

**THE COAST GUARD  
FOUNDATION, INC.**

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008

INDEPENDENT AUDITORS' REPORT



**SANSIVERI, KIMBALL & CO., L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

## 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 is presented for the purpose of additional analysis and is not a required part of the basic 2009 financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic 2009 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Sansiveri, Kimball & Co., LLP*

June 7, 2010  
Westerly, Rhode Island

# THE COAST GUARD FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,104,692	\$ 723,167
Unconditional promises to give	299,735	203,646
Prepaid expenses and other current assets	128,236	120,541
Total current assets	<u>1,532,663</u>	<u>1,047,354</u>
INVESTMENTS	3,494,097	3,479,787
UNCONDITIONAL PROMISES TO GIVE	164,000	171,000
LAND, BUILDING AND EQUIPMENT	<u>1,054,981</u>	<u>1,088,355</u>
TOTAL	<u>\$ 6,245,741</u>	<u>\$ 5,786,496</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 82,781	\$ 134,453
Due to Coast Guard Auxiliary	11,179	-
Deferred income	74,300	42,250
Total current liabilities	<u>168,260</u>	<u>176,703</u>
COMMITMENTS		
<b>NET ASSETS:</b>		
Unrestricted	2,230,606	1,935,843
Temporarily restricted	1,343,199	1,325,169
Permanently restricted	2,503,676	2,348,781
Total net assets	<u>6,077,481</u>	<u>5,609,793</u>
TOTAL	<u>\$ 6,245,741</u>	<u>\$ 5,786,496</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, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>								
Contributions	\$ 841,963	\$ 496,013	\$ 154,936	\$ 1,492,912	\$ 754,675	\$ 492,582	\$ 191,765	\$ 1,439,022
Gifts in kind	854,237	22,528		876,765	249,628			249,628
Special events	2,960,280	102,475		3,062,755	3,527,047	87,329		3,614,376
Investment income, net	9,706	25,812	283	35,801	33,675	60,034	628	94,337
Net realized and unrealized gains (losses) on investments	1,049	(44,048)	(324)	(43,323)	(321,876)	(956,881)	16,410	(1,262,347)
Rental income	89,880			89,880	84,000			84,000
Boat sales	108,300			108,300	124,500			124,500
Miscellaneous	81,130			81,130	38,962			38,962
Total	4,946,545	602,780	154,895	5,704,220	4,490,611	(316,936)	208,803	4,382,478
Net assets released from restrictions	584,750	(584,750)		-	442,594	(442,594)		-
Total support and revenue	5,531,295	18,030	154,895	5,704,220	4,933,205	(759,530)	208,803	4,382,478
<b>EXPENSES:</b>								
Program services:								
Academy support	1,479,822			1,479,822	921,447			921,447
District wide support	845,514			845,514	1,452,001			1,452,001
Assistance to families	359,483			359,483	314,545			314,545
Total program services	2,684,819	-	-	2,684,819	2,687,993	-	-	2,687,993
Support services:								
Administrative and general	473,905			473,905	726,518			726,518
Development and fundraising	862,994			862,994	603,963			603,963
Special events	1,214,814			1,214,814	1,500,622			1,500,622
Total expenses	5,236,532	-	-	5,236,532	5,519,096	-	-	5,519,096
INCREASE (DECREASE) IN NET ASSETS	294,763	18,030	154,895	467,688	(585,891)	(759,530)	208,803	(1,136,618)
NET ASSETS, BEGINNING 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
NET ASSETS, END OF THE YEAR	\$ 2,230,606	\$ 1,343,199	\$ 2,503,676	\$ 6,077,481	\$ 1,935,843	\$ 1,325,169	\$ 2,348,781	\$ 5,609,793

See notes to financial statements.

## THE COAST GUARD FOUNDATION, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 467,688	\$ (1,136,618)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized losses on investments	43,323	1,262,347
Loss on disposition of property and equipment	599	-
Donations of investment securities	(66,747)	(12,023)
Depreciation	53,709	52,100
Provision for uncollectible promises to give	85,142	-
Changes in operating assets and liabilities:		
Unconditional promises to give	(174,231)	(190,333)
Prepaid expenses and other current assets	(7,695)	(12,071)
Accounts payable and accrued liabilities	(51,672)	(266,008)
Due to Coast Guard Auxiliary	11,179	-
Deferred income	32,050	(28,500)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>393,345</b>	<b>(331,106)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of :		
Investments	(2,214,568)	(271,939)
Property and equipment	(20,934)	(11,239)
Proceeds from sales of investments	2,223,682	323,251
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(11,820)</b>	<b>40,073</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>381,525</b>	<b>(291,033)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>723,167</b>	<b>1,014,200</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>\$ 1,104,692</b>	<b>\$ 723,167</b>

See notes to financial statements.

