

**POTLATCH FUND
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
Years Ended December 31, 2011 and December 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Potlatch Fund

I have audited the accompanying statements of financial position of Potlatch Fund (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 audits provide 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 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Your Financial Solutions, LLC

Your Financial Solutions

Seattle, Washington
July 20, 2012

POTLATCH FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
 (See Independent Auditor's Report and Notes to Financial Statements)

	<u>2011</u>	<u>2010</u> Restated
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents (Note 1)	\$ 292,495	\$463,884
Deposits		3,500
Employee receivables		1,010
Total current assets	292,495	468,394
Other assets - cash held for fiscally sponsored groups (Note 1)	93,888	68,094
Fixed assets - at cost (net of accumulated depreciation of \$9,695) (Notes 1 and 2)	5,165	4,759
TOTAL ASSETS	\$ 391,548	\$541,247
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Fiscal sponsor funds payable (Note 9)	\$ 93,888	\$ 68,094
Accounts payable	(481)	2,551
Grants payable		4,215
Credit cards payable	3,840	3,635
Accrued payroll	6,497	9,289
Accrued vacation	15,524	12,591
Total current liabilities	119,268	100,375
TOTAL LIABILITIES	119,268	100,375
Net Assets:		
Unrestricted net assets	212,979	334,325
Total unrestricted net assets	212,979	334,325
Temporarily restricted net assets	59,301	106,547
Total temporarily restricted net assets	59,301	106,547
TOTAL NET ASSETS	272,280	440,872
TOTAL LIABILITIES AND NET ASSETS	\$ 391,548	\$541,247

POTLATCH FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
 (See Independent Auditor's Report and Notes to Financial Statements)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Grants (Note 1)	\$ 520,462	112,600	633,062
Donations (Note 1)	190,743		190,743
Event Sponsorships	43,489		43,489
Event Ticket Sales	19,915		19,915
Net assets released from restrictions		(159,846)	(159,846)
TOTAL SUPPORT	774,609	(47,246)	727,363
Revenues:			
Fees for service	23,330		23,330
Reimbursements	5,888		5,888
Interest Income	518		518
TOTAL REVENUE	29,736		29,736
TOTAL SUPPORT AND REVENUE	804,345	(47,246)	757,099
EXPENSES			
Program Services			
Technical Assistance	283,484		283,484
Grant Making	268,085		268,085
Other Programs	116,831		116,831
Total program services	668,400		668,400
Support Services			
General and Administrative	135,434		135,434
Fund Development	111,075		111,075
Total support services	246,509		246,509
TOTAL EXPENSES	914,909		914,909
Change in net assets	(110,564)	(47,246)	(157,810)
NET ASSETS AT BEGINNING OF YEAR	323,543	106,547	430,090
NET ASSETS AT END OF YEAR	\$ 212,979	\$ 59,301	\$ 272,280

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>Restated Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Grants (Note 1)	\$ 574,653	92,597	667,250
Donations (Note 1)	83,594		83,594
Event Sponsorships	76,075		76,075
Event Ticket Sales	36,935		36,935
			-
TOTAL SUPPORT	<u>771,257</u>	<u>92,597</u>	<u>863,854</u>
Revenues:			
Fees for service and sale of donated items	15,507		15,507
Reimbursements	3,300		3,300
Interest Income	637		637
TOTAL REVENUE	<u>19,444</u>		<u>19,444</u>
TOTAL SUPPORT AND REVENUE	<u>790,701</u>	<u>92,597</u>	<u>883,298</u>
EXPENSES			
Program Services			
Technical Assistance	241,976		241,976
Grant Making	199,851		199,851
Other Programs	79,418		79,418
Total program services	<u>521,245</u>		<u>521,245</u>
Support Services			
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	768,327		768,327
Change in net assets	22,374	92,597	114,971
NET ASSETS AT BEGINNING OF YEAR	394,320	13,950	408,270
Restated for fiscal sponsor funds included in net asset balance (Note 9)	<u>(82,369)</u>		<u>(82,369)</u>
Balance at beginning of year, as restated	311,951	13,950	325,901
NET ASSETS AT END OF YEAR	<u>\$ 334,325</u>	<u>\$ 106,547</u>	<u>\$ 440,872</u>

POTLATCH FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(See Independent Auditor's Report and Notes to Financial Statements)

