

FRIENDS OF WOODSTOCK SCHOOL, INC.

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2009 AND 2008

FRIENDS OF WOODSTOCK SCHOOL, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

February 5, 2010

Board of Directors  
Friends of Woodstock School, Inc.  
Mukilteo, Washington

We have audited the accompanying statements of financial position of Friends of Woodstock School, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008 and the related statements of activity, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Friends of Woodstock School, Inc. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Friends of Woodstock School, as of June 30, 2009 and 2008, 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.



Jacobson Jarvis & Co, PLLC

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 402,362	\$ 611,341
Investments	2,039,426	2,483,724
Accrued interest receivable	3,901	1,940
Loan Receivable	15,000	-
Promises to give - current	219,000	290,190
Prepays and deposits	450	450
	<u>2,680,139</u>	<u>3,387,645</u>
Total Current Assets		
	2,680,139	3,387,645
Promises To Give - long term, net	292,225	730,335
Equipment, net of accumulated depreciation of \$11,838	-	-
Endowment Investments	507,926	524,208
Assets Held in Trust	<u>110,034</u>	<u>143,085</u>
	<u>\$ 3,590,324</u>	<u>\$ 4,785,273</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 970	\$ 1,150
Due to Kodai Friends International, Inc.	82,419	106,963
Grants payable	113,000	262,000
	<u>196,389</u>	<u>370,113</u>
Total Current Liabilities		
	196,389	370,113
Net Assets		
Unrestricted	1,460,919	1,889,037
Temporarily restricted	1,342,514	1,983,575
Permanently restricted	590,502	542,548
	<u>3,393,935</u>	<u>4,415,160</u>
Total Net Assets		
	<u>\$ 3,590,324</u>	<u>\$ 4,785,273</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenue, and Other Support								
Contributions	\$ 181,111	\$ 79,739	\$ -	\$ 260,850	\$ 210,189	\$ 24,901	\$ -	\$ 235,090
SAGE tuition	-			-	226,717			226,717
Net loss on investments	(528,524)	(32,446)		(560,970)	(362,299)	(6,205)		(368,504)
Interest and dividends	126,285			126,285	209,532			209,532
Loss on assets held in trust	(46,618)			(46,618)	(33,008)			(33,008)
Other revenue	24,805			24,805	93,820			93,820
Net assets released from restrictions	640,400	(640,400)	-	-	200,794	(200,794)	-	-
Transfer of net assets	-	(47,954)	47,954	-	-	-	-	-
Total Public Support, Revenue, and Other Support	<u>397,459</u>	<u>(641,061)</u>	<u>47,954</u>	<u>(195,648)</u>	<u>545,745</u>	<u>(182,098)</u>	<u>-</u>	<u>363,647</u>
Expenses								
Program	708,877			708,877	917,453			917,453
Management and general	101,353			101,353	84,125			84,125
Fundraising	15,347			15,347	25,813			25,813
Total Expenses	<u>825,577</u>			<u>825,577</u>	<u>1,027,391</u>			<u>1,027,391</u>
Change in Net Assets	(428,118)	(641,061)	47,954	(1,021,225)	(481,646)	(182,098)	-	(663,744)
Net Assets - beginning of year	<u>1,889,037</u>	<u>1,983,575</u>	<u>542,548</u>	<u>4,415,160</u>	<u>2,370,683</u>	<u>2,165,673</u>	<u>542,548</u>	<u>5,078,904</u>
Net Assets - end of year	<u>\$ 1,460,919</u>	<u>\$ 1,342,514</u>	<u>\$ 590,502</u>	<u>\$ 3,393,935</u>	<u>\$ 1,889,037</u>	<u>\$ 1,983,575</u>	<u>\$ 542,548</u>	<u>\$ 4,415,160</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2009 AND 2008