# THE COAST GUARD FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Operations

The Coast Guard Foundation, Inc. (the Foundation) is a Massachusetts non-profit 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 United States Coast Guard, Coast Guard personnel and their families, 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 or, if donated, at the fair market value at the date of the gift. Depreciation of building and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Land improvements	20 years
Buildings and improvements	10 - 39 years
Equipment	2 - 10 years

### 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.

### 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.

### Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

### Reclassifications

Certain amounts reported in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

### Subsequent Events

Management has evaluated subsequent events through June 7, 2010, which is the date the financial statements were available to be issued.

## 2. UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2009 and 2008, the Foundation has received the following unconditional promises to give:

	2009	2008
Receivable in less than one year	\$ 409,377	\$ 233,146
Receivable in one to five years	170,000	180,000
Subtotal	<u>579,377</u>	<u>413,146</u>
Less allowance for uncollectible pledges	109,642	29,500
Less unamortized discount	6,000	9,000
Net unconditional promises to give	<u>463,735</u>	<u>374,646</u>
Less current portion	<u>299,735</u>	<u>203,646</u>
Unconditional promises to give - long term	<u>\$ 164,000</u>	<u>\$ 171,000</u>

Unconditional promises to give as of December 31, 2009 and 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 years ended December 31, 2009 and 2008 was approximately 1.5% and 1.7%, respectively. This discount rate represents the average interest rate received on the Foundation's cash equivalents during each of the years then ended.

As of December 31, 2009 approximately \$210,000 of outstanding unconditional promises to give were restricted for scholarships and academy programs. As of December 31, 2008 substantially all of the outstanding unconditional promises to give were restricted for scholarships and academy programs.

### 3. INVESTMENTS

The amortized cost, gross unrealized gains (losses) and fair value of investments by major security type at December 31, 2009 and 2008 are as follows:

	Amortized Cost	Gross Unrealized Gains/(Losses)	Fair Value
<b>2009</b>			
Common stock	\$ 1,596,299	\$ 461,856	\$ 2,058,155
Mutual funds:			
Real estate	889,984	(447,914)	442,070
Other	950,000	(145,285)	804,715
Bonds	181,247	7,910	189,157
	<hr/>		
Total	\$ 3,617,530	\$ (123,433)	\$ 3,494,097
<b>2008</b>			
Common stock	\$ 1,859,311	\$ (359,955)	\$ 1,499,356
Mutual funds:			
Real estate	889,984	(122,180)	767,804
Other	950,000	(5,251)	944,749
Bonds	263,920	3,958	267,878
	<hr/>		
Total	\$ 3,963,215	\$ (483,428)	\$ 3,479,787

For the years ended December 31, 2009 and 2008, net realized and unrealized gains (losses) are as follows:

	2009	2008
Net realized losses	\$ (380,149)	\$ (18,169)
Net unrealized gains (losses)	336,826	(1,244,178)
	<hr/>	
Total	\$ (43,323)	\$ (1,262,347)

For the years ended December 31, 2009 and 2008, investment income and associated investment expenses are as follows:

	2009	2008
Investment income	\$ 60,465	\$ 112,920
Investment fees	(24,664)	(18,583)
Investment income, net	<u>\$ 35,801</u>	<u>\$ 94,337</u>

#### 4. LAND, BUILDING AND EQUIPMENT

At December 31, 2009 and 2008, the components of land, building and equipment are as follows:

	2009	2008
Land and land improvements	\$ 482,757	\$ 482,757
Building	862,754	859,730
Furniture and equipment	299,662	282,781
Total	<u>1,645,173</u>	<u>1,625,268</u>
Less accumulated depreciation	590,192	536,913
Land, building and equipment, net	<u>\$ 1,054,981</u>	<u>\$ 1,088,355</u>

#### 5. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value and establishes a framework for measuring fair value. It 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 to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability, such as interest rates observable at commonly quoted intervals;

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;

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.

Certain of the Foundation’s assets and liabilities are reported at fair value. The following table provides fair value measurement information for such assets at December 31, 2009 and 2008. 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 approximate fair value at December 31, 2009 and 2008. These assets and liabilities are not presented in the following table.

