



Financial Statements
For the Year Ended December 31, 2011

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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, 2011, 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, 2010, financial statements and, in our report dated July 26, 2011, 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 CWB as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 16 for the year ended December 31, 2011 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 24, 2012

THE CENTER FOR WOODEN BOATS

Statement of Financial Position

December 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 32,999	\$ 214,067
Accounts receivable, net	35,715	8,105
Current portion of pledges and grants receivable (Note 3)	142,954	176,450
Inventory (Note 4)	44,159	75,021
Other assets	8,000	11,970
Total Current Assets	263,827	485,613
Assets restricted by donors for reserves and acquisition of long-term assets (Note 2)	716,221	785,543
Pledges and grants receivable, net of long-term portion (Note 3)	150,000	875
Park and museum property, net (Note 6)	1,242,976	1,082,864
Collections (Note 7)	660,072	647,763
Total Assets	\$ 3,033,096	\$ 3,002,658
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 19,544	\$ 12,536
Accrued expenses	75,979	51,821
Lines of credit (Note 8)	17,458	32,604
Current portion of long-term debt (Note 9)	9,426	8,570
Current portion of loan payable - employee (Note 9)	8,654	8,398
Deferred revenue	11,190	5,023
Total Current Liabilities	142,251	118,952
Long-term debt, net of current portion (Note 9)	5,195	14,447
Long-term loan payable - employee, net of current portion (Note 9)	2,017	10,691
Total Liabilities	149,463	144,090
Net Assets:		
Unrestricted	1,858,301	1,850,053
Temporarily restricted (Note 11)	877,002	857,302
Permanently restricted (Note 11)	148,330	151,213
Total Net Assets	2,883,633	2,858,568
Total Liabilities and Net Assets	\$ 3,033,096	\$ 3,002,658

See accompanying notes.

THE CENTER FOR WOODEN BOATS

Statement of Activities For the Year Ended December 31, 2011 (With Comparative Totals for 2010)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2011 Total</i>	<i>2010 Total</i>
Operating					
Support:					
Contributions	\$ 147,580	\$ 54,830	\$ -	\$ 202,410	\$ 240,788
In-kind contributions	145,453	-	-	145,453	197,182
Grants	131,734	178,076	-	309,810	298,326
Memberships	69,046	-	-	69,046	63,246
Sponsorships	25,800	-	-	25,800	17,682
Special events, net	58,551	-	-	58,551	60,157
Net assets released from purpose restrictions	157,098	(157,098)	-	-	-
Total Support	735,262	75,808	-	811,070	877,381
Revenue:					
Program service fees	310,618	-	-	310,618	294,546
Sales to the public	43,133	-	-	43,133	33,618
Interest income	1,647	-	-	1,647	3,935
Loss on sale of assets	(7,381)	-	-	(7,381)	(3,098)
Other income	41,354	-	-	41,354	40,356
Total Revenue	389,371	-	-	389,371	369,357
Total Support and Revenue	1,124,633	75,808	-	1,200,441	1,246,738
Expenses:					
Program services	975,153	-	-	975,153	842,437
Management and general	120,168	-	-	120,168	120,865
Fundraising	114,711	-	-	114,711	60,692
Total Expenses	1,210,032	-	-	1,210,032	1,023,994
Change in Net Assets from Operating Activities	(85,399)	75,808	-	(9,591)	222,744
Non-Operating					
Capital and endowment contributions	-	250,500	(2,883)	247,617	597,097
Grants for capital purposes	-	11,692	-	11,692	50,000
In-kind contributions for capital campaign	-	-	-	-	44,956
Capital campaign fundraising expenses	(224,653)	-	-	(224,653)	(226,637)
Net assets released from purpose restrictions	318,300	(318,300)	-	-	-
Change in Net Assets from Non-Operating Activities	93,647	(56,108)	(2,883)	34,656	465,416
Total Change in Net Assets	8,248	19,700	(2,883)	25,065	688,160
Net assets, beginning of year	1,850,053	857,302	151,213	2,858,568	2,170,408
Net Assets, End of Year	\$ 1,858,301	\$ 877,002	\$ 148,330	\$ 2,883,633	\$ 2,858,568

See accompanying notes.

