


Council on Foundations

2008 Annual Report



COUNCIL *on* FOUNDATIONS



We seek to become a voice and vision for philanthropy on the national level and a partner with others on the local and global stage.

Mission

The Council on Foundations provides the opportunity, leadership, and tools needed by philanthropic organizations to expand, enhance, and sustain their ability to advance the common good.

Statement of Ethical Principles

The Council on Foundations and its members promote the highest standards of ethical behavior. In recognition of the importance of philanthropy toward the public good and those we serve, we adopt these ethical principles.

Mission: Our members are committed to the public benefit and to their philanthropic purposes and act accordingly.

Stewardship: Our members manage their resources to maximize philanthropic purposes, not private gain, and actively avoid excessive compensation and unreasonable or unnecessary expenses. They pursue maximum benefit through their work, how they work, and by supporting the work of partners, colleagues, and grantees.

Accountability and Transparency: In carrying out their philanthropic activities, our members embrace both the letter and the spirit of the law. They welcome public interest, take responsibility for their actions, and communicate truthfully.

Diversity and Inclusiveness: Our members seek diversity and inclusiveness in order to reflect the communities they serve and to ensure that a range of perspectives contribute to the common good and the development of their mission in a changing society.

Governance: Our members' governing bodies understand and embrace their responsibility to oversee the mission, strategic direction, finances, and operations of their respective organizations and do so honestly and with integrity. They establish clear and understandable policies and ensure that they are followed.

Respect: Members interact respectfully with grantees, colleagues, donors, and peers.

MESSAGE FROM THE COUNCIL

Dear Colleagues,

Leadership moments cannot be scheduled, we like to remind ourselves. It was in that spirit, that the Council began last fall to address the challenge of the economic crisis facing our country and the world. Yet, in doing so, we worked within the framework of our annual operating plan and budget. This 2008 annual report illustrates, among other achievements, the Council's efforts to raise the bar for our leadership and to work with colleagues to define a new era of philanthropic giving, in light of the magnitude of the economic downturn.



In 2008, we collaborated with the Forum of Regional Associations, Philanthropy for Civic Engagement, and 14 other funder networks to assemble an interactive online toolkit designed to assist Council members in serving as a resource for communities during the difficult times. We documented the case for preserving philanthropic commitments during takeovers and consolidation, and we spread the word. We brought the sector together to identify solutions and increase effectiveness.

Today, we are living in the midst of a paradigm shift that will continue to redefine our sector in ways we could not imagine even four short years ago. The response to this economic crisis and the opportunities we face will require us, as a field, to be significantly more agile. It will require us to respond with greater dexterity. It will require us to recognize the growth of global philanthropy.

In the midst of crisis, philanthropy's place can no longer be defined by nation states and historic borders, nor can it be defined by traditional mission focus. Philanthropy's place is at the heart of every response to a community in crisis, around the globe. And philanthropy's greatest challenge lies not in how we've managed the past 18 months. Rather, it lies in how we prepare for the future.

Our 2008 annual report illustrates the Council's actions to prepare ourselves and our members for what lies ahead. Together, our field and the Obama Administration—within the realities of state and local governments re-designing the ways they serve their communities—are initiating a new era of public-philanthropic partnership. Solutions to the urgent problems of our time will not be found within a single agency—public or philanthropic. They will not be found within a single level of government nor a single field.

Lasting solutions are likely to be interagency, intergovernmental, and cross sector. So we must collaborate with each other, with the private sector, with the nonprofit sector, and with the faith community, in ways in which we never have before. We must collaborate even when we have slightly different points of view

The Council we are building today is a Council ready for tomorrow. We hope that after reading this annual report, you will join us in building on the work of the past year to create a brighter 2009 for the communities, worldwide, supported by philanthropy.

Sincerely,

Ralph Smith
*Chair, Board of Directors
Council on Foundations*

Steve Gunderson
*President and CEO
Council on Foundations*

INTRODUCTION

It was in 2007, that we gathered for our annual conference under the theme “Philanthropy and the Challenges of Our Time.” But it was in 2008, that we put the theme into practice!

2008 was a demanding year for the Council on Foundations, our member foundations, and the world at large. What’s more, all indications pointed to continuing economic instability. In response to these troubling times, the Council worked to do more, do it better, and do it faster. We continued to search for ways to show our members: *Yes, we can do that.* The year began with our historic convening of more than 3,000 philanthropic voices at The Leadership Summit. This was the first time that the Council brought together its diverse membership engaged in philanthropy. Little did we know that this collaboration would be a precedent for responding to the economic crisis to follow. In fall, our Board Chair and CEO issued a joint open letter to the field calling upon philanthropy to rise to the challenges of this economic crisis—and certainly philanthropy did just that.

We also planned internally for focused and efficient leadership for the Council. A three-year business plan, developed in 2008, helped ensure that we stayed true to our four priorities: **serve our members, promote philanthropy, provide leadership, and support collaboration.**

SERVE OUR MEMBERS

As the economic crisis tightened its hold on the country, the Council strived to assist our members in meeting the challenges facing them and encouraged them to connect more with their peers to share best practices and innovative solutions. Our more than 2,000 members renewed their Council memberships at a rate in excess of 80 percent, and 149 new members joined the Council in 2008. More than 90 percent of members surveyed were satisfied or very satisfied with the value they receive as a Council on Foundations member. However, we never take the support of our members for granted. Council staff fulfilled more than 500 member requests for information in 2008. In addition, our service to members included the following:

Research and Publications

Council staff and the Community Foundations Leadership Team conducted a survey on the amount of resources held in donor advised funds, the size of such funds, the amount spent from them, and the areas supported by them. Respondents accounted for about one half of the assets held by community foundations and represented 60 percent of the value of community foundation grantmaking. Council members and staff used the survey results to help educate Members of Congress and the public. The study established a benchmark for future research on donor advised funds. The Council also commissioned the Foundation Center to study new trends in international grantmaking, a growing area for our field.

Legal Services

The Council's legal services continued to be a fundamental benefit to constituents. In 2008, our legal team fielded approximately 125 requests for legal information each week. Topics of interest to our members included disaster-relief grants, grants to non-charities, the new IRS Form 990, and advocacy and lobbying.

Professional Development

In 2008, the Council hosted or organized more than 35 education and professional development opportunities for grantmakers from foundations of all types and sizes, including community, corporate, family, and independent. These events, which included conferences, seminars, teleconferences, and webinars, covered diverse topics: creative grantmaking, navigating family dynamics, corporate strategic philanthropy, and community foundation fundamentals—among other issue areas.