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>2009</u>				
Investments	\$ 3,494,097	\$ 3,052,027	\$ -	\$ 442,070
<u>2008</u>				
Investments	\$ 3,479,787	\$ 2,711,983	\$ -	\$ 767,804

Changes in the value of Level 3 assets which consist of investments in real estate for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Balance, beginning of the year	\$ 767,804	\$ 935,632
Dividend income	23,176	24,381
Unrealized losses	(348,910)	(192,209)
Balance, end of the year	<u>\$ 442,070</u>	<u>\$ 767,804</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, 2009 and 2008, 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, 2009, excluding renewal options and inflationary adjustments, are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 84,000
2011	84,000
2012	84,000
2013	84,000
2014	84,000
Thereafter	420,000
Total	<u>\$ 840,000</u>

Rental income associated with this lease was approximately \$90,000 and \$84,000 for the years ended December 31, 2009 and 2008, respectively.

#### 7. NOTE PAYABLE – BANK

Through December 13, 2009 the Foundation had a revolving line-of-credit agreement with a bank, with maximum available borrowings of \$250,000. Such note was payable on demand and is secured by unconditional promises to give and equipment owned by the Foundation. In addition the line of credit had to maintain a zero balance for at least 30 consecutive days per year. Interest payments only were due monthly and were calculated at 1% below the bank's prime rate which was 3.25% for the financial statement period. The agreement expired on December 13, 2009 and was not renewed.

In February 2010 the Foundation entered into a revolving line-of-credit agreement with a separate 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. Payments of interest only are due monthly and are calculated at 1% above the bank's prime rate which was 3.25% at December 31, 2009.

## 8. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2009 and 2008, temporarily restricted net assets are available for the following purposes:

	2009	2008
Restricted to the Academy:		
Academic enrichment	\$ 226,377	\$ 222,879
Athletics and waterfront	(23,034)	33,469
Academy - Other	(40,046)	(39,841)
Support to Coast Guard families	1,130,504	1,059,746
District support	49,398	32,437
Coast Guard Auxiliary	-	15,278
Coast Guard Museum	-	1,201
	<hr/>	<hr/>
Total	\$ 1,343,199	\$ 1,325,169
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The negative balances above are 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, 2009 and 2008 are as follows:

	2009	2008
Restricted to the Academy:		
Academic enrichment	\$ 74,119	\$ 117,799
Athletics and waterfront	91,900	-
Support to Coast Guard Families	384,621	322,045
District support	17,631	2,750
Coast Guard Auxiliary	15,278	-
Coast Guard Museum	1,201	-
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Total	\$ 584,750	\$ 442,594
	<hr/> <hr/>	<hr/> <hr/>

## 9. PERMANENTLY RESTRICTED NET ASSETS

As of December 31, 2009 and 2008, permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following:

	2009	2008
General Foundation purposes	\$ 148,021	\$ 148,021
District support	507,246	507,246
Support to Coast Guard families	850,643	695,748
Restricted to the Academy:		
Academic enrichment	345,431	345,431
Athletics and waterfront	441,808	441,808
Academy - Other	210,527	210,527
Total	<u>\$ 2,503,676</u>	<u>\$ 2,348,781</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, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 589,454	\$ 2,443,670	\$ 3,033,124
Board-designated	684,033	-	-	684,033
	\$ 684,033	\$ 589,454	\$ 2,443,670	\$ 3,717,157

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, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of the year	\$ 758,898	\$ 667,434	\$ 2,348,781	\$ 3,775,113
Investment return:				
Investment income	8,905	25,567	283	34,755
Net appreciation (depreciation) (realized and unrealized)	2,202	(43,652)	(330)	(41,780)
Total investment return	11,107	(18,085)	(47)	(7,025)
Contributions	-	130,354	94,936	225,290
Appropriation for expenditure	(50,000)	(202,734)	-	(252,734)
Other changes - transfers to cover expenditures	(35,972)	12,485	-	(23,487)
Endowment net assets - end of the year	<u>\$ 684,033</u>	<u>\$ 589,454</u>	<u>\$ 2,443,670</u>	<u>\$ 3,717,157</u>

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 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>

#### 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 31<sup>st</sup> 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, 2009 consisted of the following:

	Gross	Total	Attributed to	
	Receipts	Expenses	District	Net
			Support	
Washington DC dinner	\$ 991,620	\$ 394,261	\$ 77,627	\$ 674,986
New York dinner	668,585	213,445	80,377	535,517
New Orleans dinner	315,520	165,996	21,502	171,026
Pacific Northwest dinner	311,969	162,573	40,068	189,464
Hawaii dinner	244,486	136,542	12,640	120,584
St. Petersburg dinner	187,850	141,428	40,186	86,608
San Francisco dinner	189,600	258,816	48,266	(20,950)
Washington DC golf tournament	106,495	38,203	-	68,292
11th District golf tournament	41,630	23,759	-	17,871
Other events	5,000	457	-	4,543
<b>Total</b>	<b>\$ 3,062,755</b>	<b>\$ 1,535,480</b>	<b>\$ 320,666</b>	<b>\$ 1,847,941</b>

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	945,157	511,962	71,562	504,757
New Orleans dinner	460,225	183,185	32,545	309,585
Pacific Northwest dinner	347,175	79,264	17,391	285,302
Hawaii dinner	303,918	167,510	19,352	155,760
San Francisco dinner	239,700	151,342	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	18,426	17,630	-	796
Other events	3,170	924	-	2,246
Total	\$ 3,614,376	\$ 1,763,927	\$ 263,305	\$ 2,113,754

## 12. 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, 2009 and 2008, the Foundation's contributions to the Plan amounted to approximately \$32,500 and \$30,900, respectively.

