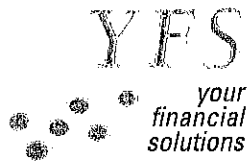


POTLATCH FUND  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
Year Ended December 31, 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
POTLATCH FUND

I have audited the accompanying statement of financial position of Potlatch Fund (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Potlatch Fund as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Your Financial Solutions*  
Your Financial Solutions, LLC

Seattle, Washington  
February 28, 2011

POTLATCH FUND  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010  
(See Independent Auditor's Report and Notes to Financial Statements)

ASSETS

Current Assets:

Cash and cash equivalents (Note 1, Note 4 )	\$ 531,979
Deposit (Note 4)	3,500
Employee receivables (Note 4)	1,010
Total current assets	536,489

Fixed assets - at cost (net of accumulated depreciation of \$6,074) (Notes 1 and 2)	4,758
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	TOTAL ASSETS	\$ 541,247
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 5,006
Grants payable	4,215
Credit cards payable	3,233
Accrued payroll	9,289
Accrued vacation	12,591
Total current liabilities	34,334

	TOTAL LIABILITIES	34,334
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Net Assets:

Unrestricted net assets	332,272
Total unrestricted net assets	332,272

Temporarily restricted net assets	174,641
Total temporarily restricted net assets	174,641

	TOTAL NET ASSETS	506,913
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	TOTAL LIABILITIES AND NET ASSETS	\$ 541,247
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POTLATCH FUND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(See Independent Auditor's Report and Notes to Financial Statements)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Support:			
Grants (Note 1)	\$ 634,058	160,691	794,749
Donations (Note 1)	136,959		136,959
Event Sponsorships	76,075		76,075
Event Ticket Sales	36,935		36,935
Sale of Donated Items	4,366		4,366
TOTAL SUPPORT	<u>888,393</u>	<u>160,691</u>	<u>1,049,084</u>
Revenues:			
Fees for service	31,631		31,631
Reimbursements	3,300		3,300
Interest Income	637		637
TOTAL REVENUE	<u>35,568</u>		<u>35,568</u>
TOTAL SUPPORT AND REVENUE	<u>923,961</u>	<u>160,691</u>	<u>1,084,652</u>
<b>EXPENSES</b>			
<b>Program Services</b>			
Technical Assistance	241,674		241,674
Fiscal Sponsorships	217,984		217,984
Grant Making	199,851		199,851
Other Programs	79,418		79,418
Total program services	<u>738,927</u>		<u>738,927</u>
<b>Support Services</b>			
General and Administrative	137,247		137,247
Fund Development	109,835		109,835
Total support services	<u>247,082</u>		<u>247,082</u>
TOTAL EXPENSES	986,009		986,009
Change in net assets	(62,048)	160,691	98,643
Net assets, beginning of year	394,320	13,950	408,270
Net assets, end of year	<u>\$ 332,272</u>	<u>\$ 174,641</u>	<u>\$ 506,913</u>

POITLATCH FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(See Independent Auditor's Report and Notes to Financial Statements)

	PROGRAM SERVICES					SUPPORT SERVICES			Total Expenses
	Technical Assistance	Fiscal Sponsorships	Grant Making	Other Programs	Total Program Services	General and Administrative	Fund Development	Support Services	
Salaries and Wages	\$ 195,867		\$ 13,758	\$ 32,599	\$ 242,224	\$ 103,697	\$ 34,286	\$ 137,983	\$ 380,207
Professional fees	6,531	\$ 152,106	3,500	9,899	172,036	11,269	17,000	28,269	200,305
Marketing and Public Relations		119		218	337	77	6,154	6,231	6,568
Telecommunications	13	1,638		5,809	7,460	1,966	26	1,992	9,452
Food and Entertainment	7,475	16,102	545	701	24,823	247	43,480	43,727	68,550
Staff Training	90			1,295	1,385	455	475	930	2,315
Rent		11,975		12,266	24,241	4,310		4,310	28,551
Travel	28,746	14,104	1,304	2,848	47,002	1,001	3,680	4,681	51,683
Meetings and Conferences	2,293	4,425		658	7,376	231		231	7,607
Sponsorships	150		2,100		2,250	100		100	2,350
Gifts and Honorariums	150				150			-	150
Grant Making			177,825		177,825		2,500	2,500	180,325
Depreciation					-	3,557		3,557	3,557
Office Equipment and Software					-	1,395		1,395	1,395
Supplies	325	13,955		2,743	17,023	964	2,234	3,198	20,221
Dues and Memberships			400	1,151	1,551	405		405	1,956
Postage and Delivery	30	265	209	995	1,499	350		350	1,849
Printing and Reproduction		28		4,493	4,521	1,578		1,578	6,099
Finance/Bank charges	4	75	210		289	1,313		1,313	1,602
Insurance		3,192		3,743	6,935	1,315		1,315	8,250
Other Expenses					-	3,017		3,017	3,017
<b>Total expenses</b>	<b>\$ 241,674</b>	<b>\$ 217,984</b>	<b>\$199,851</b>	<b>\$ 79,418</b>	<b>\$ 738,927</b>	<b>\$ 137,247</b>	<b>\$ 109,835</b>	<b>\$ 247,082</b>	<b>\$ 986,009</b>