National Standards for U.S. Community Foundations

Five years after the creation of the program, the National Standards underwent a thorough review in 2008. The revised and updated standards reflect—among other things—changes in community leadership, diversity, and the legal and regulatory landscape. A reconfirmation program, for the more than 450 community foundations in compliance, was completed and will be released for implementation in 2009. In June, upon approval by the Council's Board, staff proceeded with creating a self-sustaining supporting organization to serve as the permanent accrediting body for National Standards. The program is widely considered a success by unifying the field, giving it a strong voice on legislative issues, providing a platform for best practices, and serving as an indicator of commitment to excellence.

PROMOTE PHILANTHROPY

In 2008, the Council continued to represent philanthropy on Capitol Hill, at the White House, and in Congressional districts. We emphasized the impact of philanthropic giving, using our members' accomplishments as examples of how philanthropy improves the lives of millions of people each year. We pushed for greater understanding of philanthropy as a way to increase support for our members' legislative and regulatory priorities.

Foundations on the Hill

Foundations on the Hill 2008, which we co-sponsored with the Forum of Regional Associations of Grantmakers, brought nearly 300 foundation trustees, executives, and staff from 32 states and the District of Columbia to Capitol Hill to share a wide variety of philanthropic accomplishments and contributions with Members of Congress. Participants visited a total of 100 congressional offices (70 House and 30 Senate). Foundations on the Hill 2008 created visibility for foundations and positioned them as a resource for Congressional offices on key public policy issues.

District Days

The Council and the Forum of Regional Associations of Grantmakers organized the first annual District Days outreach in August. District Days meetings among foundations, regional associations of grantmakers and their Members of Congress were held during Congressional recesses in August, September, and October—periods when Members likely are in their home states or districts. District Days enabled Council members to demonstrate the critical value of philanthropy in their communities.

Philanthropy Caucus

With the state of the economy and an increased interest in philanthropic giving, the Council took an even more active part in promoting public policy by building relationships with Members of Congress. In 2008, the Council helped secure Representative John Lewis (D-GA), as chair of the House Ways and Means Subcommittee on Oversight, and Representative Patrick J. Tiberi (R-OH) as the new co-chairs of the Congressional Philanthropy Caucus in the House. The Council also was instrumental in supporting Senators Charles Schumer (D-NY) and Richard Burr (R-NC) as the new co-chairs of the Senate Philanthropy Caucus. During Foundations on the Hill, participants encouraged close to 200 Members to join their respective caucus.

Early Connections with the New Administration

On December 3 and 4, the Council, the Brookings Institution, and several other sponsors hosted *MetroNation: Philanthropy's Role in a Blueprint for American Prosperity*. This forum brought together national leaders for an exchange of ideas and strategies framed by Brookings' Blueprint for American Prosperity initiative. Among the speakers was Valerie Jarrett, White House Senior Advisor and Assistant to the President for Intergovernmental Relations and Public Liaison. Jarrett's message was simple: Her office will be the foundation and philanthropic community's gateway to the federal government.

Leadership Summit

More than 3,100 philanthropic leaders from across the nation and around the globe attended the Council's major 2008 convening *Philanthropy's Vision: A Leadership Summit*, which emphasized the strategic importance of uniting the field. The Summit's themes were leadership, partnership, and impact. Topic-specific sessions ranged from promoting diversity and inclusion to understanding rural philanthropy. Mini-summits within the larger event covered issues such as "Philanthropy and the Economy" and "Disaster and Crisis Recovery."

Thought>Action>Impact

The launch of our new e-journal in late 2008 gave voice to some of the most influential leaders from the public, private, and nonprofit sectors on topics that matter most to the field. This forum provided our members with a wide range of views from a variety of perspectives, as well as practical advice members could adapt to their own organizations.

PROVIDE LEADERSHIP

As 2008's economic outlook darkened, the Council provided data and resources to help its members make thoughtful day-to-day decisions while simultaneously planning for an uncertain future. Council staff was ready with information on both the economic downturn's harsh effect on philanthropy and philanthropy's critical function as a safety net in the economic downturn.

Letter to the Field

In an open letter to the philanthropic field, Council President and CEO Steve Gunderson and Council Board Chair Ralph Smith offered grantmakers three recommendations to weather the economic downturn:

- reach out to the nonprofit sector and find creative ways to assist those organizations
- play an active role in helping communities determine the scope of the challenges they face and in crafting practical solutions
- observe situations where the loss of philanthropic resources could result in distressing circumstances

Gunderson and Smith invited foundations and giving programs to share their ideas for navigating the crisis and reiterated the Council's role as a resource for its members and the field.

Economic Research

In mid 2008, the Council published the first in a series of research studies on the relationship between philanthropy and the economy. The first survey of more than 300 foundations and corporate giving programs showed broad support for families hit by the failing economy. The Council began work on additional studies on the economic climate's effect on the philanthropic sector—examining investment strategies and endowments, among other topics.

Economic Xchange

Launched in 2008, Economic Xchange is an online tool that offered information and resources on the economy and philanthropy. It was designed to support members, colleagues, and nonprofits as they contend with the economic challenges of 2008 and beyond.

Diversity & Inclusion Monograph

Produced in partnership with Rockefeller Philanthropy Advisors, *Diversity & Inclusion: Lessons from the Field* featured essays from foundation CEOs and trustees on racial diversity and effectiveness. The publication offered case studies for foundations seeking greater inclusion in their grant-making and operations.

Executive Educational Programming

The Council's Professional Education Department offered a series of learning opportunities designed to meet the needs of our members' executives. These included:

- The Fiduciary's Business Plan: The Investment Policy Statement
- Practical Applications of Achieving Fiduciary Excellence
- Are You Ready for the New Form 990?
- Emerging Trends in Governance for CEOs and Trustees
- The Role Foundations May Play in the Public Policy Arena
- Achieving Excellence in Investment Management Strategies for CEOs and Trustees
- Mission-related Investing

Participation in Colleagues' Events

Council leaders spoke at and participated in 20 events sponsored by colleague organizations on topics ranging from public policy, legal news, and rural philanthropy to global giving, diversity, and corporate social responsibility. Steve Gunderson spoke twice at the United Nations on behalf of philanthropy, and he served as moderator for an international panel on Rural Philanthropy at the Clinton Global Initiative. He continued to speak at many of our foundation members' events across the country, including at Independent Sector's annual conference and at the Congressional Hispanic Caucus Institute's Public Policy Conference on diversity and philanthropy.

SUPPORT COLLABORATION

In 2008, the Council, our colleague organizations, and our members worked together to increase the effectiveness of philanthropy at home and abroad. The Council continued to seek partnerships on emerging issues and areas in which philanthropy could have the greatest impact.