### 13. 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, 2009, the Foundation had committed to the following ongoing scholarships:

<u>Year</u>	<u>Amount</u>
2010	\$ 209,400
2011	149,700
2012	89,100
2013	<u>25,000</u>
Total	<u>\$ 473,200</u>

#### Event Contracts

During 2009, the Foundation signed various contracts relating to events to be held in 2010. As of December 31, 2009, the approximate future obligations under these contracts totaled approximately \$330,000.

#### Academy Waterfront Program

During 2009, the Foundation entered into a joint agreement with the Coast Guard Alumni Association to provide for the construction of four L-44 sailing vessels for the Academy waterfront program. As of December 31, 2009, the approximate future obligation under this agreement was approximately \$760,000.

### 14. ALLOCATION OF JOINT COSTS

During the years ended December 31, 2009 and 2008, 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, 2009 and 2008, the approximate allocation of joint costs are as follows:

	<u>2009</u>	<u>2008</u>
Fundraising and special events	\$ 433,000	\$ 864,000
Program services	248,000	193,000
Management and general	<u>79,000</u>	<u>22,000</u>
Total approximate joint costs	<u>\$ 760,000</u>	<u>\$ 1,079,000</u>

**15. 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 maintains cash and cash equivalents in excess of FDIC insurance limits. Management believes these are normal business risks. 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.

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## THE COAST GUARD FOUNDATION, INC.

 COMPILED SCHEDULE OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

	2009							2008	
	Program Services				Support Services			Total	Total
	Academy Support	District Wide Support	Assistance to Families	Total Program	Administrative and General	Development and Fundraising	Special Events		
Grants to the Coast Guard:									
Educational support	\$ 107,929	\$ 240,000	\$ 234,616	\$ 582,545				\$ 582,545	\$ 918,875
Morale, welfare & event attendance	50,000	515,089		565,089				565,089	615,175
Special capital projects				-				-	270,000
Academy waterfront program	236,198			236,198				236,198	189,444
Public outreach	53,000	29,500		82,500				82,500	100,000
Family relief			62,364	62,364				62,364	86,962
Other Academy support	97,635			97,635				97,635	134,971
Boats donated to the Coast Guard	832,350			832,350				832,350	165,200
Salaries and benefits	37,874	30,204	30,205	98,283	\$ 263,361	\$ 331,430	\$ 107,895	800,969	711,581
Training and education				-	103	470		573	10,539
Occupancy	15,569	594	1,188	17,351	7,191	9,506		34,048	34,237
Telephone	1,281	336	671	2,288	4,320	6,017		12,625	12,795
Property and liability insurance	4,099	241	482	4,822	6,609	1,929		13,360	13,799
Professional fees	8,766	8,766	8,766	26,298	75,434	25,510		127,242	141,949
Website expense	3,469	3,469	4,040	10,978	10,981	9,640		31,599	17,506
Equipment maintenance and repair	3,757	219	439	4,415	2,529	15,005		21,949	24,806
Supplies	4,670	205	320	5,195	11,832	14,597		31,624	29,553
Printing and postage costs	1,175	1,502	1,175	3,852	6,672	138,695	61,610	210,829	237,361
Direct mail solicitations				-		27,319		27,319	-
Event production costs	98	40		138	32,711	10,733	977,922	1,021,504	1,324,982
Promotional and advertising	5,008	5,008	5,008	15,024	15,023	27,520		57,567	61,887
Donor cultivation						81,771		81,771	127,160
Travel	359	2,848	200	3,407	13,105	52,120	27,387	96,019	172,566
Depreciation	16,450	2,484	4,968	23,902	9,936	19,871		53,709	52,100
Uncollectible pledges			5,000	5,000		75,142	40,000	120,142	13,555
Miscellaneous	135	5,009	41	5,185	14,098	15,719		35,002	52,093
Total	\$ 1,479,822	\$ 845,514	\$ 359,483	\$ 2,684,819	\$ 473,905	\$ 862,994	\$ 1,214,814	\$ 5,236,532	\$ 5,519,096