	PROGRAM SERVICES				SUPPORT SERVICES			
	Technical Assistance	Grant Making	Other Programs	Total Program Services	General and Administrative	Fund Development	Support Services	Total Expenses
Salaries and Wages	\$ 238,107	\$ 5,635	\$ 38,029	\$ 281,771	\$ 101,922	\$ 30,710	\$ 132,632	\$ 414,403
Professional fees	2,924	19,230	22,154	44,308	6,757	7,525	14,282	36,436
Marketing and Public Relations	250	8,438	8,688	17,376	2,964		2,964	11,652
Telecommunications		6,260	6,260	12,520	2,199	410	2,609	8,869
Food and Entertainment		-	-	-		54,616	54,616	54,616
Staff Training		2,782	2,782	5,564	977		977	3,759
Rent	245	12,262	12,507	25,014	4,308		4,308	16,815
Travel	30,804	8,071	38,875	77,750	2,835	4,372	7,207	46,082
Meetings and Conferences	2,792	1,396	4,188	8,376	490	900	1,390	5,578
Sponsorships	250	1,750	2,000	4,000	300		300	2,300
Gifts and Honorariums						2,499	2,499	2,499
Grant Making		260,700	260,700	521,400				260,700
Depreciation	295		295	590	3,621		3,621	3,621
Office Equipment and Software	7,093			14,186	(1,756)		(1,756)	(1,461)
Supplies	623	5,895	12,988	19,506	2,071	8,222	10,293	23,281
Dues and Memberships	101	1,519	2,142	3,762	534	1,327	1,861	4,003
Postage and Delivery		2,051	2,152	4,203	721	103	824	2,976
Printing and Reproduction		7,723	7,723	15,446	2,714		2,714	10,437
Finance/Bank charges					2,317	391	2,708	2,708
Insurance		3,175	3,175	6,350	1,116		1,116	4,291
Other Expenses					1,344		1,344	1,344
Total expenses	\$ 283,484	\$ 268,085	\$ 116,831	\$ 668,400	\$ 135,434	\$ 111,075	\$ 246,509	\$ 914,909

POTLATCH FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

(See Independent Auditor's Report and Notes to Financial Statements)

Restated

	PROGRAM SERVICES				SUPPORT SERVICES			
	Technical Assistance	Grant Making	Other Programs	Total Program Services	General and Administrative	Fund Development	Support Services	Total Expenses
Salaries and Wages	\$ 195,867	\$ 13,758	\$ 32,599	\$ 242,224	\$ 103,697	\$ 34,286	\$ 137,983	\$ 380,207
Professional fees	6,531	3,500	9,899	19,930	11,269	23,154	34,423	54,353
Marketing and Public Relations			218	218	77		77	295
Telecommunications	13		5,809	5,822	1,966	26	1,992	7,814
Food and Entertainment	7,475	545	701	8,721		43,081	43,081	51,802
Staff Training	90		1,295	1,385	455	475	930	2,315
Rent			12,266	12,266	4,310		4,310	16,576
Travel	29,048	1,304	2,848	33,200	1,001	3,680	4,681	37,881
Meetings and Conferences	2,293		658	2,951	231		231	3,182
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		2,743	3,068	1,211	2,633	3,844	6,912
Dues and Memberships		400	1,151	1,551	405		405	1,956
Postage and Delivery	30	209	995	1,234	350		350	1,584
Printing and Reproduction			4,493	4,493	1,578		1,578	6,071
Finance/Bank charges	4	210		214	1,313		1,313	1,527
Insurance			3,743	3,743	1,315		1,315	5,058
Other Expenses				-	3,017		3,017	3,017
Total expenses	\$ 241,976	\$ 199,851	\$ 79,418	\$ 521,245	\$ 137,247	\$ 109,835	\$ 247,082	\$ 768,327

POTLATCH FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
 (See Independent Auditor's Report and Notes to Financial Statements)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u> Restated
Change in net assets	\$(157,811)	\$ 114,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase)/Decrease in deposit	3,500	(3,500)
(Increase)/Decrease in employee receivable	1,010	(1,085)
Decrease in accounts payable	(3,032)	(8,072)
Decrease in grants payable	(4,215)	1,500
Increase in credit cards payable	205	1,036
Increase (Decrease) in fiscal sponsor funds payable	15,012	(14,276)
Increase/(Decrease) in payroll liabilities	(2,792)	7,904
Increase in accrued vacation payable	2,933	4,279
Net cash provided by operating activities	<u>(145,190)</u>	<u>102,757</u>
 CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Increase in office equipment	(4,027)	3,958
Increase in accumulated depreciation	3,621	(484)
Net cash provided by investing activities	<u>(406)</u>	<u>3,474</u>
 (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(145,596)	106,231
 CASH AND CASH EQUIVALENTS - Beginning of year	<u>531,979</u>	<u>425,747</u>
 CASH AND CASH EQUIVALENTS -End of year	<u><u>\$ 386,383</u></u>	<u><u>\$ 531,978</u></u>

POTLATCH FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Potlatch Fund is a 501(c)(3) non-profit organization registered in both 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. Providing technical assistance and capacity building services to Native non-profits, Tribes and to Native communities. These services include trainings on nonprofit startup, fundraising, 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, 2011 and 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, 2011, cash and equivalents included \$374,824 held in a commercial bank and \$11,559 in checks not yet deposited. At December 31, 2010, cash and equivalents included \$510,918 held in a commercial bank and \$21,061 in checks not yet deposited. Other assets are funds held for the benefit of organizations that are fiscally sponsored by Potlatch Fund. These funds are limited in use to payments of costs of program activities of these organizations. On December 31, 2011 and December 31, 2010 Potlatch held \$91,388 and \$68,094 respectively in a separate JP Morgan Chase account.