The Forum of Regional Associations of Grantmakers

The Council and the Forum of Regional Associations of Grantmakers continued work towards building a strategic alliance that would maximize the reach and power of two of the largest membership organizations in philanthropy. Both the Council and the Forum believed such a bold collaborative effort would better serve the nation's foundations and other philanthropic donors. Among other benefits, this collaboration offers our members educational programs that draw on the separate strengths of each organization.

Workforce Investment

The National Fund for Workforce Solutions is a \$26 million initiative, currently, supported by a number of funders, including the Annie E. Casey Foundation, the Ford Foundation, the Hitachi Foundation, the John S. and James L. Knight Foundation, the Prudential Foundation, the Harry

and Jeanette Weinberg Foundation, Microsoft, and the U.S. Department of Labor. The Fund provides financial support and other assistance to promising workforce development partnerships around the country. The Fund is one of the first national efforts to support local efforts to foster new workforce partnerships and represents one of the largest financial commitments by the philanthropic community in the workforce arena. Nearly 300 foundations are involved in this effort. In the third quarter of 2008, the National Fund Investor Committee concluded the process of reviewing proposals from emerging collaboratives and conducting site visits, ultimately selecting 11 new sites for year two of the project. Council members are major funding partners in each of these programs and lead the organization for four.

The Council on Foundations' Community Foundations Leadership Team

The Council on Foundations' Community Foundations Leadership Team supported collaboration and innovation among community foundations by awarding a total of \$200,000 to five joint community foundation initiatives in 2008. A new pilot grants program—the Community Foundations Leadership Team Idea Lab—made individual grants ranging from \$25,000 to \$50,000. For example, a collaboration of 15 community foundations located throughout the 10-state Mississippi River Corridor received one of the grants to evaluate the negative impact of development pressures and increased growth on the Mississippi River, its tributaries, and local communities.

Diversity and Effective Grantmaking

In conjunction with the Foundation Center and the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA), the Council co-convened a groundbreaking meeting of researchers, scholars, and grantmakers to identify links between diversity and effective grantmaking. The Donors Forum and Grantmakers for Effective Organizations partnered in this effort.

The Equivalency Determination Information Repository

Recognizing that each private U.S. foundation—no matter its mission—must go through lengthy and expensive processes to give to foreign organizations, the Council participated in initial meetings of a group convened to develop the Equivalency Determination Information Repository. This repository seeks to establish a more efficient system for qualifying foreign grantee organizations as the equivalents of U.S. public charities, one of the principal ways prescribed by the Internal Revenue Service for making cross-border grants.

Joint Efforts with Colleagues

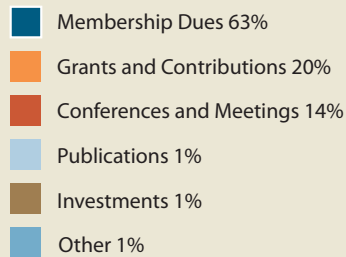
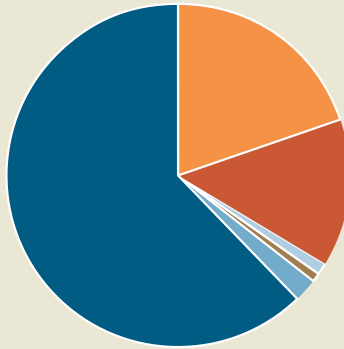
In 2008, the Council developed a number of strategic efforts with colleagues, including nine joint projects. Colleague organizations participated in greater numbers at our Leadership Summit. Affinity groups designed or co-designed 32 core sessions, and 59 colleague organizations hosted 92 conference events.

2008 FINANCIAL STATEMENTS

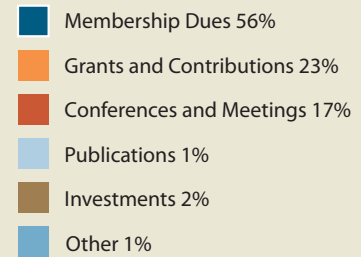
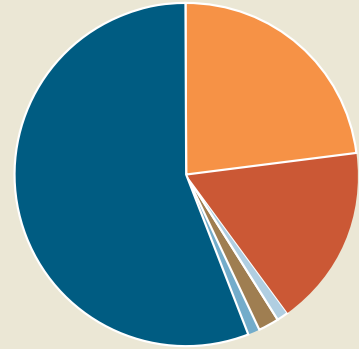
For the Years Ended December 31, 2008 and 2007

Operational Revenue

2008

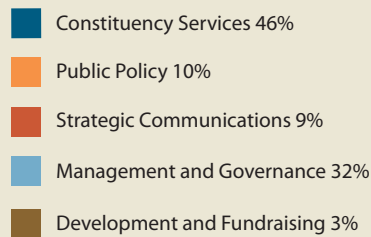
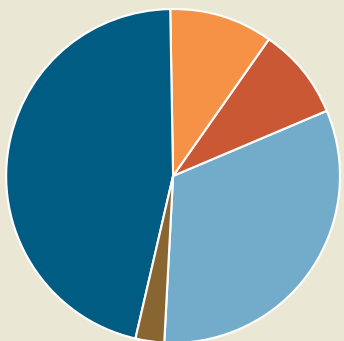


2007

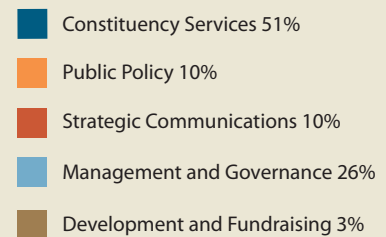
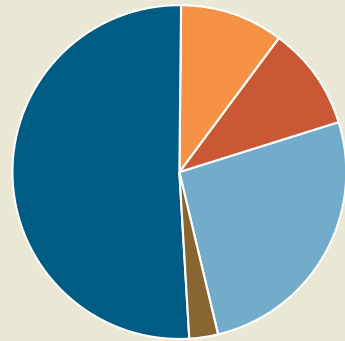


Total Expenses by Program

2008



2007



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Council on Foundations, Inc.

We have audited the accompanying statements of financial position of the Council on Foundations, Inc. (the Council) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council'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 audit 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 Council's internal control over financial reporting. Accordingly, we express no such opinion. 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 Council as of December 31, 2008 and 2007, 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.



RAFFA, P.C.