	2009							2008						
	Woodstock School		Reunion	Total Program Services	Management and General		Fundraising	Total	Woodstock School	SAGE	Total Program Services	Management and General		Fundraising
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ 46,200	\$ -	\$ 46,200	\$ -	\$ 99,244	\$ 99,244	\$ 29,260	\$ -	\$ -	\$ 128,504
Payroll taxes	-	-	-	-	3,663	-	3,663	-	8,770	8,770	2,297	-	-	11,067
Employee benefits	-	-	-	-	7,348	-	7,348	-	6,820	6,820	2,878	-	-	9,698
Total Payroll Expense	-	-	-	-	57,211	-	57,211	-	114,834	114,834	34,435	-	-	149,269
Grants made	670,890	37,500	-	708,390	-	-	708,390	465,725	55,543	521,268	-	-	-	521,268
Professional fees	-	-	-	-	16,978	-	16,978	-	8,094	8,094	23,690	-	-	31,784
Investment expense	-	-	-	-	-	15,347	15,347	-	-	-	-	22,443	-	22,443
Occupancy	-	-	-	-	9,027	-	9,027	-	8,269	8,269	5,420	-	-	13,689
Miscellaneous	-	-	487	487	5,392	-	5,879	-	1,916	1,916	3,987	-	-	5,903
Telephone	-	-	-	-	3,898	-	3,898	-	3,960	3,960	4,065	-	-	8,025
Maintenance	-	-	-	-	3,897	-	3,897	-	1,912	1,912	815	-	-	2,727
Travel	-	-	-	-	1,890	-	1,890	-	43,136	43,136	2,341	-	-	45,477
Supplies	-	-	-	-	1,004	-	1,004	-	5,863	5,863	1,163	-	-	7,026
Meetings	-	-	-	-	950	-	950	-	-	-	5,838	-	-	5,838
Postage and shipping	-	-	-	-	737	-	737	-	2,933	2,933	1,028	986	-	4,947
Printing	-	-	-	-	369	-	369	-	40,348	40,348	264	2,384	-	42,996
Tuition expense	-	-	-	-	-	-	-	-	164,920	164,920	-	-	-	164,920
Depreciation	-	-	-	-	-	-	-	-	-	-	1,079	-	-	1,079
Total Expenses	<u>\$ 670,890</u>	<u>\$ 37,500</u>	<u>\$ 487</u>	<u>\$ 708,877</u>	<u>\$ 101,353</u>	<u>\$ 15,347</u>	<u>\$ 825,577</u>	<u>\$ 465,725</u>	<u>\$ 451,728</u>	<u>\$ 917,453</u>	<u>\$ 84,125</u>	<u>\$ 25,813</u>	<u>\$ -</u>	<u>\$1,027,391</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 734,850	\$ 335,788
Cash received for SAGE tuition	-	226,717
Cash received from investments	34,441	130,449
Other income	211	119
Cash paid to employees	(57,211)	(149,269)
Cash paid to vendors	(60,156)	(206,357)
Cash paid for grants	(857,390)	(797,818)
Cash paid for tuition	<u>-</u>	<u>(164,920)</u>
Net Cash Used by Operating Activities	<u>(205,255)</u>	<u>(625,291)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(2,130,490)	(457,527)
Proceeds from sale of investments	<u>2,126,766</u>	<u>796,143</u>
Net Cash (Used) Provided by Investing Activities	<u>(3,724)</u>	<u>338,616</u>
Change in Cash and Cash Equivalents	(208,979)	(286,675)
Cash and Cash Equivalents - beginning of year	<u>611,341</u>	<u>898,016</u>
Cash and Cash Equivalents - end of year	<u>\$ 402,362</u>	<u>\$ 611,341</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Change in net assets	\$ (1,021,225)	\$ (663,744)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	-	1,079
Loss on investments	560,970	368,504
Loss on assets held in trust	46,618	33,008
Reinvested investment earnings	(91,844)	(79,083)
Donations of annuities	(13,567)	(10,144)
Donations of marketable securities	(4,822)	(9,300)
Decrease in		
Promises to give	492,339	92,948
Decrease in		
Accounts payable	(180)	(15,502)
Grants payable	<u>(173,544)</u>	<u>(343,057)</u>
Net Cash Used by Operating Activities	<u>\$ (205,255)</u>	<u>\$ (625,291)</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

On July 1, 2006, Friends of Woodstock School (FWS) became the lawful, successor Foundation to KW International, Inc (KWI). FWS' purpose is to support the educational mission and purposes of Woodstock School. The primary source of funding is through contributions from alumni and other interested individuals.

Basis of presentation

In accordance with financial accounting standards, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are available without restriction for support of FWS's operations.

Temporarily restricted net assets are restricted to be used for certain purposes or future periods by FWS. Temporarily restricted net assets are as follows:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfers</u>	<u>June 30, 2008</u>
Capital projects	\$ 833,200	6,847	(74,135)	-	765,912
Scholarships	537,024	3,742	(14,864)	-	525,902
Staff development	344,246	2,515	-	-	346,761
Staff recruitment	360,000	-	(15,000)	-	345,000
Other	91,203	5,592	(96,795)	-	-
	<u>\$ 2,165,673</u>	<u>\$ 18,696</u>	<u>\$ (200,794)</u>	<u>\$ -</u>	<u>\$ 1,983,575</u>
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfers</u>	<u>June 30, 2009</u>
Capital projects	\$ 765,912	31,455	(620,900)	-	176,467
Scholarships	525,902	(15,018)	(19,500)	(47,954)	443,430
Staff development	346,761	30,856	-	-	377,617
Staff recruitment	345,000	-	-	-	345,000
Other	-	-	-	-	-
	<u>\$ 1,983,575</u>	<u>\$ 47,293</u>	<u>\$ (640,400)</u>	<u>\$ (47,954)</u>	<u>\$ 1,342,514</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for Woodstock School. Permanently restricted net assets were made up of the following:

	<u>2009</u>	<u>2008</u>
Hezlep Endowment	\$ 238,122	\$ 238,122
Bishop Pickett Scholarship Endowment	151,000	151,000
Joseph Schoonmaker Scholarship Endowment	153,426	153,426
Elizabeth Shillington Scholarship Endowment	47,954	-
	<u>\$ 590,502</u>	<u>\$ 542,548</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents represent checking, savings, and money market accounts, which regularly exceed federally insured limits. FWS has not experienced any significant losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Investments

Investments are stated at market value and consist of the following:

	<u>2009</u>	<u>2008</u>
Equity securities	\$ 1,199,813	\$ 1,429,657
Equity mutual funds	550,432	326,267
Fixed income funds	796,767	1,251,530
Cash held for investment	<u>340</u>	<u>478</u>
	<u>\$ 2,547,352</u>	<u>\$ 3,007,932</u>

Promises to give

Promises to give are shown at net realizable value. Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give as of June 30, 2009 are due as follows:

Receivable in less than one year	\$ 219,000
Receivable in one to five years	<u>376,000</u>
	595,000
Less allowance for uncollectible promises to give	(50,000)
Less discount to present value	<u>(33,775)</u>
	<u>\$ 511,225</u>

Promises to give receivable in more than one year are discounted to present value using a risk-free rate of return of 3% to 4%.

Furniture and equipment

Furniture and equipment are stated at cost or, if donated, at fair market value at the date of donation. Furniture and equipment costing over \$1,000 are capitalized and depreciated over their useful lives of three to five years using the straight-line method.

Donated assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation.

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and unrestricted support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income taxes

The Internal Revenue Service has recognized Friends of Woodstock School, Inc. as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

FWS has elected to defer the provisions of FIN 48, Accounting for Income Taxes, under the provisions of FSP FIN 48-3. FWS uses a FAS 5, Loss Contingencies, approach for evaluating uncertain tax positions and continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Use of 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 disclosures 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.

NOTE B - ASSETS HELD IN TRUST

FWS is named as remainderman in certain charitable remainder trust agreements administered by others. The terms of these agreements provide for the disbursement of the trust assets to FWS upon the death of the final beneficiary. During the life of the beneficiaries, certain payments are made from trust assets as prescribed in the agreements.

NOTE C - SAGE PROGRAM

On September 7, 2007, the Board of Directors of Friends of Woodstock School, Inc. unanimously approved by resolution the reorganization of the SAGE Program as a wholly owned, non-profit subsidiary of Friends of Woodstock School, Inc.

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE C - SAGE PROGRAM (Continued)

On February 29, 2008, Articles of Incorporation for SAGE, Inc. were filed with the State of Colorado where the SAGE Program is currently domiciled. On May 3, 2008, the FWS Board of Directors as the initial Member of SAGE, Inc. unanimously approved by resolution the adoption of Bylaws for SAGE Inc. The disbursement of SAGE Program funds to SAGE, Inc., as of June 30, 2008, was authorized by the FWS Board of Directors on May 3, 2008.

NOTE D - CONCENTRATION

Promises to give from the Downs Foundation were 83.2% and 85.5% of total promises to give as of June 30, 2009 and 2008, respectively.

NOTE E - CHANGE IN ESTIMATE

In the past, FWS provided resettlement grants to staff members of the school who would be required to relocate at the end of their employment. This practice was discontinued in 2007, and an accrual was made which estimated the total future liability. In 2008, this liability was adjusted resulting in a decrease of the liability and recognition of other revenue in the amount of \$66,507. There was no adjustment in 2009.

NOTE F - ENDOWMENTS

Effective July 1, 2008 the organization adopted the provisions of FASB Staff Position No. 117-1, "Endowments of Not-for-Profit Organizations; Net Asset Classification Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure of All Endowment Funds" (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. As Washington State has not enacted a version of UPMIFA as of June 30, 2008, and the organization does not have board-designated endowment funds, this note provides additional disclosure associated with permanently restricted funds (donor-restricted endowment funds or endowment funds).