THE CENTER FOR WOODEN BOATS

Statement of Cash Flows

For the Year Ended December 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 25,065	\$ 688,160
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation	36,272	35,402
Contributed collection items	(12,309)	-
Contributed park and museum property	(25,579)	(5,400)
Loss on sale/disposal of collections	-	6,539
Contributions received for long-term purposes	(134,399)	(555,131)
Changes in assets and liabilities:		
Accounts receivable	(27,610)	6,306
Pledges and grants receivable	(115,629)	(44,814)
Inventory	30,862	(13,430)
Other assets	3,970	837
Accounts payable	7,008	(14,718)
Accrued expenses	24,158	(9,820)
Deferred revenue	6,167	(2,593)
Net Cash (Used) Provided by Operating Activities	<u>(182,024)</u>	<u>91,338</u>
Cash Flows from Investing Activities:		
Proceeds from sale of park and museum property and collections	-	461
Purchase of park and museum property	(170,805)	(146,023)
Change in assets restricted by donor for reserves and the acquisition of long-term assets	69,322	(414,629)
Net Cash Used by Investing Activities	<u>(101,483)</u>	<u>(560,191)</u>
Cash Flows from Financing Activities:		
Net activity on lines of credit	(15,146)	(9,255)
Payments on long-term debt	(16,814)	(16,284)
Proceeds from contributions received for long-term purposes	134,399	555,131
Net Cash Provided by Financing Activities	<u>102,439</u>	<u>529,592</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(181,068)</u>	<u>60,739</u>
Cash and cash equivalents balance, beginning of year	214,067	153,328
Cash and Cash Equivalents Balance, End of Year	<u>\$ 32,999</u>	<u>\$ 214,067</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	\$ 2,986	\$ 4,679
Non-cash donations of collection items and park and museum property	\$ 37,888	\$ 5,400

See accompanying notes.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

For the Year Ended December 31, 2011

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 and private 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 statement of activities, CWB 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 - Grants from two grantors represented 53% of grants revenue for the year ended December 31, 2011. Receivables from these grants accounted for 50% of pledges and grants receivable as of December 31, 2011. Government grants from two grantors represented 77% of grants revenue for the year ended December 31, 2010. Receivables from these grants accounted for 27% of pledges and grants receivable as of December 31, 2010.

CWB received contributions from one donor which accounted for 11% of contributions revenue for the year ended December 31, 2011. CWB received contributions from two donors which accounted for 58% of contributions revenue for the year ended December 31, 2010. Outstanding pledges from one of these donors represented 53% of the pledges and grants receivable at December 31, 2010.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements For the Year Ended December 31, 2011

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 ended December 31, 2011 and 2010, special event revenue in the statement of activities is reported net of direct special event costs of \$52,356 and \$36,228, 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 expenses as facility rent expense.

Following is a summary of in-kind contributions:

	<u>2011</u>	<u>2010</u>
Storage space	\$ 44,364	\$ 44,364
Boats for resale	51,350	76,650
Professional services	26,579	57,609
Other	660	15,745
Premises	22,500	47,770
	<u>\$ 145,453</u>	<u>\$ 242,138</u>

Program Service Fees - Revenue from program services is recognized when the service is provided.

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 For the Year Ended December 31, 2011

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, 2011 and 2010, the allowance for doubtful accounts totaled \$0.

Pledges and Grants Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in revenue and support. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are determined to be uncollectible are written off through a charge to the valuation allowance and a credit to pledges receivable. As of December 31, 2011 and 2010, there was no present value discount on long-term pledges as management determined they were not significant.

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 non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code (IRC), and accordingly is generally exempt from federal income taxes under the provisions of Section 501(a) of the IRC. 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.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements For the Year Ended December 31, 2011

Note 1 - Continued

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 \$18,398 and \$8,457 for the years ended December 31, 2011 and 2010, respectively.

Reclassifications - Certain reclassifications were made to the December 31, 2010 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 2010 - 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, 2010, from which the summarized information was derived.

Subsequent Events - CWB has evaluated subsequent events through July 24, 2012, 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>2011</u>	<u>2010</u>
Certificates of deposit, cash equivalents, and stocks and stock funds	\$ 612,555	\$ 636,662
Pledges and grants receivable	<u>103,666</u>	<u>148,881</u>
Total Assets Restricted by Donors for Reserves and Acquisition of Long-Term Assets	<u>\$ 716,221</u>	<u>\$ 785,543</u>

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Notes to Financial Statements For the Year Ended December 31, 2011

Note 3 - Pledges and Grants Receivable

Pledges and grants 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>2011</u>	<u>2010</u>
Pledges and grants receivable, current portion	\$ 142,954	\$ 176,450
Pledges and grants receivable, long-term	150,000	875
Assets restricted by donors for reserves and acquisition of long-term assets	<u>103,666</u>	<u>148,881</u>
Total Pledges and Grants Receivable	<u>\$ 396,620</u>	<u>\$ 326,206</u>

Note 4 - Inventory

Inventory consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Boats for resale	\$ 32,675	\$ 65,350
Gift shop items	11,484	4,113
Auction items for the subsequent year fundraising event	-	2,500
Other	<u>-</u>	<u>3,058</u>
Total Inventory	<u>\$ 44,159</u>	<u>\$ 75,021</u>

Note 5 - Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance on fair value measurements which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, the guidance uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability.