Washington, DC

June 12, 2009

Statements of Financial Position

Years Ended December 31, 2008 and 2007

ASSETS	2008	2007
Cash and cash equivalents	\$ 3,121,340	\$ 2,497,928
Investments	12,052,230	15,745,052
Accounts receivable, net	383,861	1,848,363
Grants receivable	2,282,000	1,846,000
Accrued interest receivable	27,249	36,609
Prepaid expenses	393,136	220,266
Deposits and other assets	68,246	54,998
Property and equipment, net	<u>4,419,072</u>	<u>4,022,339</u>
TOTAL ASSETS	<u>\$22,747,134</u>	<u>\$26,271,555</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,976,169	\$ 1,858,677
Liability for loss on lease	–	321,723
Deferred membership dues	483,634	662,850
Deferred registration and other fees	336,452	251,808
Deferred subscriptions	11,930	61,208
Capital lease obligations	399,286	–
Deferred rent and construction allowance	<u>3,405,915</u>	<u>2,664,514</u>
TOTAL LIABILITIES	<u>6,613,386</u>	<u>5,820,780</u>
Net Assets		
Unrestricted		
Undesignated	750,624	1,816,139
Board designated	<u>9,792,611</u>	<u>11,935,095</u>
Total Unrestricted Net Assets	10,543,235	13,751,234
Temporarily restricted	5,391,908	6,099,882
Permanently restricted	<u>198,605</u>	<u>599,659</u>
TOTAL NET ASSETS	<u>16,133,748</u>	<u>20,450,775</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,747,134</u>	<u>\$ 26,271,555</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Membership dues and contributions	\$10,568,229	\$1,814,195	\$ –	\$12,382,424
Release from restrictions:				
Satisfaction of time restrictions	<u>1,556,488</u>	<u>(1,556,488)</u>	<u>–</u>	<u>–</u>
Total membership dues and contributions	12,124,717	257,707	–	12,382,424
Grants and contributions	540,783	3,380,178	–	3,920,961
Conference registrations and exhibit income	2,897,640	–	–	2,897,640
Operational investment income	124,756	32,633	–	157,389
Publications	185,717	–	–	185,717
<i>Foundation News and Commentary</i> magazine	–	–	–	–
Other	145,371	–	–	145,371
Release from restrictions:				
Satisfaction of time restrictions	350,000	(350,000)	–	–
Satisfaction of program restrictions	<u>4,429,546</u>	<u>(4,028,492)</u>	<u>(401,054)</u>	<u>–</u>
TOTAL REVENUE AND SUPPORT	<u>20,798,530</u>	<u>(707,974)</u>	<u>(401,054)</u>	<u>19,689,502</u>
EXPENSES				
Program services	14,208,991	–	–	14,208,991
Supporting services	<u>7,505,207</u>	<u>–</u>	<u>–</u>	<u>7,505,207</u>
TOTAL EXPENSES	<u>21,714,198</u>	<u>–</u>	<u>–</u>	<u>21,714,198</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY (915,668)		(707,974)	(401,054)	(2,024,696)
Investment income (loss), net	<u>(2,292,331)</u>	<u>–</u>	<u>–</u>	<u>(2,292,331)</u>
CHANGE IN NET ASSETS	(3,207,999)	(707,974)	(401,054)	(4,317,027)
NET ASSETS, BEGINNING OF YEAR	<u>13,751,234</u>	<u>6,099,882</u>	<u>599,659</u>	<u>20,450,775</u>
NET ASSETS, END OF YEAR	<u>\$10,543,235</u>	<u>\$ 5,391,908</u>	<u>\$198,605</u>	<u>\$16,133,748</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Membership dues and contributions	10,173,969	\$ 1,556,488	\$ –	\$ 11,730,457
Release from restrictions:				
Satisfaction of time restrictions	<u>1,326,113</u>	<u>(1,326,113)</u>	<u>–</u>	<u>–</u>
Total membership dues and contributions	11,500,082	230,375	–	11,730,457
Grants and contributions	858,940	3,650,571	401,054	4,910,565
Conference registrations and exhibit income	3,565,838	–	–	3,565,838
Operational Investment income	252,562	86,783	–	339,345
Other subscriptions and publications	236,835	–	–	236,835
<i>Foundation News and Commentary</i> magazine	4,311	–	–	4,311
Other	138,366	–	–	138,366
Release from restrictions:				
Satisfaction of program restrictions	<u>2,649,181</u>	<u>(2,649,181)</u>	<u>–</u>	<u>–</u>
TOTAL REVENUE AND SUPPORT	<u>19,206,115</u>	<u>1,318,548</u>	<u>401,054</u>	<u>20,925,717</u>
EXPENSES				
Program services	14,016,749	–	–	14,016,749
Supporting services	<u>5,745,726</u>	<u>–</u>	<u>–</u>	<u>5,745,726</u>
TOTAL EXPENSES	<u>19,762,475</u>	<u>–</u>	<u>–</u>	<u>19,762,475</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY				
	(556,360)	1,318,548	401,054	1,163,242
Investment income (loss), net	<u>1,365,331</u>	<u>–</u>	<u>–</u>	<u>1,365,331</u>
CHANGE IN NET ASSETS	808,971	1,318,548	401,054	2,528,573
NET ASSETS, BEGINNING OF YEAR	<u>12,942,263</u>	<u>4,781,334</u>	<u>198,605</u>	<u>17,922,202</u>
NET ASSETS, END OF YEAR	<u>\$ 13,751,234</u>	<u>\$ 6,099,882</u>	<u>\$ 599,659</u>	<u>\$ 20,450,775</u>

The accompanying notes are an integral part of these financial statements.

Statements of Functional Expenses

Year Ended December 31, 2008

	Program Services				Supporting Services				Total
	Constituency Services	Public Policy	Strategic Communications	Total Programs	Management and Governance	Development and Fundraising	Supporting Services	Allocated Costs	
Salaries	\$ 2,926,614	\$ 923,804	\$ 796,121	\$ 4,646,539	\$ 2,624,798	\$ 413,677	\$ 3,038,475	\$ 311,232	\$ 7,716,246
Employee benefits and payroll taxes	740,018	245,065	200,328	1,185,411	655,522	103,604	759,126	8,623	1,953,160
Total salaries and benefits	3,666,632	1,168,869	996,449	5,831,950	3,280,320	517,281	3,797,601	39,855	9,669,406
Consultants / contract services	1,570,394	476,457	358,184	2,405,035	1,259,445	2,948	1,262,393	63,934	3,731,362
Conference expenses	2,007,482	80,019	3,840	2,091,341	48,983	1,013	49,996	-	2,141,337
Occupancy expenses	444,474	141,137	195,700	781,311	367,291	64,142	431,433	425,343	1,638,087
Scholarships and awards	542,276	13,721	18,875	574,872	499,409	-	499,409	-	1,074,281
Office expenses	186,230	32,250	51,961	270,441	257,715	13,285	271,000	171,804	713,245
Depreciation and amortization	-	-	-	-	262,073	-	262,073	331,076	593,149
Travel and other meetings	311,647	55,625	4,486	371,758	116,505	1,612	118,117	9,222	499,097
Printing and production	139,762	41,275	134,951	315,988	128,201	10,479	138,680	1,013	455,681
Other	301,163	-	-	301,163	10,143	-	10,143	76,615	387,921
Authors / speakers	289,505	-	-	289,505	25,339	-	25,339	-	314,844
Postage and mailings	69,470	18,214	61,045	148,729	29,490	8,047	37,537	9,106	195,372
Program / committee meetings	73,635	5,132	539	79,306	82,539	4,948	87,487	-	166,793
Insurance and maintenance	14,495	-	-	14,495	36,627	-	36,627	82,501	133,623
Allocated costs	460,909	146,931	125,257	733,097	412,348	65,024	477,372	(1,210,469)	-
TOTAL EXPENSES	\$10,078,074	\$ 2,179,630	\$ 1,951,287	\$ 14,208,991	\$ 6,816,428	\$ 688,779	\$ 7,505,207	\$ -	\$ 21,714,198

