

**THE COAST GUARD
FOUNDATION, INC.**

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Coast Guard Foundation, Inc.:

We have audited the accompanying statements of financial position of The Coast Guard Foundation, Inc. (the Foundation) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Coast Guard Foundation, Inc. as of December 31, 2008 and 2007, and the results of its activities and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Sansiveri, Kimball & McNamee, LLP

October 30, 2009

Westerly, Rhode Island

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 723,167	\$ 1,014,200
Unconditional promises to give	203,646	184,313
Prepaid expenses and other current assets	120,541	108,470
Total current assets	<u>1,047,354</u>	<u>1,306,983</u>
INVESTMENTS	3,479,787	4,781,423
UNCONDITIONAL PROMISES TO GIVE	171,000	-
LAND, BUILDING AND EQUIPMENT	<u>1,088,355</u>	<u>1,129,216</u>
TOTAL	<u>\$ 5,786,496</u>	<u>\$ 7,217,622</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 134,453	\$ 400,461
Deferred income	42,250	70,750
Total current liabilities	<u>176,703</u>	<u>471,211</u>
NET ASSETS:		
Unrestricted	1,935,843	2,521,734
Temporarily restricted	1,325,169	2,084,699
Permanently restricted	2,348,781	2,139,978
Total net assets	<u>5,609,793</u>	<u>6,746,411</u>
TOTAL	<u>\$ 5,786,496</u>	<u>\$ 7,217,622</u>

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 729,675	\$ 485,082	\$ 191,765	\$ 1,406,522	\$ 632,720	\$ 226,226	\$ 103,251	\$ 962,197
Gifts in kind	249,628			249,628	454,478			454,478
Special events	3,547,602	87,329		3,634,931	3,800,308	128,012		3,928,320
Investment income, net	33,675	60,034	628	94,337	31,246	58,517	603	90,366
Net realized and unrealized gains (losses) on investments	(321,876)	(956,881)	16,410	(1,262,347)	93,736	245,224	58,611	397,571
Rental income	84,000			84,000	84,000			84,000
Boat sales	124,500			124,500	260,000			260,000
Miscellaneous	38,962			38,962	43,627			43,627
Total	4,486,166	(324,436)	208,803	4,370,533	5,400,115	657,979	162,465	6,220,559
Net assets released from restrictions	435,094	(435,094)		-	311,576	(311,576)		-
Total support and revenue	4,921,260	(759,530)	208,803	4,370,533	5,711,691	346,403	162,465	6,220,559
EXPENSES:								
Program services:								
Academy support	963,744			963,744	1,165,091			1,165,091
District support	1,770,832			1,770,832	1,474,712			1,474,712
Support services:								
Administrative and general	564,464			564,464	883,813			883,813
Development and fundraising	678,099			678,099	708,102			708,102
Special events	1,530,012			1,530,012	1,401,336			1,401,336
Total expenses	5,507,151	-	-	5,507,151	5,633,054	-	-	5,633,054
INCREASE (DECREASE) IN NET ASSETS	(585,891)	(759,530)	208,803	(1,136,618)	78,637	346,403	162,465	587,505
NET ASSETS, BEGINNING OF THE YEAR	2,521,734	2,084,699	2,139,978	6,746,411	2,452,536	1,728,857	1,977,513	6,158,906
TRANSFERS				-	(9,439)	9,439		-
NET ASSETS, END OF THE YEAR	\$ 1,935,843	\$ 1,325,169	\$ 2,348,781	\$ 5,609,793	\$ 2,521,734	\$ 2,084,699	\$ 2,139,978	\$ 6,746,411

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (1,136,618)	\$ 587,505
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	1,262,347	(397,571)
Loss on disposition of property and equipment	-	2,437
Donations of investment securities	(12,023)	(159,428)
Depreciation	52,100	61,212
Provision for uncollectible promises to give	-	40,000
Changes in operating assets and liabilities:		
Unconditional promises to give	(190,333)	101,250
Prepaid expenses and other current assets	(12,071)	36,930
Accounts payable and accrued liabilities	(266,008)	121,226
Deferred income	(28,500)	(11,100)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(331,106)</u>	<u>382,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Investments	(271,939)	(2,166,784)
Property and equipment	(11,239)	(56,333)
Proceeds from sales of investments	323,251	1,837,486
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>40,073</u>	<u>(385,631)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(291,033)	(3,170)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>1,014,200</u>	<u>1,017,370</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 723,167</u>	<u>\$ 1,014,200</u>