CWB's investments consist of certificates of deposit accounts held at banks which are measured using Level 2 inputs, and stocks and stock funds held at investment companies which are measured using Level 1 inputs. The fair value of these investments totaled \$23,227 and \$177,830 at December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, investments were included in assets restricted by donors for reserves and acquisition of long-term assets in the statement of financial position.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements For the Year Ended December 31, 2011

Note 6 - Park and Museum Property

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

	<u>2011</u>	<u>2010</u>
Maritime park and structure	\$ 1,119,667	\$ 989,061
Office and other equipment	49,441	42,354
Vehicles	12,025	12,025
Program assets	13,086	5,300
Capitalized project costs	<u>421,889</u>	<u>370,984</u>
	1,616,108	1,419,724
Less accumulated depreciation	<u>(373,132)</u>	<u>(336,860)</u>
Total Park and Museum Property, Net	<u>\$ 1,242,976</u>	<u>\$ 1,082,864</u>

Capitalized project costs as of December 31, 2011 consisted of \$354,317 of accumulated costs relating to the planned Education Center - building project (Note 12), and \$41,993 of accumulated costs relating to the planned site at North Lake Union (Note 14).

Note 7 - Collections

Collections as of December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Museum fleet	\$ 531,025	\$ 518,716
Library, models and displays	<u>129,047</u>	<u>129,047</u>
Total Collections	<u>\$ 660,072</u>	<u>\$ 647,763</u>

Note 8 - Lines of Credit

CWB had a \$25,000 line of credit with Viking Bank, which expired July 2011 and was not subsequently renewed. Borrowing under the line accrued interest at the prime rate plus 0.5%, not to be less than 7% (7% as of December 31, 2011 and 2010). The balance outstanding at December 31, 2011 and 2010 was \$0 and \$15,146, respectively.

CWB has a \$100,000 line of credit with Pacific Continental Bank which will expire November 2012 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, 2011 and 2010). The balance outstanding at both December 31, 2011 and 2010 was \$17,458.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

For the Year Ended December 31, 2011

Note 9 - Long-Term Debt and Loan 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, 2011 and 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, 2011 and 2010 was \$14,621 and \$23,017, respectively. Principal payments of \$9,426 are due in 2012.

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, 2011 and 2010 was \$10,671 and \$19,089, respectively. Principal payments of \$8,654 are due in 2012.

Principal maturities on the long-term debt and loan payable are as follows:

For the Year Ending December 31,

2012	\$	18,080
2013		7,212
		<hr/>
	\$	<u>25,292</u>

Note 10 - Operating Leases

Lease Commitment - CWB leases equipment, park and waterway space under operating lease agreements expiring in various years through 2017. Payments under these leases during the years ended December 31, 2011 and 2010 totaled \$26,600 and \$29,900, respectively.

Future minimum payments required under the leases consist of the following:

For the Year Ending December 31,

2012	\$	51,601
2013		47,572
2014		37,788
2015		37,788
2016		35,788
Thereafter		2,319
		<hr/>
Future Minimum Lease Payments	\$	<u>212,856</u>

THE CENTER FOR WOODEN BOATS

**Notes to Financial Statements
For the Year Ended December 31, 2011**

Note 11 - Net Assets

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

	<u>2011</u>	<u>2010</u>
Capital expenditures	\$ 566,608	\$ 634,329
Youth programs	174,456	92,862
Boat maintenance and restoration	70,474	53,122
Boat building education	23,909	27,909
Other projects	41,555	49,080
Total Temporarily Restricted	<u>\$ 877,002</u>	<u>\$ 857,302</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>2011</u>	<u>2010</u>
Endowment - boat shop	\$ 117,830	\$ 117,830
Endowment - youth scholarships	30,000	30,000
Endowment - General fund	500	500
Endowment - Blanchard	-	2,883
Total Permanently Restricted	<u>\$ 148,330</u>	<u>\$ 151,213</u>

