term assets in the statement of financial position.

Note 6 - Park and Museum Property

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

	<u>2010</u>	<u>2009</u>
Maritime park and structure	\$ 989,061	\$ 982,307
Office and other equipment	42,354	40,291
Vehicles	12,025	12,000
Program assets	5,300	2,700
Capitalized project costs	<u>370,984</u>	<u>233,003</u>
	1,419,724	1,270,301
Less accumulated depreciation	<u>(336,860)</u>	<u>(301,458)</u>
Total Park and Museum Property, Net	<u>\$ 1,082,864</u>	<u>\$ 968,843</u>

Capitalized project costs as of December 31, 2010 consists primarily of accumulated costs relating to the planned Education Center - building project.

Note 7 - Collections

Collections as of December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Museum fleet	\$ 518,716	\$ 518,716
Library, models and displays	<u>129,047</u>	<u>134,047</u>
Total Collections	<u>\$ 647,763</u>	<u>\$ 652,763</u>

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 8 - Lines of Credit

CWB has a \$25,000 line of credit with Viking Bank, which will expire July 2011 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%, not to be less than 7% (7% as of December 31, 2010 and 2009). The balance outstanding on December 31, 2010 and 2009 was \$15,146 and \$18,908, respectively.

CWB has a \$100,000 line of credit with Pacific Continental Bank which will expire August 2011 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 1.0%, not to be less than 6.5% (6.5% as of December 31, 2010 and 2009). The balance outstanding at December 31, 2010 and 2009 was \$17,458 and \$22,951, respectively.

Note 9 - 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% not to be less than 7% (7% as of December 31, 2010). 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, 2010 and 2009 was \$23,017 and \$31,066, respectively. Principal payments of \$8,570 are due in 2010.

Employee - CWB has a loan payable to 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, 2010 and 2009 was \$19,089 and \$27,324, respectively. Principal payments of \$8,398 are due in 2010.

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

2011	\$	16,968
2012		18,080
2013		7,058
		<hr/>
	\$	42,106

Note 10 - Commitments and Contingencies

Lease Commitment - CWB leases equipment, park and waterway space under operating lease agreements expiring in various years through 2013. Payments under these leases during the years ending December 31, 2010 and 2009 totaled \$29,900 and \$23,000, respectively.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 10 - Continued

Future minimum payments required under the leases consist of the following for the years ending December 31:

2011	\$	21,288
2012		14,450
2013		<u>9,784</u>
Future Minimum Lease Payments	\$	<u>45,522</u>

Note 11 - Net Assets

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

	<u>2010</u>	<u>2009</u>
Undesignated	\$ 1,850,053	\$ 1,659,690
Board designated - wharf management	-	3,059
Board designated - Seattle flying dragon boats	<u>-</u>	<u>750</u>
Total Unrestricted	<u>\$ 1,850,053</u>	<u>\$ 1,663,499</u>

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

	<u>2010</u>	<u>2009</u>
Capital expenditures	\$ 634,329	\$ 219,918
Boat maintenance and restoration	53,122	46,549
Boat building education	27,909	28,275
Youth programs	92,862	27,829
Other projects	49,080	25,380
Artist-in-residence	-	5,416
Capacity building initiative	<u>-</u>	<u>2,551</u>
Total Temporarily Restricted	<u>\$ 857,302</u>	<u>\$ 355,918</u>

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 11 - Continued

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>2010</u>	<u>2009</u>
Endowment - boat shop	\$ 117,830	\$ 117,830
Endowment - youth scholarships	30,000	30,000
Endowment - Blanchard	2,883	2,883
Endowment - General fund	500	-
Endowment - Dora	-	278
Total Permanently Restricted	<u>\$ 151,213</u>	<u>\$ 150,991</u>

CWB's endowment consists of donor-restricted endowment funds totaling \$151,213. 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 State Prudent Management of Institutional Funds Act (PMIFA) 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CWB in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, CWB considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of CWB and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of CWB; and
- The investment policies of CWB.

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 CWB. There were no such deficiencies as of December 31, 2010 or 2009.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

Note 11 - Continued

Return Objectives and Risk Parameters - CWB has adopted investment 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 CWB 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, CWB relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends) by holding assets in certificates of deposits.

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

Note 12 - Lake Union Park

CWB currently occupies space at Lake Union Park (the Park), owned by the City of Seattle. The Park is going through a major renovation 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, 2010, 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 year-end.

SUPPLEMENTARY INFORMATION

THE CENTER FOR WOODEN BOATS

**Schedule of Functional Operating Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)**

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2010 Total Expenses</i>	<i>2009 Total Expenses</i>
Salaries and benefits	\$ 349,140	\$ 69,292	\$ 120,075	\$ 538,507	\$ 685,503
Professional services	90,046	28,467	101,048	219,561	192,541
Excise and payroll taxes	32,154	6,519	11,148	49,821	65,548
Insurance	48,117	1,636	-	49,753	48,195
Storage rent	30,937	4,107	9,320	44,364	85,831
Workshop and exhibit materials and supplies	42,010	586	1,330	43,926	51,148
Miscellaneous	35,766	-	7,031	42,797	62,389
Occupancy	41,691	704	393	42,788	64,070
Depreciation	34,494	583	325	35,402	34,563
Printing and stationery	24,139	1,497	8,875	34,511	51,247
Events	29,593	1,331	1,571	32,495	43,512
Telephone and utilities	20,225	342	191	20,758	26,032
Awards and conferences	7,279	207	6,911	14,397	10,925
Cost of goods sold	9,484	-	4,905	14,389	35,762
Postage	7,784	1,033	3,454	12,271	15,383
Bank fees	8,492	1,127	2,558	12,177	12,587
Office supplies	6,812	904	2,052	9,768	11,155
Licenses and permits	5,321	14	432	5,767	9,523
Interest	3,263	433	983	4,679	7,563
Total Expenses	\$ 826,747	\$ 118,782	\$ 282,602	\$ 1,228,131	\$ 1,513,477

See independent auditors' report.