POTLATCH FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 (See Independent Auditor's Report and Notes to Financial Statements)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Change in net assets	\$	98,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in deposit		(3,500)
Increase in employee receivable		(1,085)
Decrease in accounts payable		(5,619)
Increase in grants payable		1,500
Increase in credit cards payable		635
Increase in payroll liabilities		7,905
Increase in accrued vacation payable		4,279
Net cash provided by operating activities		102,758

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES

Decrease in office equipment		3,958
Decrease in accumulated depreciation		(484)
Net cash provided by investing activities		3,474

INCREASE IN CASH AND CASH EQUIVALENTS 106,232

CASH AND CASH EQUIVALENTS - DECEMBER 31, 2009 425,747

CASH AND CASH EQUIVALENTS - DECEMBER 31, 2010 \$ 531,979

POTLATCH FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Potlatch Fund is a 501(c)(3) non-profit organization registered in Washington and Oregon States and also serving Montana and Idaho. Potlatch Fund's mission is to inspire and build upon the Native tradition of giving and to expand philanthropy within Tribal Nations and Native communities in the Northwest. Potlatch Fund focuses its activities in Washington, Montana, Oregon and Idaho. On request, though, it will travel outside of this region to provide services. Potlatch Fund undertakes the following major activities:

- a. The provision of Technical Assistance and Capacity Building Services to Native non-profits, Tribes and to Tribal communities. These services include trainings on fundraising, starting non-profits, financial management for non-profits, governance, strategic planning and media management. In general at least 30 such trainings are undertaken each year with approximately 500 participants.
- b. Provide a fiscal sponsorship service to emerging Native non-profit organizations. At December 31, 2010 Potlatch Fund was the fiscal sponsor for 20 Native entities.
- c. The provision of grants to Native non-profits, Tribes and Native artists within the four State service area.
- d. Working to educate mainstream foundations and other funders about the needs, issues and structures within Northwest Indian Country.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents consist primarily of cash on deposit and cash on hand. At December 31, 2010, cash and equivalents included \$510,918 held in a commercial bank and \$21,061 in checks not yet deposited.

Cash held in commercial banks consists of the following amounts:

JP Morgan Chase	\$355,356
Wells Fargo	155,557
E-trade	<u>5</u>
Total	<u>\$510,918</u>



POTLATCH FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and cash equivalents (continued):

The current FDIC deposit insurance coverage for non-interest bearing accounts is unlimited. Potlatch held \$154,707 in non-interest bearing checking accounts. The current FDIC deposit insurance coverage for interest bearing accounts is \$250,000. Potlatch held \$200,649 at JP Morgan Chase and \$155,557 at Wells Fargo Bank. It is Potlatch Fund's policy to only hold an amount in any one bank up to the maximum FDIC insurance limit. Since the JP Morgan Chase account is near to the FDIC limit, the Potlatch Fund Board has authorized the establishment of a new bank account with the Woodlands National Bank. Interest income on savings accounts is recorded as income when earned. The Bill and Melinda Gates Foundation required that unspent and uncommitted funds from their grant be placed in highly-liquid interest bearing accounts. Potlatch Fund maintained an amount equal to or greater than the Foundation's grant in its savings accounts.

Fixed Assets:

Capitalization

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Potlatch Fund capitalizes all property and equipment purchased with a cost of \$2,000 or more.

Depreciation

Potlatch Fund depreciates its property, plant and equipment over a useful life of three years using a twenty-five percent diminishing value method.

Revenue Recognition:

The Organization recognizes service fees when they become due.

Contributions:

Potlatch Fund recognizes grants from foundations and donations from individuals as contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

POTLATCH FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes:

Potlatch Fund is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provisions for federal income taxes in the accompanying financial statements. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. Potlatch Fund has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Estimates

Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect reported amounts of 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.

NOTE 2. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31, 2010:

Equipment	<u>\$10,833</u>
	10,833
Less: accumulated depreciation	<u>(6,075)</u>
	<u>\$4,758</u>

Depreciation expense was \$3,557 for the year ended December 31, 2010.

POTLATCH FUND  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2010

**NOTE 3. OPERATING LEASE**

In January 2009 Potlatch Fund entered into a noncancelable/irrevocable 63 month lease for office equipment. The total annual lease payment is \$4,788. Lease expense for office equipment was \$4,788 in 2010. Future minimum rental payments due under the lease are as follows:

Year Ending December,	Amount
2011	\$ 4,788
2012	4,788
2013	4,788
2014	<u>1,197</u>
	\$ <u>15,561</u>

**NOTE 4—FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Deposits – The carrying amount reported in the statement of financial position approximates fair value due to the short-term nature of the deposit.

Employee receivables – The carrying amount reported in the statement of financial position approximates fair value due to the short-term nature of the receivable.

The estimated fair values of the Organization's financial instruments are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 531,979	\$ 531,979
Deposit	3,500	3,500
Employee receivable	1,010	1,010

POTLATCH FUND  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 28, 2011, which is the date the financial statements were available to be issued.

NOTE 6 – RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a defined contribution 403(b) retirement savings plan. The plan covers all full-time employees with one year of eligible experience. The Organization matches on a 1:1 basis employee contributions up to three percent of an employee's gross salary, and on a one-half to 1 basis for contributions on the next three percent of an employee's gross salary. Contributions to the plan for the year ended December 31, 2010 aggregated \$7,047.