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Coast Guard Foundation, Inc. (the Foundation) is a Massachusetts nonprofit organization, located in Stonington, Connecticut. Its purpose is to serve as the principal non-profit organization for soliciting and receiving charitable contributions that will benefit the Coast Guard and the Coast Guard Academy; to serve as goodwill ambassadors in promoting the traditions and deeper understanding of the role of the United States Coast Guard in serving and protecting the United States of America and those who use its waterways; and to act in accordance with policies, procedures and guidance addressing these efforts as promulgated by the United States Coast Guard.

Basis of Financial Reporting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in three net asset groups as follows:

- Unrestricted net asset group includes funds in which the Board of Directors retains full control in achieving any of its institutional purposes. These funds are not subject to donor imposed restrictions.
- Temporarily restricted net asset group includes funds restricted by outside sources, which may only be utilized in accordance with purposes established by the donor of such funds.
- Permanently restricted net asset group includes those funds permanently restricted by outside sources which require that the principal be invested in perpetuity and only the income be utilized by the Foundation. Income, including realized and unrealized gains and losses, may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less that have not been restricted by the donor for long-term purposes.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Material unconditional promises to give that are expected to be collected in a period beyond one year are recorded at net realizable value, discounted for the present value of estimated future cash flows. The discounts on those amounts are computed using the Foundation's internal investment rate of return applicable to the year of the gift. Amortization of the discount is included in contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Recognition of Donor Restricted Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments

The Foundation reports its investments in accordance with U.S. GAAP, whereby investments in marketable securities and all investments in debt securities are valued at quoted fair values. If a quoted price is not available, fair value is estimated using quoted market prices for similar securities. Investment income is reported net of investment expense. Realized and unrealized gains and losses are included in the change in net assets.

Land, Building and Equipment

Land, building and equipment are stated at cost when purchased. When land, buildings or equipment are received from a donor, it is stated at fair value at the date of the gift. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Donated Property

Donations of investment securities and other property items are recorded at fair value when received. Non-monetary items are recorded at realized value or at fair value when received, which is usually determined by an independent appraisal.

Donated Services

Many individuals volunteer their time to the Foundation's program services and other activities. Such time has not been recognized in the accompanying financial statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Foundation.

Employee Benefit Plan

The Foundation has a defined contribution retirement plan (the Plan) for all eligible employees. Such plan qualifies under Section 403(b) of the Internal Revenue Code. Under the Plan, the Foundation will make a matching contribution for each eligible participant up to a maximum of 4% of each participant's eligible compensation. For the years ended December 31, 2008 and 2007, the Foundation's contributions to the Plan amounted to approximately \$30,900 and \$25,300, respectively.

Taxes on Income

The Internal Revenue Service issued a determination letter dated May 23, 1986, which stipulates that the Foundation is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

Fair Value Measurements

Effective January 1, 2008, the Foundation adopted U.S. GAAP with respect to Fair Value Measurements. U.S. GAAP defines fair value and establishes a frame work for measuring fair value. It also establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and an entity's own assumptions. The fair value measurement should consider adjustment for risk, such as risk inherent in a valuation technique or its input. The fair value hierarchy assigns priorities to the inputs to valuation techniques into three broad levels as follows:

Level 1 – Generally quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Generally are unobservable and allow for situations in which there is little, if any, market activity.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Transfers

During the year ended December 31, 2007, the Foundation determined that in prior years expenditures related to certain temporarily restricted net assets had exceeded the restricted earnings. This resulted in a deficiency in certain temporarily restricted net asset groups for which the Foundation transferred approximately \$9,000 from unrestricted net assets to temporarily restricted net assets.

Reclassifications

Certain amounts reported in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

2. UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2008 and 2007, the Foundation has received the following unconditional promises to give:

	2008	2007
Receivable in less than one year	\$ 233,146	\$ 244,313
Receivable in one to five years	180,000	-
Subtotal	413,146	244,313
Less allowance for uncollectible pledges	29,500	60,000
Less unamortized discount	9,000	-
Net unconditional promises to give	374,646	184,313
Less current portion	203,646	184,313
Unconditional promises to give - long term	<u>\$ 171,000</u>	<u>\$ -</u>

Unconditional promises to give as of December 31, 2008 have been reported at the net present value of future estimated cash flows. The annual discount rate used to compute the present value for the year ended December 31, 2008 was approximately 1.7%. This

discount rate represents the average interest rate received on the Foundation's cash equivalents during the year then ended.