The organization's endowment funds consist of three individual funds established for the purpose of providing scholarships, as well as certain assets held in perpetual trust. The organization's endowment funds only include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE F - ENDOWMENTS (Continued)

**Interpretation of Relevant Law**

The organization is not yet subject to an enacted version of UPMIFA; however the Board of Directors of the Organization has interpreted other enacted versions of UPMIFA and determined that 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 is appropriate. As a result of this interpretation, the Organization 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, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investment;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Endowment net assets consist of the following at June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Hezlep Endowment	\$ (79,041)	\$ -	\$ 238,122	\$ 159,081
Bishop Pickett Scholarship	-	34,452	151,000	185,452
Joseph Schoonmaker Scholarship	(3,535)	-	153,426	149,891
Elizabeth Shillington Scholarship	-	1,452	47,954	49,406
Donor-restricted endowment funds	<u>\$ (82,576)</u>	<u>\$ 35,904</u>	<u>\$ 590,502</u>	<u>\$ 543,830</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE F - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (18,340)	\$ 67,414	\$ 542,548	\$ 591,622
Investment return:				
Investment income	-	22,539	-	22,539
Net depreciation (realized and unrealized)	(64,236)	(34,243)	-	(98,479)
Total investment return	(64,236)	(11,704)	-	(75,940)
Contributions	-	-	-	-
Expenditures	-	(19,806)	-	(19,806)
Reclassification	-	-	47,954	47,954
Endowment net assets, end of year	<u>\$ (82,576)</u>	<u>\$ 35,904</u>	<u>\$ 590,502</u>	<u>\$ 543,830</u>

Endowment net assets consist of the following at June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Hezlep Endowment	\$ (18,340)	\$ -	\$ 238,122	\$ 219,782
Bishop Pickett Scholarship	-	61,478	151,000	212,478
Joseph Schoonmaker Scholarship	-	5,936	153,426	159,362
Donor-restricted endowment funds	<u>\$ (18,340)</u>	<u>\$ 67,414</u>	<u>\$ 542,548</u>	<u>\$ 591,622</u>

Changes in endowment net assets for the year ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 99,544	\$ 542,548	\$ 642,092
Investment return:				
Investment income	-	12,808	-	12,808
Net depreciation (realized and unrealized)	(18,340)	(38,028)	-	(56,368)
Total investment return	(18,340)	(25,220)	-	(43,560)
Contributions	-	-	-	-
Expenditures	-	(6,910)	-	(6,910)
Endowment net assets, end of year	<u>\$ (18,340)</u>	<u>\$ 67,414</u>	<u>\$ 542,548</u>	<u>\$ 591,622</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE F - ENDOWMENTS (Continued)

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in the unrestricted net assets were \$82,576 and \$18,340 for the years ended June 30, 2009 and 2008 respectively. These deficiencies resulted from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**

The organization has adopted investment policies for endowment assets that focus on long-term results. At a minimum, these policies attempt to provide a predictable stream of funding to programs supported by FWS while seeking to maintain the purchasing power of the endowment assets. Under the policy, the endowment assets are invested in a manner that is intended to produce maximum long-term total returns consistent with reasonable risk to principal for their asset category.

**Strategies Employed for Achieving Objectives**

To satisfy its long term total return objectives, the organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. FWS targets a diversified asset allocation that places a greater emphasis on equity-based investments, both foreign and domestic, to achieve its long-term objectives within prudent risk basis. The current allocation ratio is 60% equities and 40% fixed income and cash. FWS employs various external investment management firms to deploy these strategies for the organization.

The Organization's investment policy guidelines are reviewed and reconfirmed or revised on at least an annual basis. Performance of the organization's investments is reviewed on a regular basis by the Board of Directors

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization's Endowed Funds were established by written Agreements with the originating donors. Under the Agreements, the corpus is protected in perpetuity and only the temporarily restricted portion of the Fund can be spent unless authorized by the originating donor.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2009 through February 5, 2010 which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2009, including the estimates inherent in the processing of financial statements.

FRIENDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

NOTE H - FAIR VALUE MEASUREMENTS

In accordance with Statement of Financial Accounting Standard (SFAS) 157, a three-tiered hierarchy of input levels is used for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. FWS' Level 1 assets and liabilities include equity and fixed income securities, mutual funds, and money market funds.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. At June 30, 2009, FWS had no Level 2 assets or liabilities.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. At June 30, 2009, assets and liabilities valued using significant unobservable inputs (Level 3) are as follows:

	Cash Surrender Value of <u>Life Insurance</u>	Life <u>Income Gifts</u>
Fair Value as of July 1, 2008	\$ 26,378	\$ 116,707
Additions	13,567	-
Total gains or losses (realized and unrealized) included in change in net assets	-	(46,618)
Fair Value as of June 30, 2009	<u>\$ 39,945</u>	<u>\$ 70,089</u>