The accompanying notes are an integral part of these financial statements.

Statements of Functional Expenses

Year Ended December 31, 2007

	Program Services				Supporting Services				
	Constituency Services	Public Policy	Strategic Communications	Total Programs	Management and Governance	Development and Fundraising	Total Supporting Services	Allocated Costs	Total
Salaries	\$ 2,982,625	\$ 792,685	\$ 959,744	\$ 4,735,054	\$ 2,179,484	\$ 333,534	\$ 2,513,018	\$ -	\$ 7,248,072
Employee benefits and payroll taxes	824,797	213,983	265,687	1,304,467	603,947	86,478	690,425	-	1,994,892
Total salaries and benefits	3,807,422	1,006,668	1,225,431	6,039,521	2,783,431	420,012	3,203,443	-	9,242,964
Consultants / contract services	1,492,308	376,366	194,643	2,063,317	828,622	2,352	830,974	38,363	2,932,654
Conference expenses	2,118,895	64,547	6,150	2,189,592	70,654	5,351	76,005	-	2,265,597
Occupancy expenses	-	-	-	-	-	-	-	2,447,468	2,447,468
Scholarships/awards	24,634	17,638	-	42,272	79,739	-	79,739	-	122,011
Office expenses	192,724	25,936	58,707	277,367	105,768	4,349	110,117	223,131	610,615
Depreciation and amortization	-	-	-	-	-	-	-	231,884	231,884
Travel and other meetings	417,491	30,068	15,650	463,209	85,641	3,143	88,784	638	552,631
Printing and production	262,735	51,196	93,104	407,035	62,554	621	63,175	40,896	511,106
Other	-	-	1,134	1,134	40,603	-	40,603	-	41,737
Authors / speakers	265,250	-	401	265,651	11,150	-	11,150	-	276,801
Postage and mailings	86,896	20,758	12,174	119,828	30,804	8,353	39,157	9,841	168,826
Program / committee meetings	87,102	48,437	2,999	138,538	58,845	4,960	63,805	178	202,521
Insurance and maintenance	15,929	2,000	1,000	18,929	83,063	-	83,063	53,668	155,660
Allocated costs	1,254,756	331,753	403,847	1,990,356	917,294	138,417	1,055,711	(3,046,067)	-
TOTAL EXPENSES	\$10,026,142	\$ 1,975,367	\$ 2,015,240	\$ 14,016,749	\$ 5,158,168	\$ 587,558	\$ 5,745,726	\$ -	\$ 19,762,475

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,317,027)	\$ 2,528,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on investments	–	(395)
Unrealized losses (gains) on investments	3,101,768	(57,803)
Provision for doubtful accounts receivable	–	(1,156)
Amortization of deferred rent and construction allowance	178,884	104,349
Depreciation and amortization	593,149	231,884
Loss on disposal of property and equipment	81,885	43,471
Changes in assets and liabilities:		
Accounts receivable, net	1,464,502	(1,753,215)
Grants receivable	(436,000)	(1,483,133)
Accrued interest receivable	9,360	(13,796)
Prepaid expenses	(172,870)	(46,178)
Deposits and other assets	(13,248)	15,856
Accounts payable and accrued expenses	117,492	1,083,292
Liability for loss on lease	(321,723)	321,723
Grant payable	–	(137,254)
Deferred membership dues	(179,216)	128,505
Deferred registration and other fees	84,644	(52,569)
Deferred subscriptions	(49,278)	(4,090)
Deferred rent and construction allowance	562,517	2,514,677
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>704,839</u>	<u>3,422,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	1,447,000	2,424,629
Purchases of investments	(855,946)	(2,291,279)
Acquisition of property and equipment	(636,401)	(3,853,748)
NET CASH USED IN INVESTING ACTIVITIES	<u>(45,347)</u>	<u>(3,720,398)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(36,080)	–
NET CASH USED IN FINANCING ACTIVITIES	<u>(36,080)</u>	<u>–</u>
NET INCREASE (DECREASE) IN CASH	623,412	(297,657)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,497,928	2,795,585
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,121,340</u>	<u>\$ 2,497,928</u>
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital leases	\$ 435,366	\$ –
Obligation for equipment acquired under capital leases	\$ (435,366)	\$ –
Interest paid	\$ 23,090	\$ –

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Council on Foundations, Inc. (the Council) was incorporated under the laws of the state of New York. The Council works to serve the public good by promoting and enhancing responsible and effective philanthropy. The Council provides the opportunity, leadership and tools needed by philanthropic organizations to expand, enhance and sustain their ability to advance the common good.

To achieve the Council's mission and vision, three equally important priorities have guided its work during the years ended December 31, 2008 and 2007. These priorities embrace the dramatic changes taking place in philanthropy and, at the same time, build on the Council's distinctive competencies in a growing and varied field.

Programs

Constituency Services—The Council will ensure that foundations are connected to high-quality services across a broad range of needs. To this end, the Council will become both a developer and go-to source for educational expertise and networking opportunities related to core field-wide issues (e.g., educational expertise that supports the field's ability to achieve standards of strong governance and effectiveness in grantmaking). Additionally, the Council will seek opportunities to partner with the broader network of philanthropic infrastructure organizations to co-create and deliver high-quality, co-branded educational offerings.

Public Policy—The Council seeks to become the leading advocacy organization promoting a positive vision for philanthropy, making philanthropy consequential, and conveying to influential public leaders and policy makers a compelling, clear agenda and case for enabling philanthropy. The Council will strive to ensure a positive legislative and regulatory environment for philanthropy, as well as highlight for lawmakers the critical work being done by foundations in communities across the country. These efforts will entail advancing public policies on key issues, including tax policy.