As of December 31, 2008 and 2007, substantially all of the outstanding unconditional promises to give were restricted for scholarships and academy programs.

3. INVESTMENTS

Investments are recorded at fair value in the accompanying financial statements. As of December 31, 2008 and 2007, investments are comprised of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 1,859,311	\$ 1,499,356	\$ 1,940,901	\$ 2,627,170
Mutual funds:				
Real estate	889,984	767,804	889,248	935,632
Other	950,000	944,749	950,000	950,000
Bonds	263,920	267,878	264,172	268,621
Total	\$ 3,963,215	\$ 3,479,787	\$ 4,044,321	\$ 4,781,423

For the years ended December 31, 2008 and 2007, net realized and unrealized gains (losses) are as follows:

	2008	2007
Net realized gains (losses)	\$ (18,169)	\$ 528,752
Net unrealized losses	(1,244,178)	(131,181)
Total	\$ (1,262,347)	\$ 397,571

For the years ended December 31, 2008 and 2007, investment income and associated investment expenses are as follows:

	2008	2007
Investment income	\$ 112,920	\$ 114,685
Investment fees	(18,583)	(24,319)
Investment income, net	\$ 94,337	\$ 90,366

As of August 31, 2009, the investment portfolio has experienced additional unrealized losses of approximately \$92,000. The unrealized losses associated with these securities are considered temporary as the Foundation has the ability to hold these investments for a period of time sufficient to allow for appreciation of the related investments.

4. LAND, BUILDING AND EQUIPMENT

At December 31, 2008 and 2007, the components of land, building and equipment are as follows:

	2008	2007
Land and land improvements	\$ 482,757	\$ 482,757
Building	859,730	857,367
Furniture and equipment	282,781	273,905
Total	1,625,268	1,614,029
Less accumulated depreciation	536,913	484,813
Land, building and equipment, net	\$ 1,088,355	\$ 1,129,216

5. FAIR VALUE MEASUREMENTS

Certain of the Foundation's assets are reported at fair value. The carrying value of cash and cash equivalents, unconditional promises to give and accounts payable (including accrued liabilities) in the accompanying statements of financial position reflect the appropriate fair value at December 31, 2008 and 2007. These assets are presented in the following table.

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Other than Quoted Prices Observable for the Asset/Liability (Level 2)	Other Unobservable Inputs (Level 3)
<u>2008</u>				
Investments	\$ 3,479,787	\$ 2,711,983	\$ -	\$ 767,804
<u>2007</u>				
Investments	\$ 4,781,423	\$ 3,845,791	\$ -	\$ 935,632

Changes in the value of Level 3 assets which consist of investments in real estate for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of the year	\$ 935,632	\$ -
Purchases	-	850,000
Dividend income	24,381	10,610
Unrealized gains (losses)	(192,209)	75,022
Balance, end of the year	<u>\$ 767,804</u>	<u>\$ 935,632</u>

6. RENTAL INCOME

The Foundation leases a portion of its land and buildings to an unrelated third party. The lease expires on December 31, 2020 and contains renewal options for four successive fifteen year terms and one nine year renewal term.

As of December 31, 2008 and 2007, property related to the Foundation's real estate leasing operation consisted of land and building with a cost and carrying value of approximately \$312,000.

Future minimum lease income to be received as of December 31, 2008, excluding renewal options and inflationary adjustments, are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 84,000
2010	84,000
2011	84,000
2012	84,000
2013	84,000
Thereafter	<u>588,000</u>
Total	<u>\$ 1,008,000</u>

Rental income associated with this lease was approximately \$84,000 for each of the years ended December 31, 2008 and 2007.

7. NOTE PAYABLE – BANK

The Foundation has a revolving line-of-credit agreement with a bank, with maximum available borrowings of \$250,000. Such note is payable on demand and is secured by unconditional promises to give and equipment owned by the Foundation. In addition the

line of credit must maintain a zero balance for at least 30 consecutive days per year. Interest payments only are due monthly and are calculated at 1% below the bank's prime rate which was 3.25% at December 31, 2008. All amounts outstanding under this agreement are due and payable on December 13, 2009, the termination date of the line-of-credit agreement. As of December 31, 2008 and 2007, there were no amounts outstanding.

8. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2008 and 2007, temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Restricted to the Academy:		
Academic enrichment	\$ 222,879	\$ 213,056
Athletics and waterfront	33,469	152,603
Academy other	(39,841)	12,667
Support to Coast Guard families	1,059,746	1,501,067
District support	32,437	204,480
Coast Guard Auxiliary	15,278	-
Coast Guard Museum	1,201	826
	<u>1,325,169</u>	<u>2,084,699</u>
Total	<u>\$ 1,325,169</u>	<u>\$ 2,084,699</u>

The negative balance above is the result of the allocation of unrealized losses attributed to the related endowment funds. Management considers such losses to be temporary.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors. The amounts released during the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Restricted to the Academy:		
Academic enrichment	\$ 110,299	\$ 33,310
Athletics and waterfront	-	29,327
Support to Coast Guard Families	322,045	224,474
District support	2,750	24,465
	<u>435,094</u>	<u>311,576</u>
Total	<u>\$ 435,094</u>	<u>\$ 311,576</u>

9. PERMANENTLY RESTRICTED NET ASSETS

As of December 31, 2008 and 2007, permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following:

	2008	2007
General Foundation purposes	\$ 148,021	\$ 146,165
District support	507,246	500,885
Support to Coast Guard families	695,748	507,675
Restricted to the Academy:		
Academic enrichment	345,431	341,099
Athletics and waterfront	441,808	436,269
Academy other	210,527	207,885
Total	<u>\$ 2,348,781</u>	<u>\$ 2,139,978</u>

10. ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 35 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds are invested in two investment vehicles whose earnings and losses are combined and allocated across individual endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the 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, the Foundation classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in order to protect the historical value of the dollar. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by

UMIFA. In accordance with UMIFA, the Foundation 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 the Foundation 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 the Foundation
- The investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 667,434	\$ 2,348,781	\$ 3,016,215
Board-designated	758,898	-	-	758,898
	<u>\$ 758,898</u>	<u>\$ 667,434</u>	<u>\$ 2,348,781</u>	<u>\$ 3,775,113</u>

Permanently restricted net assets include approximately \$394,000 of cumulative investment return on donor-restricted endowment funds that the Foundation has determined must be retained permanently to maintain the purchasing power of those funds, in accordance with the Uniform Management of Institutional Funds Act (UMIFA), beyond the amount required by any explicit donor stipulations.

Changes in endowment net assets for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of the year	\$ 1,054,718	\$ 1,662,015	\$ 2,139,978	\$ 4,856,711
Investment return:				
Investment income	20,178	56,691	628	77,497
Net appreciation (depreciation) (realized and unrealized)	(321,876)	(956,881)	16,410	(1,262,347)
Total investment return	(301,698)	(900,190)	17,038	(1,184,850)
Contributions	-	93,724	191,765	285,489
Appropriation for expenditure	-	(225,380)	-	(225,380)
Other changes - transfers to cover expenditures	5,878	37,265	-	43,143
Endowment net assets - end of the year	<u>\$ 758,898</u>	<u>\$ 667,434</u>	<u>\$ 2,348,781</u>	<u>\$ 3,775,113</u>

Endowment net asset composition by type of fund as of December 31, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,662,015	\$ 2,139,978	\$ 3,801,993
Board-designated	1,054,718	-	-	1,054,718
	<u>\$ 1,054,718</u>	<u>\$ 1,662,015</u>	<u>\$ 2,139,978</u>	<u>\$ 4,856,711</u>

Permanently restricted net assets include approximately \$367,000 of cumulative investment return on donor-restricted endowment funds that the Foundation has determined must be retained permanently to maintain the purchasing power of those funds, in accordance with UMIFA, beyond the amount required by any explicit donor stipulations.