CWB's endowment consists of donor-restricted endowment funds totaling \$148,330 at December 31, 2011. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE CENTER FOR WOODEN BOATS

**Notes to Financial Statements
For the Year Ended December 31, 2011**

Note 11 - Continued

Changes to endowment net assets for the years ended December 31 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Endowment net assets, beginning balance	\$ -	\$ 2,081	\$ 151,213	\$ 153,294	\$ 153,094
Endowment investment return- Interest and dividends	-	-	-	-	318
Endowment investment return	-	-	-	-	318
Contributions	-	-	-	-	500
Appropriation of endowment	-	-	-	-	(335)
Redirection of endowment gift by original donor	-	-	(2,883)	(2,883)	(283)
Endowment Net Assets, Ending Balance	\$ -	\$ 2,081	\$ 148,330	\$ 150,411	\$ 153,294

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.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements For the Year Ended December 31, 2011

Note 11 - Continued

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, 2011 or 2010.

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. In addition, SPF released \$50,000 from the conditional pledge to assist with the development of the Water Way #4 Project. As of December 31, 2011, CWB had not recognized the remaining conditional pledge amount of \$350,000 as the remaining pledge payments are conditioned upon CWB completing certain project tasks that were still in process as of year end.

THE CENTER FOR WOODEN BOATS

Notes to Financial Statements

For the Year Ended December 31, 2011

Note 13 - Commitment

Software Subscription Commitment - During the year ended December 31, 2011, CWB signed an agreement with Blackbaud, Inc. for a new donor database program (Altru). CWB will migrate to the new system in 2012.

Future minimum payments required under the subscription commitment consist of the following:

For the Years Ending December 31,

2012	\$	15,600
2013		19,500
2014		19,500
		<hr/>
	\$	54,600
		<hr/> <hr/>

Note 14 - Subsequent Event

CWB has signed a 5 year lease for a facility at the north end of Lake Union (the "North Lake Union" facility). The monthly rent is \$2,000 beginning December 2011 and can be offset by improvements made to the property by CWB. It is expected that improvements made will largely offset the rent during the term. The North Lake Union facility on the edge of Wallingford and Fremont is CWB's second location on Lake Union. CWB will use the space to maintain boats that the public uses in programs at the south end of Lake Union, and will give the public the opportunity to witness the skill of experienced boat wrights, take classes, and volunteer. The facility is the result of collaboration with King County Metro, the current owner of the site.

SUPPLEMENTARY INFORMATION

THE CENTER FOR WOODEN BOATS

***Schedule of Functional Expenses
For the Year Ended December 31, 2011
(With Comparative Totals for 2010)***

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2011 Total Expenses</i>	<i>2010 Total Expenses</i>
Salaries and benefits	\$ 499,421	\$ 49,108	\$ 122,312	\$ 670,841	\$ 538,507
Professional services	78,099	14,086	135,491	227,676	225,706
Events	18,722	886	51,538	71,146	57,709
Excise and payroll taxes	46,741	4,596	11,447	62,784	49,821
Workshop and exhibit materials and supplies	52,716	2,237	1,574	56,527	43,926
Insurance	35,259	6,905	8,635	50,799	49,753
Miscellaneous	27,530	21,226	8,719	57,475	43,693
Printing and stationery	30,480	1,080	13,782	45,342	34,774
Facility rent	57,691	11	9,162	66,864	66,864
Cost of goods sold	30,958	6,176	6,135	43,269	14,389
Depreciation	35,184	725	363	36,272	35,402
Telephone and utilities	16,690	2,654	2,982	22,326	20,758
Postage	9,455	752	4,006	14,213	12,632
Awards and conferences	4,854	0	8,129	12,983	14,481
Occupancy	12,562	(2,371)	2,354	12,545	42,788
Bank fees	1,408	10,397	2,784	14,589	14,963
Office supplies	8,239	593	1,465	10,297	10,247
Licenses and permits	6,922	888	298	8,108	5,767
Interest	2,222	219	544	2,985	4,679
Total Expenses	975,153	120,168	391,720	1,487,041	1,286,859
Special event expenses presented net of related revenues	-	-	(52,356)	(52,356)	(36,228)
Non-operating capital campaign fundraising expenses	-	-	(224,653)	(224,653)	(226,637)
Total Operating Expenses	\$ 975,153	\$ 120,168	\$ 114,711	\$ 1,210,032	\$ 1,023,994

See independent auditors' report.