Strategic Communications—Increase outreach and communications to members, infrastructure partners, the field, and the media through multiple high-impact communications platforms. The Council will capitalize on 21st century trends of networking and knowledge management, incorporating innovative uses of technology. This will ensure foundations are connected to one another (for peer-to-peer learning) and to expert content to address their most pressing needs.

The activities of the Council are funded primarily through membership dues from foundations and corporate grantmakers.

Cash Equivalents

The Council considers all money market funds to be cash equivalents.

Investments

Investments are recorded in the accompanying financial statements at their fair value, and consist of bond and equity mutual funds as well as a multi-asset mutual fund, which is invested principally in U.S. and foreign stocks and bonds, commodities, and real estate investment trusts.

Also included in investments is a community investment note issued by the Calvert Social Investment Foundation, Inc. (the Foundation). Community investment notes are designed to pay a fixed, below market

rate of interest for the term of the note. The Foundation was established in September 1988 and is an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The note bears interest at a rate of 3% and matures May 1, 2009. Interest accrues and is paid on an annual basis. The note is an unsecured obligation and is recorded at its face value, plus accrued interest, in the accompanying financial statements.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of the lease period or useful life of the improvements. Maintenance and repairs are charged to expense when incurred; major improvements are capitalized. Upon retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation with any resulting gain or loss included in revenue or expense.

Classification of Net Assets

The net assets of the Council are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Council's operations or that have been designated by the Board for a particular purpose.
- Temporarily restricted net assets represent amounts specifically restricted by donors for various purposes or future periods.
- Permanently restricted net assets represent endowment funds of the Council.

Endowment Funds

In August 2008, the Financial Accounting Standards Board issued Staff Position (FSP) Financial Accounting Standard (FAS) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This FSP 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). The FSP also improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds). The Council adopted FAS 117-1 effective January 1, 2008, and made the required disclosures in Note 12, Endowment and board-designated Funds.

Revenue Recognition

Dues

Membership dues are recognized as revenue in the period to which the dues relate, limited to the value of the actual benefits received. Accordingly, dues paid by members in advance of the period to which they pertain are reflected in the accompanying financial statements as deferred membership dues. Membership dues paid in excess of the actual benefits received are considered a contribution and are recorded as unrestricted revenue if received in the year to which the dues pertain. Membership dues paid in excess of the actual benefits received are recognized as temporarily restricted revenue if collected in advance of the year to which the dues pertain. The implied time restriction is met in the year the member intends the dues to be available to the Council.

Amounts billed for the current year, and obligated based upon member participation during the year and confirmed by the member, but not paid as of the end of the current year, are recorded as dues receivable and are included in accounts receivable in the accompanying statements of financial position.

Grants and Contributions

The Council reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Conference Registrations and Exhibit Income

Conference registrations and exhibit fees are recognized in the year in which the conference takes place. Revenue from these activities received in advance of the meeting is reported as deferred registration and other fees in the accompanying statements of financial position.

Publications

Publication revenue is recorded when the publication is shipped and is reported net of any discounts in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. INVESTMENTS

The Council's investments, at fair value, consist of the following at December 31, 2008 and 2007:

	December 31, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value
Bond mutual funds	\$ 5,558,209	\$ 5,302,565	\$ 5,792,469	\$ 5,873,351
Multi-asset mutual fund	3,846,724	3,244,198	3,658,390	4,382,920
Domestic equity funds	2,738,665	1,770,008	2,687,426	2,699,099
Calvert Community note	1,187,320	1,187,320	1,829,367	1,829,367
International equities	726,931	548,138	678,257	960,315
Total	<u>\$ 14,057,849</u>	<u>\$ 12,052,230</u>	<u>\$ 14,645,909</u>	<u>\$ 15,745,052</u>

The Council internally classifies its investments into the following categories:

	2008	2007
Short-term reserve fund	\$ 1,834,456	\$ 3,252,229
Long-term reserve fund	9,704,611	11,843,191
Scrivner award fund	197,802	244,674
Women & Philanthropy fund	315,361	404,958
Total Investments	<u>\$ 12,052,230</u>	<u>\$ 15,745,052</u>

The short-term reserve funds include grant revenue for specially funded projects, funds designated by the Board for special program initiatives, and current operations revenues in excess of current anticipated disbursements. The long-term reserve fund is specifically designed as a contingency fund to be used in the event of a significant shortfall in revenue. The Scrivner award fund is a special endowment accounts as described in Note 5 of these financial statements.

Investment income (loss) are summarized as follows:

	2008	2007
Interest and dividend income	\$ 966,826	\$ 1,646,478
Unrealized gains	(3,101,768)	57,803
Realized gains	—	395
Total investment income (loss)	<u>\$ (2,134,942)</u>	<u>\$ 1,704,676</u>

3. GRANTS RECEIVABLE

Grants receivable include unrestricted contributions from member organizations which are due as follows:

	<u>2008</u>	<u>2007</u>
Within one year	\$ 1,107,000	\$ 1,546,000
One to five years	<u>1,175,000</u>	<u>300,000</u>
Total grants receivable	<u>\$ 2,282,000</u>	<u>\$ 1,846,000</u>

All grants receivable are deemed fully collectible.

4. PROPERTY AND EQUIPMENT

The Council held the following property and equipment as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 2,023,658	\$ 3,896,724
Leasehold improvements	2,815,704	2,441,520
Equipment under capital leases	<u>435,366</u>	<u>-</u>
Total property and equipment	5,274,728	6,338,244
Less: Accumulated depreciation and amortization	<u>(855,656)</u>	<u>(2,315,905)</u>
Property and equipment, net	<u>\$ 4,419,072</u>	<u>\$ 4,022,339</u>

5. NET ASSETS

Unrestricted

Undesignated

Undesignated net assets represent the unrestricted portion of the net assets of the Council as of December 31, 2008 and 2007.

Board-designated

Long-Term Reserves

These net assets totaling \$9,704,611 and \$11,847,095, as of December 31, 2008 and 2007, respectively, represent funds set aside by the Board of Directors to be used by the Council in the event of a significant shortfall in revenue. Since 1997, the Board of Directors has also designated all investment earnings of the long-term reserve fund be considered board-designated funds.

Member Services

These net assets totaling \$88,000 as of December 31, 2008 and 2007 represent funds set aside by the Council's Board of Directors to be used to expand the array of services offered to family foundation or community foundation members or to fund special initiatives benefiting these members.