Changes in endowment net assets for the year ended December 31, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of the year	\$ 948,812	\$ 1,457,747	\$ 1,977,513	\$ 4,384,072
Investment return:				
Investment income	18,501	54,002	603	73,106
Net appreciation (realized and unrealized)	93,736	245,224	58,611	397,571
Total investment return	112,237	299,226	59,214	470,677
Contributions	11,631	131,149	103,251	246,031
Appropriation for expenditure	-	(252,805)	-	(252,805)
Other changes - transfers to cover expenditures	(17,962)	26,698	-	8,736
Endowment net assets - end of the year	<u>\$ 1,054,718</u>	<u>\$ 1,662,015</u>	<u>\$ 2,139,978</u>	<u>\$ 4,856,711</u>

Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets with a goal of capital enhancement and preservation over time, both in nominal and real terms while minimizing volatility through diversification and a sound asset allocation policy.

The long-term goal of the Fund is a total return target of 6-8% net of inflation and expenses compounded annually. Total returns include income plus realized and unrealized gains and losses on Fund assets.

Total risk exposure and risk-adjusted returns will be regularly evaluated from inception and compared with a universe of similar funds for the Funds as well as for each investment manager versus other managers of similar style. Total portfolio risk exposure as measured by the standard deviation of return should generally rank in the mid-range of comparable funds. Risk-adjusted returns are expected to be consistent with comparable managers.

Strategies Employed for Achieving Objectives

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

Spending Policy

Distributions of assets for any calendar year shall not exceed any of the following guidelines:

- An amount not to exceed 5% of the three year average market value of the Funds as of December 31st of the previous year. The Foundation understands that a period of depressed investment values, absent new endowment gifts, will result in decreased distributions.
- In establishing this policy the Foundation considered long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.
- In no case will any donor-imposed restriction on any funds in the endowment be compromised. The policy does not apply to and therefore does not limit the specific use of restricted funds as specified by the donor.

11. SPECIAL EVENTS

Special events for the year ended December 31, 2008 consisted of the following:

	Gross	Total	Attributed to	
	Receipts	Expenses	District	Net
			Support	
Washington DC dinner	\$ 913,161	\$ 352,397	\$ 40,530	\$ 601,294
New York dinner	944,657	511,462	71,562	504,757
New Orleans dinner	460,225	183,185	32,545	309,585
Pacific Northwest dinner	372,175	104,264	17,391	285,302
Hawaii dinner	301,923	165,515	19,352	155,760
San Francisco dinner	238,850	150,492	27,713	116,071
Washington DC golf tournament	91,705	36,111	-	55,594
St Petersburg dinner	236,504	237,459	54,212	53,257
11th District golf tournament	55,235	26,143	-	29,092
Connecticut golf tournament	17,826	17,030	-	796
Other events	2,670	9,259	-	(6,589)
Total	\$ 3,634,931	\$ 1,793,317	\$ 263,305	\$ 2,104,919

Special events for the year ended December 31, 2007 consisted of the following:

	Gross	Total	Attributed to	
	Receipts	Expenses	District	Net
			Support	
New York dinner	\$ 883,390	\$ 304,319	\$ 39,802	\$ 618,873
Washington DC dinner	774,251	300,345	27,850	501,756
New Orleans dinner	492,700	166,492	15,985	342,193
Pacific Northwest dinner	424,641	225,748	15,381	214,274
Hawaii dinner	403,318	183,462	24,116	243,972
Miami dinner	381,272	174,365	37,244	244,151
San Francisco dinner	349,325	127,743	20,221	241,803
Washington DC golf tournament	122,885	36,367		86,518
11th District golf tournament	65,345	31,907		33,438
Connecticut golf tournament	21,193	18,768		2,425
Eagle receptions	10,000	12,419		(2,419)
Total	\$ 3,928,320	\$ 1,581,935	\$ 180,599	\$ 2,526,984

12. COMMITMENTS

Scholarships

The Foundation annually awards four year scholarships totaling either \$5,000 or \$2,500 per year. Recipients are dependents of Coast Guard enlisted personnel. At December 31, 2008, the Foundation had committed to the following ongoing scholarships:

<u>Year</u>	<u>Amount</u>
2009	\$ 212,000
2010	149,000
2011	91,000
2012	23,000
Total	<u>\$ 475,000</u>

Event Contracts

During 2008, the Foundation signed various contracts relating to events to be held in 2009. As of December 31, 2008, the approximate future obligations under these contracts totaled approximately \$350,000.