Cash held in commercial banks consists of the following amounts:

	<u>2011</u>	<u>2010</u>
JP Morgan Chase	\$97,508	\$287,262
Fiscal sponsor funds	93,888	68,094
Wells Fargo	183,423	155,557
E-trade	<u>5</u>	<u>5</u>
Total	<u>\$374,824</u>	<u>\$510,918</u>

POTLATCH FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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

Cash and cash equivalents (continued):

Currently the FDIC deposit insurance coverage for non-interest bearing accounts is unlimited. Potlatch held \$56,917 in non-interest bearing checking accounts in 2011 and \$86,613 in 2010. The current FDIC deposit insurance coverage for interest bearing accounts is \$250,000. Potlatch held \$131,780 at JP Morgan Chase in 2011 and \$268,743 in 2010 in interest-bearing accounts. Potlatch held \$183,423 at Wells Fargo in 2011 and \$155,557 in 2010. It is Potlatch Fund's policy to only hold an amount in any one bank up to the maximum FDIC insurance limit. 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:

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, 2011 and 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:

	<u>2011</u>	<u>2010</u>
Equipment	<u>\$14,860</u>	<u>\$10,833</u>
	14,860	10,833
Less: accumulated depreciation	<u>(9,695)</u>	<u>(6,075)</u>
	<u>\$5,165</u>	<u>\$4,758</u>

Depreciation expense was \$3,621 for the year ended December 31, 2011 and \$3,557 for the year ended December 31, 2010.

POTLATCH FUND
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011 and 2010

NOTE 3. OPERATING LEASE

In January 2009 Potlatch Fund entered into a noncancelable/irrevocable 63 month lease for office equipment. As of December 31, 2011 there were twenty-seven months remaining on the lease. As of December 31, 2010 there were thirty-nine months remaining on the lease. The total value of the remaining lease commitment is \$10,773 as of December 31, 2011 and \$15,561 as of December 31, 2010. The total annual lease payment is \$4,788. Lease expense for office equipment was \$4,788 in 2011 and 2010. Future minimum rental payments due under the lease are as follows:

Year Ending December	Amount
2012	\$ 4,788
2013	4,788
2014	<u>1,197</u>
	\$ <u>10,773</u>

NOTE 4—FUND RAISING EXPENSE

Total fund-raising expense for the year ended December 31, 2011 was \$111,075 and \$109,835 for the year ended December 31, 2010. Fund-raising expenses for the year ended December 31, 2011 related to the gala totaled \$54,616 or 25% of the total gala revenue. The fund-raising expenses for the 2010 gala totaled \$43,081 or 27% of the total gala revenue. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through July 20, 2012 and February 28, 2011 for the year ended December 31, 2011 and December 31, 2010 respectively, 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, 2011 and December 31, 2010 were \$10,853 and \$7,047 respectively.

POTLATCH FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – UNCONDITIONAL PURCHASE OBLIGATION

The Organization’s unconditional purchase obligation consists of an agreement to purchase goods or services that are enforceable and legally binding on the Organization and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transactions. Purchase obligations relate primarily to charges for reserving a venue for the annual Gala event. The Organization is obligated to pay the full amount, \$24,980 should they cancel any time between October 5, 2012 and November 3, 2012.

NOTE 8 – CONCENTRATIONS

Potlatch received a substantial portion of its support for the twelve months ended December 31, from the following:

	<u>2011</u>	<u>2010</u>
Grants:		
Bill and Melinda Gates Foundation	\$102,600	\$338,600
Marguerite Casey	90,000	
First Nations Development Institute	<u>68,800</u>	
Total	\$261,400	<u>\$338,600</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT - RESTATEMENT

Potlatch Fund assists other Native organizations in their fund raising efforts and receives funds on behalf of these organizations. Historically, Potlatch Fund considered these amounts as contributions and expenses. During 2011, Potlatch determined that it serves as an agent for these groups and therefore the funds received represent liabilities and the funds expended are reductions to the liability. Potlatch Fund owed \$93,888 and \$68,094 to these organizations as of December 31, 2011 and December 31, 2010 respectively. Accordingly, Potlatch restated its financial statements for the year ended December 31, 2010. The effect is a reduction in the temporarily restricted net asset class of \$82,369.