Temporarily Restricted

Temporarily restricted net assets are available for the following programs and time periods as of December 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Dues support of future activities	\$ 1,814,195	\$ 1,556,488
General operations—time restricted	1,446,279	600,000
Other grant-funded projects	815,229	891,612
Community foundation services—special project fund	635,829	1,458,143
International services	384,400	633,131
Inclusiveness initiative	251,453	110,000
Building strong and ethical foundations	44,523	621,998
National workforce solutions	—	228,510
Total temporarily restricted net assets	<u>\$ 5,391,908</u>	<u>\$ 6,099,882</u>

Permanently Restricted

The permanently restricted funds of \$198,605 represent the Council's endowment corpus for its Robert W. Scrivner Award and remain inviolate so long as the Council shall continue to exist. The annual investment earnings on these funds are restricted to the Scrivner award project expenses and are included in the other grant funded projects of the temporarily restricted net asset balance as of December 31, 2008 and 2007.

In March 2007, the Council and Women and Philanthropy (Women &), a New York not-for-profit organization, entered into a Letter of Agreement whereby the Council agreed to operate a program in pursuit of Women &'s mission. As a result, all assets of Women & were transferred to the Council and maintained by the Council in funds that were restricted to use for "Women & Philanthropy: A Project of the Council on Foundations". These funds were transferred to the Council at the fair value of \$401,054 and were recorded as an endowment during the year ended December 31, 2007. On June 30, 2008, the Council and Women & terminated the original Letter of Agreement and drafted a new agreement which states that the Council is released from any obligation under the original agreement. Under the terms of this new agreement, the Council agreed to pay \$301,163 to Women's Funding Network (WFN), a Minnesota not-for-profit organization. This amount is included in accounts payable and accrued expenses on the accompanying statement of financial position as of December 31, 2008.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

On March 7, 2007, the Council entered into a non-cancellable operating lease for its headquarters in Crystal City, Virginia. The lease term is for the period June 1, 2007 through April 30, 2019. The lease provides for eleven months of free rent and contains a fixed escalation clause for increases in the annual minimum rent of 2.5% per annum except for year six which is based on an increase of \$1.50 per rentable square foot. Additionally, under the terms of this lease, the Council received from the landlord an allowance of \$2,131,705 for leasehold improvements as an incentive to enter into the lease agreement. Under accounting principles generally accepted in the United States of America, all fixed rent increases, less any rental abatements, and all lease incentives, are recognized on a straight-line basis over the term of the lease. The difference between this rent expense and the required lease payments is reflected as deferred rent and construction allowance in the accompanying statements of financial position.

For the Year Ending December 31,	
2009	\$ 1,584,201
2010	1,623,813
2011	1,664,256
2012	1,705,807
2013	1,761,347
Thereafter	<u>10,196,061</u>
Total	<u>\$18,535,485</u>

The Council's operating lease for its old office space in the District of Columbia expired in April 2008. The Council used this space until December 18, 2007, at which time the space was abandoned. In accordance with Statement of Financial Accounting Standards (SFAS) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, the Council recognized a loss of \$321,723 as of December 31, 2007, representing the difference between the net present value of the future obligations under this lease and the estimated amount of sublease income which could be reasonably obtained for the space. This amount was included as a liability for loss on lease in the accompanying statements of financial position as of December 31, 2007.

Rent expense under these leases for the years ended December 31, 2008 and 2007 was \$1,638,087 and \$2,447,468, respectively and is included in occupancy expense in the accompanying statements of functional expenses.

Capital Leases

During the year ended December 31, 2008 the Council leased equipment under two capital leases which expire in 2013. The leased equipment is included in property and equipment at a cost of \$435,366 with accumulated amortization of \$87,073 as of December 31, 2008.

Total future minimum lease payments under these leases are as follows:

<u>For the Year Ending December 31,</u>	
2009	\$ 109,595
2010	109,595
2011	109,595
2012	109,595
2013	<u>57,257</u>
Total future minimum lease payments	495,638
Less: amounts representing interest at 10%	<u>(96,352)</u>
Present value of future minimum lease payments	<u>\$ 399,286</u>

Contractual Commitments

The Council has entered into various letters of agreement for commitments for hotel accommodations for its planned conferences through October 2010. In the event the Council was to cancel these reservations or fail to use a specified percentage of the total space reserved, the Council would be required to pay liquidated damages based upon the date the hotel was notified of the cancellation or reduction in requested rooms as well as the hotel's ability to fill the resulting vacancies. Management of the Council does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying financial statements.

Concentration of Credit Risk

The cash and cash equivalents of the Council are comprised of accounts at various financial institutions. While the amounts at times exceed the amount guaranteed by the Federal Deposit Insurance Corporation and, therefore, bear some risk, the Council has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2008 and 2007, the amount in excess of the amount guaranteed by federal agencies was \$334,754 and \$79,960, respectively.

7. PENSION PLAN

Defined Contribution Plan

The Council offers a defined contribution plan under Section 403(b) of the Internal Revenue Code. Under the plan, effective December 31, 1981 and amended January 1, 2002, eligible employees may elect to contribute up to the Federal tax limitation. The Council contributes 10% of an employee's earnings. Pension expense for the years ended December 31, 2008 and 2007 was approximately \$470,000 and \$539,000, respectively.

Supplemental Executive Retirement Plan

The Council offers its executives or highly compensated employees an opportunity to defer compensation pursuant to section 457(b) of the Internal Revenue code to supplement such employees' retirement benefits under the employer's ERISA qualified retirement plan. Employees are fully vested when plan contributions are made. Under the 457(b) plan, the Council may contribute up to 15% of a participant's earnings, reduced by any contribution made on behalf of the participant under the 403(b) plan.

8. LETTER OF CREDIT

The Council holds a standby letter of credit with a bank in the amount of \$389,541, which expires on April 30, 2019. The standby letter of credit serves as security for the Council's deposit on the Virginia office space lease described in Note 6 of these financial statements.

9. RELATED PARTY

The Council is related to the Forum of Regional Associations of Grantmakers (the Forum), a nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, through a common board of director. On December 12, 2008, the Council entered into a one year sublease agreement with the Forum for an annual rental of approximately \$16,000.