Employee Separation

In March 2007, the Foundation reached an agreement with an employee regarding separation from employment with the Foundation. Under the terms of the agreement, the Foundation is liable for payment of certain compensation and benefits through March 2009. As of December 31, 2008, the approximate future obligations under the agreement of \$57,000 have been accrued and will be paid in 2009.

13. ALLOCATION OF JOINT COSTS

During the years ended December 31, 2008 and 2007, the Foundation incurred joint costs for activities that included fundraising appeals. Such costs represent costs incurred for certain publications, special events and overhead. For the years ended December 31, 2008 and 2007, the approximate allocation of joint costs are as follows:

	<u>2008</u>	<u>2007</u>
Fundraising and special events	\$ 1,611,000	\$ 1,912,000
Program services	335,000	356,000
Management and general	<u>22,000</u>	<u>68,000</u>
Total approximate joint costs	<u>\$ 1,968,000</u>	<u>\$ 2,336,000</u>

14. CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments, which potentially subject the Foundation to concentrations of credit and investment risk, consist of cash equivalents and investments.

From time to time, the Foundation's cash balances exceed FDIC insurance limits. Such balances are maintained in several high credit quality financial institutions. Investments include a diversified portfolio consisting of money market funds, government bonds, corporate bonds, mutual funds, and equity securities in various industries, which the Foundation's management believes minimizes the market risk associated with such investments.

THE COAST GUARD FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008					Total	2007 Total
	Program Services		Support Services				
	Academy Support	District Support	Administrative and General	Development and Fundraising	Special Events		
Support to Coast Guard families		\$ 659,045				\$ 659,045	\$ 514,474
Salaries	\$ 55,090	38,127	\$ 281,377	\$ 192,863		567,457	351,907
New York dinner		71,562			\$ 439,900	511,462	304,319
DC dinner		40,530			311,867	352,397	300,345
Academic enrichment	339,792					339,792	136,606
Waterfront development:							
Boats and acquisition costs	4,210					4,210	411,126
Other	196,649					196,649	162,387
Settlement costs						-	499,836
General district support		276,358				276,358	102,624
Special projects		270,000				270,000	159,665
St. Petersburg dinner		54,212			183,247	237,459	-
Evergreen		202,272				202,272	400,922
New Orleans dinner		32,545			150,640	183,185	166,492
Hawaii dinner		19,352			146,163	165,515	183,462
San Francisco dinner		27,713			122,779	150,492	127,743
Communications and public relations	28,338	30,033	8,473	67,833		134,677	183,830
Pacific Northwest dinner		17,391			86,873	104,264	225,748
Athletics	100,000					100,000	146,309
Professional fees		50	73,944	24,787		98,781	283,643
Travel and auto	890	7,306	21,437	64,352		93,985	21,419
Promotional and marketing				84,728		84,728	86,903
Recreational and cultural	84,240					84,240	56,800
Office supplies and expense	30	512	13,395	62,910		76,847	47,882
Donor cultivation				71,317		71,317	38,445
Occupancy	6,754	6,753	13,507	13,507		40,521	33,311
Public related	54,000					54,000	59,789
Payroll and other taxes	9,050	2,464	18,732	23,646		53,892	41,793
Directors' activities			53,453			53,453	66,081
Miscellaneous	4,135	2,492	22,148	15,165		43,940	23,379
Insurance	7,964	3,241	16,190	19,096		46,491	44,618
Washington DC scholarship golf tournament					36,111	36,111	36,367
Leadership Development Center	34,971					34,971	29,000
Depreciation	14,821	900	28,579	7,800		52,100	61,212
11th District scholarship golf tournament					26,143	26,143	31,907
Employee benefit plan	1,957	1,091	9,577	10,992		23,617	13,567
Repairs and maintenance	4,011		1,876	13,256		19,143	21,432
Connecticut golf tournament					17,030	17,030	18,768
Utilities	9,144	27	1,776	1,127		12,074	5,608
OpSail Receptions					8,835	8,835	12,419
Supplies	7,698					7,698	4,155
Coast Guard Museum		3,856				3,856	-
Boat donation program				3,110		3,110	-
Disaster relief		3,000				3,000	-
Uncollectible pledges				1,610		1,610	42,396
Miami dinner					424	424	174,365
Total	\$ 963,744	\$ 1,770,832	\$ 564,464	\$ 678,099	\$ 1,530,012	\$ 5,507,151	\$ 5,633,054