10. INCOME TAXES

The Council is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. No provision for federal income taxes is required for the years ended December 31, 2008 and 2007 as the Council had no significant net unrelated business income.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN-48-3, *Effective Date of FASB Interpretation No.48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Council has elected to defer the application of Interpretation 48 for the year ended December 31, 2008. The Council evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

11. FAIR VALUE MEASUREMENTS

The Council adopted Financial Accounting Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157) for financial assets and liabilities measured on a recurring basis, effective January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FAS 157 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FAS 157 are described as follows:

Level 1—inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2—inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3—unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes the Council's assets measured at fair value on a recurring basis as of December 31, 2008, aggregated by the fair value hierarchy level within which those measurements were made.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond Mutual Funds	\$ 5,302,565	\$5,302,565	\$ –	\$ –
Multi-asset mutual fund	3,244,198	–	–	3,244,198
Domestic equity fund	1,770,008	798,212	–	971,796
Calvert Community Note	1,187,320	1,187,320	–	–
International equities	548,139	–	–	548,139
Total fair value of financial assets:	<u>\$12,052,230</u>	<u>\$7,288,097</u>	<u>\$ –</u>	<u>\$4,764,133</u>

The Council used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Bond Mutual Funds and the Calvert Community Note—As of December 31, 2008, both the Bond Mutual Funds and the Calvert Community Note investments are valued at the Level 1 method of quoted prices for similar/identical assets. Using reported values of similar assets obtained by a third party, the Council assesses risk based upon the actual returns to the returns of similar assets. If the growth rate is within a target range of +/- 2%, there is no additional risk assessed against the investment.

As of December 31, 2008, investments valued using Level 3 techniques pertain to alternative investments (US equities funds, international and multi-asset funds). These investments use the following methodologies to value instruments within its financial asset portfolio at fair value:

Certain funds invest in private investment funds that pursue certain alternative investment strategies. Private investment funds interest held by the funds are generally not securities for which market quotations are readily available. Rather, such interests generally can be sold back to the private investment fund only at specified intervals or on specified dates. If a private investment fund does not provide a value to a fund on a timely basis, the fund determines the fair value of that private investment fund based on the most recent estimated value provide by the management of the private investment, as well as any other relevant information reasonably available. These inputs include, for example, total returns of indices or exchange-traded funds that track markets to which the private investment fund may be exposed. The fair values of the private investment funds are based on available information and do not necessarily represent the amounts that might ultimately be realized, which depend on future circumstances and cannot be reasonably determined until the investment is actually liquidated.

Fair value is intended to represent a good faith approximation of the amount that a fund could reasonably expect to receive from the private investment fund if the fund's interests in the private investment fund were sold on the measurement date, based on information reasonably available at the time valuation is made and that the fund believes is reliable.

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of December 31, 2008, were as follows:

Beginning balance	\$6,839,217
Purchases	281,411
Total realized and unrealized losses included in earnings	(2,356,495)
Transfers in/out of Level 3	<u>—</u>
Balance as of December 31, 2008	<u>\$4,764,133</u>

12. ENDOWMENT AND BOARD-DESIGNATED FUNDS

The Council's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments/board-designated funds. 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.

Interpretation of Relevant Law

The Board of Directors of the Council has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Council 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 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 Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council 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 Council 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 Council
- The investment policies of the Council

As of December 31, 2008, the Council's endowment and board-designated net assets had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 11,847,095	\$ 24,065	\$ 599,659	\$12,470,819
Interest and dividends, net of investment expense	710,215	14,359	–	724,574
Net appreciation (depreciation)	(2,852,699)	–	(99,891)	(2,952,590)
Amounts appropriated for expenditure	–	(15,832)	(301,163)	(316,995)
Changes in net assets	<u>(2,142,484)</u>	<u>(1,473)</u>	<u>(401,054)</u>	<u>(2,545,011)</u>
Net assets, end of year	<u>\$ 9,704,611</u>	<u>\$ 22,592</u>	<u>\$ 198,605</u>	<u>\$ 9,925,808</u>

As of December 31, 2007, the Council's endowment and board-designated net assets had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 10,707,155	\$ 27,134	\$ 198,605	\$10,932,894
Contributions	–	–	401,054	401,054
Interest and dividends, net of investment expense	1,146,318	23,995	–	1,170,313
Net appreciation (depreciation)	(6,378)	(5,827)	–	(12,205)
Amounts appropriated for expenditure	–	(21,237)	–	(21,237)
Changes in net assets	<u>1,139,940</u>	<u>(3,069)</u>	<u>401,054</u>	<u>(1,537,925)</u>
Net assets, end of year	<u>\$ 11,847,095</u>	<u>\$ 24,065</u>	<u>\$ 599,659</u>	<u>\$12,470,819</u>

As of December 31, 2008, the Council's endowment and board-designated net assets had the following net asset composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ -	\$ 198,605	\$ 198,605
Temporarily restricted	-	22,592	-	22,592
Board-restricted	<u>9,704,611</u>	<u>-</u>	<u>-</u>	<u>9,704,611</u>
Endowment net assets, end of year	<u>\$ 9,704,611</u>	<u>\$ 22,592</u>	<u>\$ 198,605</u>	<u>\$ 9,925,808</u>

As of December 31, 2007, the Council's endowment and board-designated net assets had the following net asset composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ -	\$ 599,659	\$ 599,659
Temporarily restricted	-	24,065	-	24,065
Board-restricted	<u>11,847,095</u>	<u>-</u>	<u>-</u>	<u>11,847,095</u>
Endowment net assets, end of year	<u>\$ 11,847,095</u>	<u>\$ 24,065</u>	<u>\$ 599,659</u>	<u>\$12,470,819</u>
			<u>2008</u>	<u>2007</u>

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 198,605 \$ 599,659

Total endowment funds classified as
permanently restricted net assets

\$ 198,605 \$ 599,659

The portion of perpetual endowment funds subject to a
time restriction under UPMIFA:

Without purpose restrictions

\$ - \$ -

With purpose restrictions

22,592 24,065

Total endowment funds classified as
temporarily restricted net assets

\$ 22,592 \$ 24,065

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2008 or 2007.

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment and board-designated assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the board-designated assets are invested in funds with a primary objective to allow the fund to grow over time. The objective of the permanently restricted assets is the preservation of capital.

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). As a result, the Council has elected to adopt a well-diversified asset allocation consisting of equity and fixed income securities. The Council's current asset allocation for board-designated funds targets a composition of between 15% and 25% in U.S. equities, between 3% and 11% in international equities, between 30% and 50% in aggregated bonds, and between 30% and 40% in balanced funds. The Council's current asset allocation for permanently restricted net assets targets a composition of between 40% and 50% in US equities, between 5% and 15% in international equities, and between 40% and 50% in aggregate bonds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Expenditures from the board-designated net assets are released as approved by the Council's board of directors. The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations.

13. RECLASSIFICATIONS

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

14. SUBSEQUENT EVENTS

Conference Format Change

In 2009, the Council will return to its three-conference format; hosting the Family, Annual and Fall conferences. In 2008, the Council hosted the Summit, a consolidated conference.

The Forum

In January, 2009, the Council entered into a service agreement with the Forum to provide back office support (Finance, Administration and Human Resource services). See note 9 for further disclosure.

Council on Foundations

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